



2018 Annual Report

I. Name, Title, Telephone and Email of Spokesperson and Deputy Spokesperson

	Spokesperson	Deputy Spokesperson 1	Deputy Spokesperson 2
Name / Title	Chien, Weng Executive Vice President	Hsu Shu, Mai Vice President	Allen, Wu Senior Vice President
Telephone	(02)2781-1999	(02)2781-1999	(02)2781-1999
Email	Robert@yuanta.com	PhilMai@yuanta.com	AllenWu@yuanta.com

II. Address, Telephone and Website of FHC and its Subsidiaries

Company	Address	
	Website	Telephone
Yuanta Financial Holdings	6F, 10F, 12F~13F, No. 66, Sec. 1, Dunhua S. Rd., Taipei City	
	http://www.yuanta.com	(02)2781-1999
Yuanta Securities	13F~14F, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
	http://www.yuanta.com.tw	(02)2718-1234
Yuanta Bank	1F~10F, No. 66 and 1F,2F,2F-1,7F,9F, No. 68, Sec. 1, Dunhua S. Rd., Taipei City	
	http://www.yuantabank.com.tw	(02)2173-6699
Yuanta Life	17F, No.156, Sec.3, Minsheng E. Rd., Taipei City	
	http://www.yuantalife.com.tw	(02)2751-7578
Yuanta Securities Finance	12F, No.66, Sec. 1, Dunhua S. Rd., Taipei City	
	http://www.yuantafinance.com.tw	(02)2173-6833
Yuanta Venture Capital	10F, No.66, Sec. 1, Dunhua S. Rd., Taipei City	
	http://www.yuanta.com/VentureCapital/	(02)2173-6633
Yuanta Asset Management	10F-1, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
	http://www.yuanta.com/AM/	(02)2173-6655
Yuanta Futures	11F~12F, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
	http://www.yuanta futures.com.tw	(02)2717-6000
Yuanta Securities Investment Trust	10F~11F, No. 219 and 6F, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
	http://www.yuanta funds.com	(02)2717-5555
Yuanta Securities Investment Consulting	4F, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
	https://research.yuanta.com/	(02)8770-6078

III. Name, Address, Website and Telephone of Institution for stock transfer

Institution for stock transfer	Yuanta Securities, Registrar & Transfer Department	Telephone	(02)2586-5859
Website	http://www.yuanta.com.tw	Address	B1F., No.210, Sec. 3, Chengde Rd., Taipei City

IV. Name, Address and Telephone of credit rating agencies

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

V. Name, Accounting Firm, Address, Website and Telephone of CPAs on the 2018 Financial Statements

Name of CPA	Puo-Ju, Kuo Hsien-I, Chen	Telephone	(02) 2729-6666
Accounting Firm	PricewaterhouseCoopers Certified Public Accountants	Address	27F., No.333, Sec. 1, Keelung Rd., Taipei City
Website	http://www.pwc.com/tw/		

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

Contents

One. Letter to Shareholders -----	1
Two. Company Profile and Corporate Governance Report -----	10
I. Date of establishment -----	10
II. Corporate Milestones-----	10
III. Organization -----	14
IV. Information on Directors, Independent Directors and Managers -----	21
V. Status of Corporate Governance -----	46
VI. Independent Auditor Fee Information -----	126
VII. Information on the Replacement of CPAs-----	127
VIII. Name of Auditing Firm or Its Affiliates at Which the Company’s Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/her Position and Employment Period -----	127
IX. Equity Changes, Transfers, and Pledges of Directors, Managers and Major Shareholders -----	128
X. Information of the Top Ten Shareholders Being Related Parties. -----	131
XI. Total Shareholding Ratio in Each Invested Enterprise -----	132
Three. Financing Status -----	133
I. Corporate Capital and Shares -----	133
II. Corporate Bonds -----	144
III. Issuance of Preferred Shares -----	147
IV. Issuance of Overseas Depository Receipts -----	147
V. Issuance of Employee Stock Option Certificates -----	147
VI. Information about new restricted employee shares-----	147
VII. Mergers or Acquisitions-----	147
VIII. Implementation of Capital Utilization Plan-----	150
Four. Overview of Operations -----	151
I. Operations -----	151
II. Cross-Selling and Joint Marketing -----	226
III. Market and Business Overview-----	226
IV. Employee Information for the Most Recent Two Years Up to the Publication of this Annual Report -----	230
V. Corporate Social Responsibilities and Ethics -----	233
VI. Number of employees in non-managerial positions, annual average employee benefit expenses, and difference in comparison with those of the preceding year -----	243
VII. Information Technology and Facilities -----	243
VIII. Relations between laborers and employer-----	249
IX. Important Contracts-----	255

Five. Financial Status -----	262
I. Summary Five-Year Balance Sheets and Consolidated Income Statement -----	262
II. Financial analysis for the most recent five years -----	268
III. Audit Committee’s Report on the Latest Financial Statements -----	271
IV. The Latest Consolidated Financial Statements of the Company and Its Subsidiaries Audited and Certified by CPAs -----	272
V. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company’s Financial Status -----	272
Six. Discussion and Analysis of Financial Status and Financial Performance, and Risk Management -----	273
I. Comparative Analysis of Financial Conditions -----	273
II. Analysis of Financial Performance -----	275
III. Analysis of Cash Flow -----	276
IV. Major capital expenditures in the most recent year -----	277
V. Investment strategies, causes for investment gains and losses, and planned improvements for the most recent year and investment plan for the coming year -----	277
VI. Risk Management -----	277
VII. Crisis Management and Emergency Response -----	291
VIII. Other Significant Events -----	291
Seven. Special Items -----	292
I. Information on Affiliates -----	292
II. Status of Securities in Private Placement -----	313
III. Shares of the Company Held or Disposed of by Subsidiaries -----	313
IV. Other Important Supplementary Information -----	313
Eight. Significant Issues Which Might Affect Shareholders’ Equity or Price of Shares Pursuant to Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Past Year and Up to the Publication of this Annual Report -----	314
Appendix. The Latest Consolidated Financial Statement Audited and Certified by CPAs -----	315

Notice to readers

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

One. Letter to Shareholders

I. Domestic and international financial environment

Looking back on the year, according to IHS Markit information in January 2019, the global economic growth rate in 2018 was 3.2%, somewhat lower than the 3.3% in 2017. With the exception of the US economy, where the growth was rapidly driven by its domestic demand, the economy in the other leading economies, such as the Eurozone, Japan and other emerging markets, appeared to be sluggish. Domestically, benefiting from the stable global economic recovery during the first half of the year, which led to strong momentum in trading and production activities, the economic growth rate was held steady at over 3%; however, the impact of the China-US trade war took effect in the second half of the year, causing financial instability followed by a slowdown in the economy. As a result, the outlook turned conservative. According to the Directorate-General of Budget, Accounting and Statistics in February 2019, the domestic economic growth rate is estimated to be 2.63% for 2018, which is lower rate as compared to 3.08% for 2017, suggesting the economy is moving at a slower pace.

Looking forward to 2019, if the US Federal Reserve (Fed) continues to pursue a normalization of the monetary policy and the China-US trade dispute remains unresolved, coupled with the economic and political turmoil in Europe, most international forecasting agencies believe that the growth in global trading activities in 2019 is likely to slow down as compared to 2018. In January 2019 report, IHS Markit forecasted the global economic growth rate to be 2.9% for 2019, lower than that in 2018, which was 3.2%. Affected by the global circumstances, there is growing uncertainties in Taiwan's financial market, and with the given trade and financial risks, exports and private consumption are expected to be relatively sluggish. On the other hand, the investment growth rate is expected to rebound following the government policy to stimulate outbound Taiwanese entrepreneurs to move investment back to Taiwan and the continuing promotion the Forward-Looking Infrastructure Development Program. The Directorate-General of Budget, Accounting and Statistics thus forecasted in February 2019 a 2.27% economic growth rate in Taiwan for 2019, slightly lower than that of 2018, which was 2.63%.

In terms of the domestic financial industry's performance in 2018, benefiting from booming investment and transaction in the stock market, the securities industry turned in a solid performance in terms of business operations, but due to drastic correction of the stock price in October, the proprietary trading business suffered losses, and the overall total pre-tax profit for securities firms was less than that of 2017. Yuanta Securities was one of the few leading securities firms with positive growth in profits. In the banking industry, due to the increase in interest spread in USD, the foreign currency loan business continued to boom, while NTD loans declined due to intensive competition and weak demand. However, with stable non-interest income and credit cost, the pre-tax profit reported by domestic banks exceeds 2014, setting a new record high. Meanwhile, Yuanta Bank, with the merger of Ta Chong Bank completed, delivered a double-digit growth in profits. With over trillions of NT dollars in total assets, it is now in the ranks of the mid-size and large banks of Taiwan. As for life insurance industry, notwithstanding the regulation change increasing the liability reserve rate for protection-type insurance products by 25 basis points and the activities in the global capital markets, first-year premium revenue grew by about 10%. However, due to increasing fluctuation of NTD

exchange rate and drastic increase in hedging cost, the net FX loss for the year hit record high, ending the record of consecutive pre-tax profit of over hundred billion NTD for the life insurance industry since 2014. By continuing to promote protection-type and long-term products, adopt a solid investment plan and develop evenly across multiple channels, Yuanta Life has improved its profit and loss year by year.

Looking forward to 2019 where the international environment is filled with complex economic and political issues, domestically, notwithstanding the slowdown of economic growth, the market liquidity is still quite good and will help to stabilize domestic finance. The revenue from the securities brokerage commission will still play an important role in profit-making, but proprietary trading becomes even more difficult to operate. As for the banking industry, the focus will be on the net interest income and credit cost, with the profitability is expected to remain stable. Nevertheless, the assets for overseas loans should be carefully monitored for any changes in quality. In terms of life insurance industry, in consideration of the increase in the liability reserve rate for products such as USD policies, sales performance is expected to continue, but still subject to the pressure from high hedging cost. Generally, there is risk concerns regarding financial excesses globally in 2019. Therefore, even greater caution shall be taken in the Company's operations.

II. Changes in company organization

The most significant changes in the Company's organization in 2018 are as follows:

(I) Establishment of the Sustainability Committee

In order to practice the concept of sustainable operation, implement corporate governance, strengthen the board of directors' commitment in ethical management and performing corporate social responsibility, the amendments to the relevant articles on organization and the "Sustainability Committee Charter" were approved at the 34th meeting of the 7th term board of directors on November 28, 2018, establishing the Sustainability Committee to operate under the board of directors.

The Corporate Sustainability Committee governs the "Center for the Promotion of Integrity Management" and "Center for the Promotion of CSR", which are re-established from the former Ethical Management Committee and Center for the Promotion of Corporate Social Responsibility respectively.

(II) Establishment of the Nominating Committee

In order to strengthen the functions of the board of directors and its management mechanism, the Company approved the establishment of the Nominating Committee at the 36th meeting of the 7th term board of directors on January 23, 2019.

(III) The merger of Yuanta Bank and Ta Chong Bank was approved by the Financial Supervisory Commission ("FSC") via FSC approval letter under Ching-Kuan-Ying-Kong-Tze No. 10500320920, dated January 17, 2017. The surviving entity upon consolidation was Yuanta Bank and the record date for the consolidation was set as January 1, 2018.

The most significant changes in the Company's subsidiaries in 2018 are as follows:

(I) Yuanta Securities Vietnam Joint Stock Company, an overseas subsidiary of Yuanta Securities, carried out a capital increase on September 19, 2018. As a result, the shareholdings by Yuanta Securities Asia Financial Services increased from 50.76% to 85.23%, while the shareholdings by Yuanta Securities (HK) declined from 49.19% to 14.76%. On November 29, 2018, Yuanta Securities Asia Financial Services completed the acquisition of the outstanding equity of 0.01%. Consequently, Yuanta Securities Asia

Financial Services and Yuanta Securities (HK) held 85.24% and 14.76% of the equity of Yuanta Securities Vietnam Joint Stock Company, amounting to 100% in total. The capital of Yuanta Securities Vietnam attained VND1 trillion after the capital increase.

- (II) In consideration of Brexit and the increasing operating costs for compliance, the board of directors of Yuanta Securities resolved in July 2018 to liquidate its overseas subsidiary, Yuanta Securities (UK), and set November 1, 2018 as the record date for the liquidation.

In the future, the Company will continue to adjust the capital structures of its subsidiaries in line with business development needs and strengthen the entire Group's competitiveness through organizational restructuring. In order to create operational synergies, the Company has adopted a joint channel strategy, setting up offices for securities and banking operations in the same location. As of the end of December 2018, a total of 49 securities and bank branches are operating from the same location, creating maximum synergy by integrating resources.

III. Business achievements

Looking back on 2018, despite the rapidly changing international economic and political environment and the turmoil in the financial markets, the Company adopted an adjustable, cautious and stable approach in dealing with the external changes. The net profit after tax was NT\$18.679 billion, with an EPS of NT\$1.59 and ROE of 8.70% in 2018. The profitability of Yuanta Financial Holdings grew by 15% from last year. If the effect of non-recurring profit and loss is excluded, the ROE hit a record high since the financial crisis.

While developing the financial business thoroughly and creating profit, the Company also values the positive development in such areas as corporate governance, customer rights and interests, employee care, environmental sustainability and social welfare. The Company has been included in the FTSE4Good Emerging Index for two years consecutively, and was selected as a constituent in the FTSE4Good TIP Taiwan ESG Index in December 2018, demonstrating that while strengthening its asset scale, the Company also won recognition from international investors for the efforts in corporate governance and corporate social responsibility and ranks as a leading indicator in the domestic financial industry.

Additionally, the Company also has continued to review and strengthen various issues concerning sustainable development and won recognition from multiple external organizations. For example, the Group's 324 business locations throughout Taiwan received ISO14064-1 Greenhouse Gas Inventory System Certification, with 100% assessment coverage rate. The Company has been awarded by the Taipei City Government as a Benchmark Business for Green Purchasing for 8 consecutive years, and at the same time received recognition from the Environmental Protection Administration of the Executive Yuan for 7 years consecutively. The Company values the health of its employees. Yuanta Financial Holdings, Yuanta Securities, Yuanta Bank and Yuanta Futures were awarded the accreditation badge for a healthy workplace by Health Promotion Administration respectively. In February 2019, the Company received a Leadership ranking with an A- rating from Carbon Disclosure Project (CDP) for the first time, achieving the best score ever in Group's history and a continuing demonstration of corporate social responsibility with care for the environment. The Company's corporate social responsibility report was certified by the BSI. The Company has also been awarded the Taiwan Financial Award - "CSR Excellence Award for Financial Holdings" by Wealth Magazine for 3 years consecutively. Implementation of CSR verification won the BSI Excellence in Sustainability Award.

For corporate governance, in 2018, the Company was awarded the "Platinum Award for

Excellence in Governance, CSR, Investor Relations Benchmarking” among Asian enterprises by the internationally renowned financial magazine, The Asset. The Company also passed the Taiwan Corporate Governance Association’s “CG6011 (2017) Corporate Governance Framework Assessment Certificate with Excellence” in June 2018, becoming the first financial holdings company in Taiwan to receive this certification (effective from June 12, 2018 to June 11, 2020). In April 2018, the Company also ranked in the top 6%~20% of listed companies in the 4th annual “Corporate Governance Evaluation Award” held by the TWSE.

The business achievements of the Company’s subsidiaries are stated as follows:

Yuanta Securities has 147 branches as of the end of December 2018, with a brokerage market share around 11.88%, maintaining the leading position in the industry. In recent years, Yuanta Securities has continuously developed multiple businesses domestically and overseas, driven by an enterprising culture of pursuing innovation and teamwork, and received recognition by domestic and foreign professional financial magazines, totaling 52 awards for the year, including the “Best Local Brokerage in Taiwan” award from Asiamoney for 12 consecutive years, and securities-related awards by various foreign agencies such as The Asset and FinanceAsia. Honors from the competent authorities included the “Digital Contents Product Award-Best Product of the Year, Mr. Yuanta App”, “Marketable Securities Award-Listed Securities Underwriter”, the first place in the “Increase in Electronic Order Placement Volume Award”, the first place in the “Number of Trade Accounts Performance Award”, the first place in the “API Promotion Award”, the first place in the “TPEX Pre-listing Tutorship Performance Award”, “Diamond Award for Introducing Broker’s Trading Volume”, “Diamond Award for Futures Proprietary Trading Volume”, “Diamond Award for the performance of FX products market maker – Futures Proprietary Merchant”, and “Diamond Award for trading volume growth”. Meanwhile, the Company also received the “Wealth Management Award (Wealth Magazine)” and “Wealth Magazine Financial Brand Award (Wealth Magazine)”, and the “Best Wealth Management in Securities Sector” from Business Today won by the Company for 11 consecutive years, acknowledging in recognition for Yuanta Securities’ efforts in developing the business and the execution of customer rights and interests.

The merger of Yuanta Bank and Ta Chong Bank was completed on January 1, 2018. Following the merger, Yuanta Bank became the 7th largest private bank in Taiwan. The Bank’s business and customer scale grew sharply and the distribution of domestic branches and business locations became more complete and balanced. Upon the merger, Yuanta Bank continues to uphold its primary business philosophy of “balancing its business structure, dispersing its profit-making sources and increasing the efficiency of its capital utilization”. Led by the management team, the Bank carried out the maintenance of relations with customers, adjustment on business orientation, upgrading of the IT systems, optimization of operating procedures, and enhancement of human resources so the overall profitability can be better than before the merger of the two banks. As of the end of December 2018, Yuanta Bank’s asset size reached NT\$1.2781 trillion. Driven by the adjustment on OBU loan structure and US interest rate increase, the Bank’s interest spread between deposits and loans continued to increase by the quarter in 2018, which is the major contribution to the profit growth. The net income for the year is NT\$8.608 billion, an increase of NT\$0.609 billion as compared to 2017, with a growth rate of 8%, an EPS of NT\$1.16 and ROE of 7.52%. If the asset impairment loss recognized upon the test on the impairment on the stated goodwill according to the IAS 36

“Impairment of Assets” in December 2018 was excluded, the net income for the year would be NT\$10.024 billion, an increase of NT\$2.025 billion as compared to 2017, with a growth rate of 25%, maintaining good asset quality under continuous profit growth. In terms of the wealth management business, the Bank upheld the philosophy focusing on “Dedication, Care and Integrity” when providing customers with professional service, and in 2018 won the award for “Best Service, Best Professional Team, Best Charity Promotion” from Wealth Magazine-Wealth Management Assessment, and the award for “Best Information Services and Best Products” from Business Today-Wealth Management Bank Evaluation, a clear indication that Yuanta Bank is highly recognized by our customers .

Following a transformation of its product strategy in 2016, Yuanta Life upheld the policy guidelines of “Unchanged but following the destiny, Growing Stably, Echoing between internals and externals, Achieving triple win”, and continued focusing on the promotion of protection-type and long-term paying products to upgrade the market share of such products from 37% to 41%. In terms of wealth management products, in accordance with the changes in laws and regulations (no loading loss permitted), the commission and bonus costs to the bancassurance channels are cut. Meanwhile, in order to ensure achievement of the business performance target, the wealth management products are promoted mainly via the Group’s own channels. It also engaged in marketing the protection-type and long-term products via the traditional insurance brokers and agents channels, diversified marketing channels and direct agency channels. In 2018, the commission-calculating premium from protection-type and long-term paying products is NT\$2.4 billion, a growth of 23% Year-Over-Year, a clear indication that Yuanta Life is expanding its business scale for protection-type and long-term paying products at a stable pace in pursuit of long-term value and realization of insurance’s spirit of “mutual assistance”.

In implementing their respective 2018 business plans, our subsidiaries posted the following results:

Item		Total assets (NT\$1,000)	Revenue (NT\$1,000) [Note 1]	Net income (NT\$1,000)	EPS (NT\$)
Yuanta Securities	2017	349,534,180	18,866,538	8,025,674	1.47
	2018	335,805,633	20,347,315	8,888,331	1.64
Yuanta Bank [Note 2,3]	2017	1,304,312,170	22,838,288	7,998,634	1.08
	2018	1,278,099,257	21,598,465	8,607,600	1.16
Yuanta Life	2017	201,182,498	42,677,025	(159,195)	(0.22)
	2018	239,390,357	47,938,641	276,802	0.32
Yuanta Securities Finance	2017	27,423,118	730,947	2,089,011	5.22
	2018	28,035,245	844,503	503,077	1.26
Yuanta Venture Capital	2017	2,321,581	172,815	11,311	0.05
	2018	2,611,815	265,667	220,861	0.90
Yuanta Futures	2017	56,719,069	2,887,768	873,286	3.76
	2018	72,108,776	3,431,314	1,000,045	4.31

Item		Total assets (NT\$1,000)	Revenue (NT\$1,000) [Note 1]	Net income (NT\$1,000)	EPS (NT\$)
Yuanta Securities Investment Trust	2017	4,789,300	2,500,679	1,001,405	4.41
	2018	4,978,302	2,538,278	1,005,530	4.43
Yuanta Asset Management	2017	3,394,802	417,609	258,864	1.83
	2018	3,080,779	298,681	153,915	1.54
Yuanta Securities Investment Consulting	2017	241,407	206,688	489	0.03
	2018	248,454	204,125	1,256	0.13

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

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

Note 3: Ta Chong Bank merged into Yuanta Bank on January 1, 2018. Because this was considered Yuanta Group organizational restructuring, the financial reports for the year 2017 were retroactively adjusted in accordance with regulations.

IV. Credit ratings' dates and results

Domestic and foreign credit rating organizations have recognized the Company's stable asset quality and business achievements. Taiwan Ratings Corporation confirmed on January 17, 2019 that the Company's outlook should remain as "stable", primarily because the Group has a strong capital level and is in a leading position in the relevant securities markets in Taiwan. Fitch Ratings confirmed on July 12, 2018 that the Company's outlook should remain as "stable". The rating reflects the continual strengthening of the Group's market position domestically and overseas. Through multiple M&A projects, Yuanta Group was able to seek more diversified sources of profit and funding by expanding its banking and overseas securities businesses.

According to the ratings given by the Taiwan Ratings Corporation on January 17, 2019, it maintained the long-term and short-term credit ratings of the Company as "twAA-" and "twA-1+", respectively, and rated the Company's outlook as "stable". According to Fitch Ratings' assessment on July 12, 2018, the Company's domestic long-term and short-term credit ratings remained at "AA-(twn)" and "F1+ (twn)", and international long-term and short-term ratings at "BBB+" and "F2", respectively, with a "stable" outlook.

The Company is committed to rigorous risk management and pragmatic business development with a focus on raising the level of asset quality, while continuing to pursue concrete implementation of good corporate governance practices. As of the end of 2018, the Company's debt to equity ratio was 16.17%, the double leverage ratio was 111.73%, and the capital adequacy ratio was 138.70%, all highlighting the Company's sound financial structure.

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

Rating category	Rating agency	Credit rating		Outlook	Effective date
		Long-term	Short-term		
International rating	Fitch Ratings	BBB+	F2	Stable	2018/07/12
Domestic rating	Fitch Ratings	AA-(twn)	F1+(twn)	Stable	2018/07/12
	Taiwan Ratings	twAA-	twA-1+	Stable	2019/01/17

V. Future business environment and development strategy

The core values upheld by the Company are “Seize opportunities and create client wealth”, “Enhance performance and promote employee welfare”, and “Create value and increase shareholders return”. While developing the financial business thoroughly and creating profit, the Company also values the positive development in such areas as corporate governance, customer rights and interests, employee care, environmental sustainability and social welfare, in hope of moving forward in achieving the objective of “Best Financial Services Provider in the Asia Pacific Region” through the concept of sustainable business operation.

In implementation of sustainability, the Company continues to promote the three major concepts, sustainable finance, environment friendly and society’s mutual prosperity, into the corporate culture and business practices, by offering more diversified financial products, greener financial services, and better customer care, and urging its business partners to focus on the issue of sustainability, so as to gradually establish a sustainable business management and service model, with the goal of being ultimately included by Dow Jones Sustainability Index (DJSI World).

Looking back on the Company’s development history in recent years, the Company’s entire business scale appears to be upgraded significantly upon various business entities’ integration and voluntary growth, benefits from M&A and consolidation, efforts in constructing overseas business and business growth by securities business. At the same time, the Company also transformed itself from a business model focusing on the securities market in Taiwan to the only one financial holding company in Taiwan developing two core businesses, securities and banking simultaneously. In the process of expansion growth and business model adjustment, the Group’s business entities have maintained their stable financial structure and excellent asset quality. Meanwhile, after excluding the effect of non-recurring profit and loss, Yuanta Financial Holdings’ earning after tax and ROE are also showing stable growth.

In the future, the Company’s long-term and mid-term development strategy will continue to maintain the overall growth development strategy centering on “core- building and growth driven”. In addition to solidifying the core businesses, and continuing to develop its competitiveness, the Company will also focus on the setting up and management of businesses, markets and customers with growth potential, as well as to leverage the Group’s cross-industry or cross-border integration growth to stabilize and upgrade its profitability effectively.

The development strategies of the Company for 2019 are summarized as follows:

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

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

In terms of overseas business, the overseas subsidiaries’ channels have become matured. Of all channels, Yuanta Securities (Korea) and Yuanta Securities (HK) have become Yuanta Securities’ double profit-making engines for overseas markets. Yuanta Securities (Vietnam), Yuanta Securities (Thailand) and Yuanta Securities (Indonesia) will

also extend and transplant the successful experience of Yuanta Securities to help them develop new business growth momentum. Meanwhile, it will continue to construct Yuanta Securities (HK) to be the major platform for “bond issuance in Asia” and the international trading platform center of Yuanta Securities and the Group to link with the regional markets in which Yuanta Securities’ overseas subsidiaries are situated. It will also utilize the strength and characteristics of the cross-border financial trading to provide customers with more diversified financial products and financing services. For the development in Mainland China, Mainland China has announced multiple financial liberalization policies recently, including the lifting of foreign investment shareholding ratios of securities companies, fund management companies, futures companies and life insurance companies up to 51%, and the lifting of the investment restriction after three years. Subject to the policy adopted by the competent authority in Taiwan, the Company will continue to focus on the relevant progress and market changes and seize the chance to launch into the market of Mainland China. Also, in the future, Yuanta Securities will keep an eye on new investment opportunities in Asia so as to enhance its presence in the region.

(II) Yuanta Bank: Balanced business development and maintenance of stable profitability

By means of the strategic division of labors and cooperation among the five major divisions, including the Wholesale Banking Division, Retail Banking Division, Personal Financial Services Division, Financial Markets Division and International Business Division, the Bank adopted a balanced development of various operations. For the loan operations, the Bank continued to adjust the structure and increase loan assets. Under the circumstance that risk is controllable, loan operations would chose high-yield loan operations as the primary business line to increase the yield rate on loan assets and related revenue from commission. For the deposit operations, the Bank adopted the flow management to enable its branches to realize the value of localized operations, promote the growth of core deposits to support the growth of loan business with stable deposits and increase the sources for developing wealth management business. For the wealth management operations, the Bank expanded the wealth management customer base by strengthening the customer clustering management to upgrade business productivity and promote the growth of revenue from commission.

(III) Yuanta Life: Continue to develop and promote the “protection-type and long-term products” and “wealth management products” and to build work-site marketing model

In terms of products, in order to deal with an aged society and low birth rate in Taiwan, Yuanta Life will continue to develop the protection-type products commensurate with the retirement life, retirement medical treatment and retirement care needs. It will also continue to develop interest rate sensitive policies with protection multiples for death, reserve tax sources with the protection provided by life insurance to meet the high-asset customers’ need for safeguarding of assets and planning for inheritance, continue the expansion of group insurance business by establishing the work-site marketing model, whereby exclusive products with life protection and retirement planning services are offered at the work-site and marketing topics created due to the strength of the products, properly establish the structure and function of e-commerce platforms, and develop e-commerce platform products per the characteristics of digital financial customer clustering to provide diversified online insurance products and customer services and expand its scope of services.

In terms of channels, Yuanta Life will continue to develop multiple channels in a stable and balanced way, and develop differentiated products according to characteristics of channels and diversified requirements of different target customers to meet the needs of channel development. Yuanta Life will adhere to the corporate core values for “Insurance Protection, Sustainable Business and Welfare Society”, and continue to

promote the protection-type and long-term products to generate long-term stable profits and enhance its brand value.

- (IV) Yuanta Funds: Strengthen foundations and drive innovation for product lines to satisfy the diversified needs for asset management

Yuanta Funds has long been dedicated to innovation and promotion in ETFs. Apart from being customer-oriented, engaging in the diversified development of AI and the innovation, R&D and promotion of new ETFs, Yuanta Funds also works with other institutions or channels on ETF strategic trading and optimize its ETF AI platform to create a new ETF market environment to become the leader of domestic public offering of funds. While developing its ETF business, Yuanta Funds will also develop a diversified fixed-income product lines to provide new diversified investment choices available to high-net-worth clients and retirees. Yuanta Funds will strive to develop professional technology and high-gross-profit products to expand its niche business areas.

- (V) Yuanta Futures: Develop smart services and move toward the goal of becoming an international futures firms

Yuanta Futures is always concerned about the customers' trading positions, strictly controls risks, and operates stably as the leader in the market. In line with the market trend, it will invest in FinTech actively by upgrading the system software and hardware comprehensively and utilizing big data, AI strategy and cloud computing to have them combine with its business. Also, it will pursue innovation in the new business lines in the AI and digital areas. In order to develop internationally, it will carry out the cross-border and cross-industry business at the same time and integrate overseas business and physical economic services, and develop new business lines by combining the resources from Mainland China, Hong Kong and Taiwan to become an international futures firm.

Two. Company Profile and Corporate Governance Report

I. Date of establishment: February 4, 2002.

II. Corporate Milestones

(I) Milestones

- Fuhwa Financial Holding Company (later renamed Yuanta Financial Holding Company) was formed on February 4, 2002 through a 100% equity swap between Fuhwa Securities Finance (later renamed Yuanta Securities Finance) and Fuhwa Securities (later renamed Yuanta Securities). This created a platform to leverage resources of the two business lines to enhance profitability and provide customers with more diversified products and services.
- In May 2002, Fuhwa Futures and Fuhwa Fuhwa Capital Management, both subsidiaries under Fuhwa Securities Finance (later renamed Yuanta Securities Finance) were later designated as direct subsidiaries of the parent company, on the same level as Fuhwa Securities Finance (later renamed Yuanta Securities Finance) and Fuhwa Securities (later renamed Yuanta Securities). This gave Fuhwa Financial Holding Company (later renamed Yuanta Financial Holding Company) better control over all four of its subsidiaries, providing a platform to leverage resources and enhance profitability.
- In August 2002, Fuhwa Bank (formerly known as Asia Pacific Bank, and later renamed Yuanta Bank) was acquired through a transfer of shares and Fuhwa Securities Investment Trust (formerly known as Asia Pacific Securities Investment Trust) was acquired as another subsidiary.
- In December 2002, Fuhwa Venture Capital (later renamed Yuanta Venture Capital) was established.
- In April 2003, Fuhwa Asset Management (later renamed Yuanta Asset Management) and Fuhwa Financial Consulting (later renamed Yuanta Financial Consulting) were established.
- On April 2, 2007, The Company acquired Yuanta Core Pacific Securities via conversion of outstanding shares, launching the Company into the top tier of financial holding companies in terms of capital, net value, and business scale.
- On September 23, 2007, the Company completed the merger of Yuanta Securities (formerly known as Fuhwa Securities) and Yuanta Core Pacific Securities, and Yuanta Securities was held as the surviving company, while Yuanta Core Pacific Securities was held as the extinguishing company. Meanwhile, the Company also completed the merger of Yuanta Futures and Fuhwa Futures, and Yuanta Futures was held as the surviving company, while Fuhwa Futures was held as the dissolved company.
- On September 27, 2007, the Company was officially named “Yuanta Financial Holding Co., Ltd.”.
- On November 27, 2007, the Company’s Board of Directors resolved that the Company could subscribe for common stock totaling 80,000,000 shares and private placement common stock totaling 14,000,000 shares of Yuanta Futures as held by Yuanta Securities, so as to upgrade Yuanta Futures as a subsidiary wholly owned by the Company. The Board of Directors also resolved that the Company could subscribe for the whole common stock of Yuanta Securities Investment Consulting as held by Yuanta Securities, totaling 30,000,000 shares, so as to upgrade Yuanta Securities Investment Consulting as a subsidiary wholly owned by the Company.
- On October 2008, the Company disposed of all equity in Fuhwa Securities Investment Trust and sold it to Manulife Asset Management (Hong Kong) Limited of the Manulife Group.

- On November 2008, the Company's subsidiary, Yuanta Financial Consulting, called a directors' meeting acting on behalf of a shareholders' meeting to resolve that Yuanta Financial Consulting should wind up and be dissolved.
- On October 3, 2011, the Company acquired a 100% shareholding in Polaris Securities through a share conversion.
- Yuanta Securities and Polaris Securities were merged on April 1, 2012, as were Yuanta Futures and Polaris MF Global Futures. The English names of the surviving companies are Yuanta Securities and Yuanta Futures.
- In May 2012, the Company completed the merger of Yuanta Securities Investment Trust and Polaris Securities Investment Trust, and renamed the new company as Yuanta Securities Investment Trust. Meanwhile, Yuanta Securities Investment Trust became a subsidiary in which Yuanta Securities held 72.18% shares directly.
- In June 2012, the Company's Board of Directors resolved that the Company could subscribe for 72.18% of the equity of Yuanta Securities Investment Trust as held by the subsidiary, Yuanta Securities. Yuanta Securities Investment Trust canceled the 46,231 shares repurchased from the dissenting shareholders in the merger on July 16, 2012, and the capital reduction ratio was 0.0204%. Therefore, the proportion of equity of Yuanta Securities Investment Trust held by the Company upon the settlement in September 2012 was 72.20%.
- In August 2012, the Company's Board of Directors resolved that 25.17% of the equity of Yuanta Futures as held by Yuanta Securities should be transferred to the Company. The Company and Yuanta Securities completed the transfer of 15.18% and 9.99% of the equity of Yuanta Futures respectively on the open market in October 2012. Upon completion of said transfer, the Company held 68.65% of the equity of Yuanta Futures directly.
- In May 2013, the Company's subsidiary, Yuanta Financial Consulting, completed its liquidation on May 31, 2013, and reported the same to Taiwan Taipei District Court on June 28, 2013. The liquidation was approved by the Taiwan Taipei District Court for record on July 5, 2013.
- The Company signed the equity purchase agreement with New York Life Insurance on June 25, 2013 and acquired 100% of the equity of New York Life Insurance Taiwan Corporation at the total price of NT\$100 million.
- On January 1, 2014, the Company completed the transfer of equity of New York Life Insurance, and launched into the life insurance business officially since then.
- In February 2014, the Company's subsidiary, New York Life Insurance, was renamed Yuanta Life Insurance Co., Ltd. and carried out business under the name of Yuanta Life officially on March 10, 2014.
- In June 2014, the Company's subsidiary, Yuanta Securities, completed the settlement to gain control of the equity of Tong Yang Securities. Tong Yang Securities subsequently became a subsidiary of Yuanta Securities Asia Financial officially, and was renamed as Yuanta Securities (Korea).
- In November 2014, Yuanta Securities (Korea) sold its subsidiary, TONGYANG Savings Bank, owned by it wholly, to Yuanta Bank.
- In April 2015, the Company's subsidiary, Yuanta Securities, completed the settlement of equity of PT AmCapital Indonesia and renamed the company into PT Yuanta Securities Indonesia (then renamed into PT Yuanta Sekuritas Indonesia) on July, 2015.
- On July 6, 2015, the Company's subsidiary, Yuanta Polaris Securities, was renamed "Yuanta Securities"; Yuanta Polaris Futures was renamed "Yuanta Futures"; and Yuanta Polaris Securities Investment Trust renamed "Yuanta Securities Investment

Trust”.

- On January 29, 2016, upon FSC’s approval, the Company acquired a 100% share in Ta Chong Bank through share swap and consolidated Ta Chong Bank as a subsidiary wholly owned by the Company. The Company also set the record date of share swap at March 22, 2016.
- On April 25, 2016, the Company’s subsidiary, Yuanta Bank, completed the settlement of equity of Hanshin Savings Bank, which was renamed into Yuanta Savings Bank Korea Co., Ltd. on February 13, 2017.’
- On July 8, 2016, the Company’s subsidiary, Yuanta Securities, completed the settlement of equity of KKTrade Securities Company Limited, which was renamed into Yuanta Securities (Thailand) Company Limited on September 1, 2016.
- On October 24, 2017, the liquidation of Shanghai Xinsheng Investment Consulting was completed.
- On December 7, 2017, Yuanta Securities’ subsidiaries, Yuanta Securities Asia Financial Services and Yuanta Securities (HK), completed the acquisition of equity of First Securities Joint Stock Company in Vietnam in part. After that, the shareholdings of Yuanta Securities Asia Financial Services was 50.76%. The shareholdings of Yuanta Securities (HK) was 49.19%. That is, both companies held a total of 99.95% shareholdings. First Securities Joint Stock Company in Vietnam was renamed Yuanta Securities Vietnam Joint Stock Company on February 13, 2018 officially.
- On January 1, 2018, the Company completed the consolidation of Yuanta Bank and Ta Chong Bank. Yuanta Bank is identified as the surviving company, while Ta Chong Bank was identified as the extinguished company.
- On July 26, 2018, the Board of Directors of Yuanta Securities passed the motion for dissolution and liquidation of Yuanta Securities (UK). On August 17, 2018, the FSC approved the wind-up and liquidation. The record date for liquidation was set on November 1, 2018, since then Yuanta Securities (UK) has not engaged in any business activities.
- On November 29, 2018, Yuanta Securities’ subsidiary, Yuanta Securities Asia Financial Services, completed the acquisition of 0.01% of the remaining minority equity of Yuanta Securities Vietnam Joint Stock Company. After that, the shareholdings of Yuanta Securities Asia Financial Services and Yuanta Securities (HK) in Yuanta Securities Vietnam Joint Stock Company were 85.24% and 14.76% respectively. That is, both companies held a total of 100% shareholdings.

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

1. 2016

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

2. 2017

- (1) The Company also ranked among the top 5% of listed company groups in the

3rd term “Corporate Governance Evaluation Operation” held by TWSE.

- (2) Passed “ISO 14001 environment management standard system” certification.
 - (3) The Company and its nine (9) subsidiaries engaged in securities, banking, life insurance, investment trust, futures, securities finance, investment consulting, venture capital and asset management passed the “ISO 14001 Environment Management Standard System Certification”, “ISO 50001 Energy Management System Certification” and “ISO 14064-1 Greenhouse Gas Investigation System Certification” altogether.
 - (4) In 2016, ahead of the others in the same trade, the Company’s CSR report applied the latest GRI standards promulgated by the Global Reporting Initiative (GRI) in 2016. Meanwhile, the Company also introduced the spirit of Integrated Reporting (IR) at the first time to make the contents of the report more focused and transparent, and was awarded the certification by BSI.
 - (5) Selected nominations by FTSE4Good Emerging Index.
 - (6) Awarded 8th-term Taiwan Financial Award - “CSR Excellence Award for Financial Holdings” by Wealth Magazine.
 - (7) Awarded the “Exercise Enterprise Certification Mark” by the Ministry of Education.
 - (8) Awarded by The Asset - Platinum Award for Excellence in Governance, CSR, Investors and Relations Benchmarking.
3. 2018
- (1) The Company also ranked among the top 6%~20% of listed company groups in the 4th term “Corporate Governance Evaluation Operation” held by TWSE.
 - (2) Passed the Taiwan Corporate Governance Association’s “CG6011(2017) Excellence Assessment Criteria for the Corporate Governance System”.
 - (3) Awarded by The Asset - Platinum Award for Excellence in Governance, CSR, Investors and Relations Benchmarking.
 - (4) Awarded by Corporate Governance Asia– Best Investor Relations Company in Taiwan and Asia’s Best CEO (Investor Relations) – President Tony Shen.
 - (5) Awarded 9th-term Taiwan Financial Award - “CSR Excellence Award for Financial Holdings” by Wealth Magazine.
 - (6) The 324 business locations of Yuanta Financial Holdings and its subsidiaries throughout Taiwan have passed the “ISO14064-1 Greenhouse Gas Investigation” in whole, with the cover rate of inspection attaining 100%. The Company and its nine (9) subsidiaries passed the “ISO 14001 Environment Management Standard System Certification” altogether. The subsidiaries engaged in banking, securities, investment trust, and securities finance implemented the “ISO 50001 Energy Management System” and were awarded certification by BSI.
 - (7) Selected nominations by FTSE4Good Emerging Index.
 - (8) Selected nominations by “FTSE4Good TIP Taiwan ESG Index”.
 - (9) Honored the “Sustainability Excellence Award” by BSI.

III. Organization

(I) Departmental duties and responsibilities

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

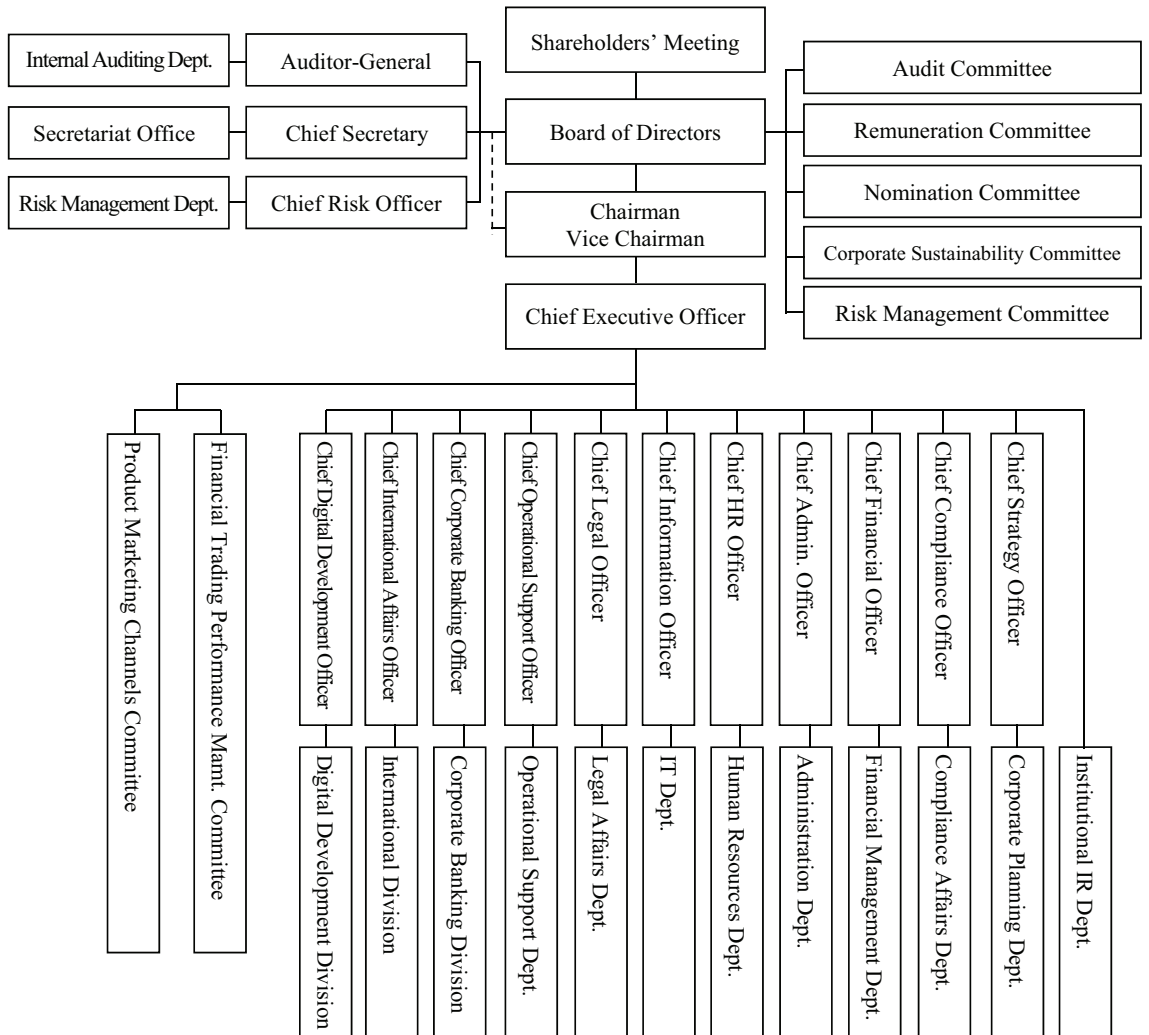
benefits, labor-management relations, drafting and amending of personnel regulations as well as oversight and evaluation of matters relating to subsidiaries within the scope of its responsibilities.

11. Information Technology Department: Responsible for the planning, design, and implementation all the Company's IT matters as well as oversight and evaluation of matters related to subsidiaries within the scope of its responsibilities.
12. Operational Support Department: Responsible for raising efficiency of the operational support unit of each subsidiary company, including related operating systems and procedures, workforce optimization and upgrading of operational efficiency.
13. Corporate Banking Division: Responsible for planning, management and execution of integrated effects of operations related to corporate banking of the Company and its subsidiaries.
14. International Division: Responsible for planning, management and execution of integrated effects of operations related to international affairs of the Company and its subsidiaries.
15. Digital Development Division: Responsible for planning, management and execution of integrated effects of operations related to Digital Development of the Company and its subsidiaries.

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

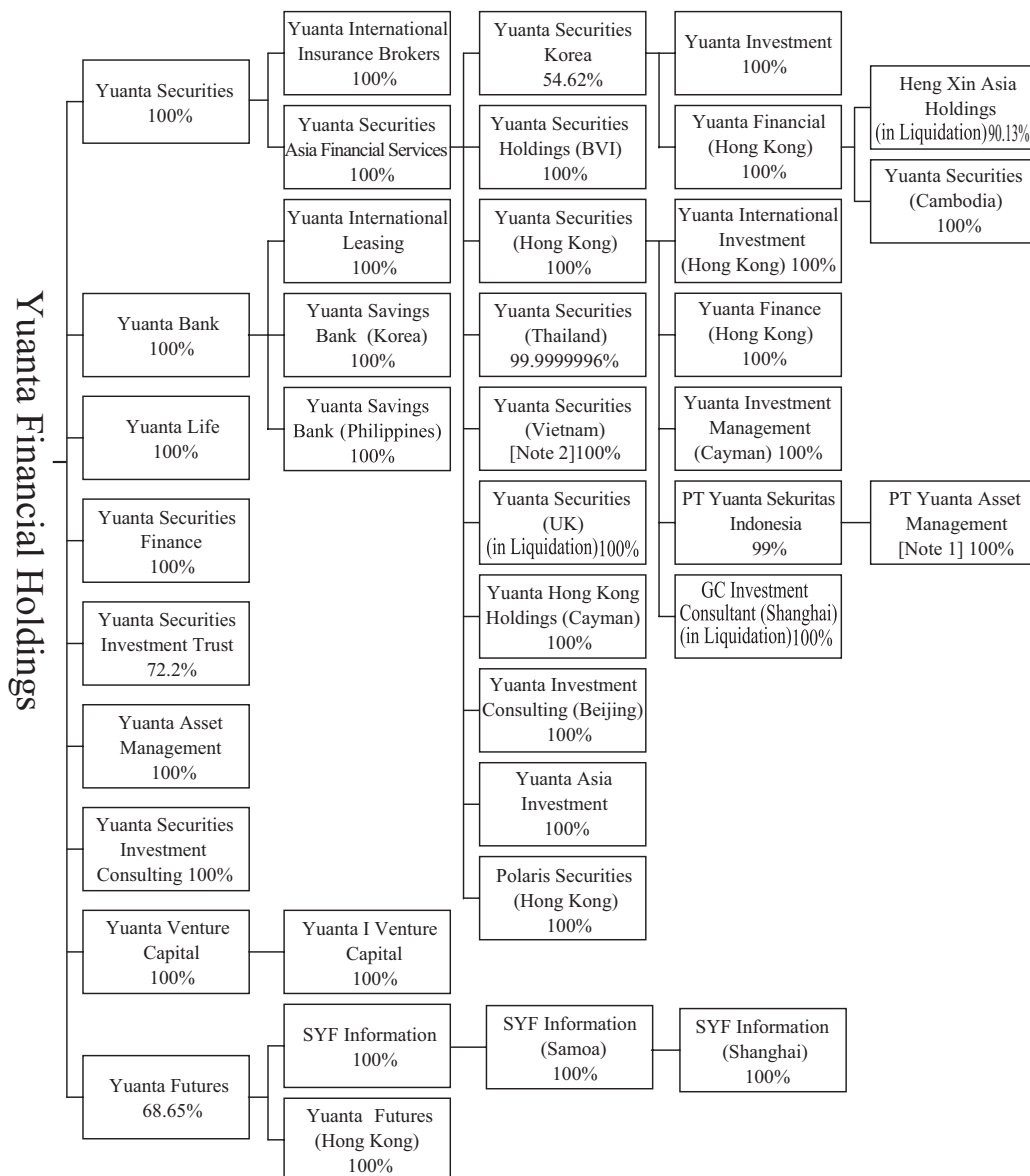
For the functions of the chief functional officers and chief executive officers, the Chief Strategy Officer is responsible for oversight, integration, and implementation of matters within the Corporate Planning Department's sphere of responsibility. The Chief Compliance Affairs Officer is responsible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

(II) Organizational Chart



(III) Relationship between the Company and its subsidiaries

Data baseline date : 01/31/2019



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

Note 2: Yuanta Securities Asia Financial Services holds 85.24% of shares of Yuanta Securities Vietnam Joint Stock Company. Yuanta Securities (HK) holds 14.76% of shares of Yuanta Securities Vietnam Joint Stock Company. Yuanta Securities holds 100% of shares of Yuanta Securities Vietnam Joint Stock Company indirectly.

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

Data baseline date : 01/31/2019

Name of affiliated enterprise	Relationship with the Company	Invested capital (NT\$ 1,000)	Investment shares (1,000 shares)	Shareholding ratio (%)
Yuanta Securities	100%-held subsidiary	63,840,703	5,405,644	100
Yuanta Bank	100%-held subsidiary	97,071,284	7,394,039	100
Yuanta Securities Finance	100%-held subsidiary	3,882,669	400,000	100
Yuanta Venture Capital	100%-held subsidiary	2,460,000	246,000	100
Yuanta Asset Management	100%-held subsidiary	1,000,000	100,000	100
Yuanta Futures	68.65%-held subsidiary	3,421,065	159,467	68.65
Yuanta Securities Investment Trust	72.20%-held subsidiary	3,602,343	163,828	72.20
Yuanta Securities Investment Consulting	100%-held subsidiary	138,100	10,000	100
Yuanta Life	100%-held subsidiary	11,165,000	962,405	100
Yuanta Securities Asia Financial Services	100% held by subsidiary, Yuanta Securities	11,557,424	290,909	100
Yuanta International Insurance Brokers	100% held by subsidiary, Yuanta Securities	5,550	500	100
Yuanta International Leasing	100% held by subsidiary, Yuanta Bank	600,000	60,000	100
Yuanta Savings Bank (Philippines)	100% held by subsidiary, Yuanta Bank	780,287	1,000,000	100
Yuanta Savings Bank (Korea)	100% held by subsidiary, Yuanta Bank	4,079,836	13,516	100
Yuanta Futures (HK)	100% held by subsidiary, Yuanta Futures	1,033,971	34,000	100
SYF Information	100% held by subsidiary, Yuanta Futures	350,000	35,000	100
Yuanta I Venture Capital	100% held by subsidiary, Yuanta Venture Capital	537,261	85,000	100
Yuanta Securities (HK)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	9,151,651	2,268,133	100
Yuanta Securities Holdings (BVI)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	343	10	100
Polaris Securities (HK)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	38,872	9,910	100
Yuanta Hong Kong Holdings (Cayman)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	326,069	10,074	100

Name of affiliated enterprise	Relationship with the Company	Invested capital (NT\$ 1,000)	Investment shares (1,000 shares)	Shareholding ratio (%)
Yuanta Investment Consulting (Beijing)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	91,973	(Note 1)	100
Yuanta Asia Investment	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	1,081,050	35,000	100
Yuanta Securities (Korea)	54.20% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	8,571,137	109,013	54.62
Yuanta Securities (UK) (in liquidation) (Note 2)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	94,096	2,000	100
Yuanta Securities (Thailand)	99.9999996% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	4,259,484	450,000	99.99
Yuanta Securities (Vietnam)	85.24% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities, 14.76% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities, and a total of 100% held by both.	1,737,721	100,000	100
SYF Information (Samoa)	100% held by SYF Information, a subsidiary of the subsidiary Yuanta Futures	184,857	5,800	100
SYF Information (Shanghai)	100% held by SYF Information (Samoa), a subsidiary of SYF Information, which is a subsidiary of the subsidiary Yuanta Futures	157,209	(Note 1)	100
GC Investment Consultant (Shanghai) (in liquidation)	100% held by Yuanta HK Holdings (Cayman), an indirect subsidiary of Yuanta Securities	24,806	(Note 1)	100
Yuanta Finance (HK)	100% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	204,189	50,000	100
Yuanta International Investment (HK)	100% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	204,189	50,000	100
Yuanta Investment Management (Cayman)	100% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	350,108	12,500	100
PT Yuanta Sekuritas Indonesia	99% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	1,009,676	474	99
PT Yuanta Asset Management	99.998% held by PT Yuanta Sekuritas Indonesia, an indirect subsidiary of the Yuanta Securities, and 0.002% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities.	106,845	45	99

Name of affiliated enterprise	Relationship with the Company	Invested capital (NT\$ 1,000)	Investment shares (1,000 shares)	Shareholding ratio (%)
Yuanta Investment	100% held by Yuanta Securities (Korea), an indirect subsidiary of Yuanta Securities	907,790	3,496	54.62
Yuanta Financial (HK)	100% held by Yuanta Securities (Korea), an indirect subsidiary of Yuanta Securities	438,008	10,353	54.62
Yuanta Securities (Cambodia)	100% held by Yuanta Financial (HK), an indirect subsidiary of Yuanta Securities	206,005	6,828	54.62
Heng Xin Asia Holdings Limited (in liquidation) (Note 3)	90.13% held by Yuanta Financial (HK), an indirect subsidiary of Yuanta Securities	22,652	751	49.23

Note1: Said company refers to a limited liability company, and thus has only equity but no shares.

Note2: The motion for liquidation of Yuanta Securities (UK) was passed by the directors' meeting in July 2018.

Note3: The motion for liquidation of Heng Xin Asia Holdings Limited was passed by the directors' meeting in March 2018.

IV. Information on Directors, Independent Directors and Managers

(1) Directors'/Independent Director's information

Data baseline date: 01/31/2019

Title	Name	Nationally or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Title	Name	Relationship
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)					
Chairman	Representative of Modern Investment of Rong Jiu Wang	Republic of China	Male	2013.11.04	2016.06.16	Three Years	Shares Holds 81,685,335 shares with Director Tony Shen on behalf of Modern Investment	Shareholding ratio (%) 0.68%	Shares Holds 106,685,335 shares with Director Tony Shen and Director Tony Fan on behalf of Modern Investment and also individually holds 343,356 shares	Shareholding ratio (%) 0.91%	Shares 571,014	Shareholding ratio (%) 0.00%	Shares —	Shareholding ratio (%) —	Master of Law, National Chung Hsing University Chairman of Hua Nan Financial Holdings, Chairman of Mega Future Holdings, Chairman and Vice Chairman of Yuanta Bank, Chairman of Taiwan Asset Management Corporation (TAMCO), Chairman of Taiwan Business Bank, Administrator of Finance, Minister, Ministry of Finance, Supervisor of Taiwan External Trade Development Council, Director of Taiwan Academy of Banking and Finance	Chairman of The Bankers Association of Taipei; Chairman of Chinese Tax Research Association; Chairman of Chinese (Taiwan) Society of International Law and Director of National Credit Card Center of R.O.C.; Director of Taiwan External Trade Development Council	—	—	—
Director	Representative of Modern Investment of Ting Chien Shen (Tony)	Republic of China	Male	2009.04.16	2016.06.16	Three Years	Shares Holds 81,685,335 shares with Chairman Rong Jiu Wang and Director Tony Fan on behalf of Modern Investment and also individually holds 3,230,871 shares	Shareholding ratio (%) 0.68%	Shares Holds 106,685,335 shares with Chairman Rong Jiu Wang and Director Tony Fan on behalf of Modern Investment and also individually holds 4,606,315 shares	Shareholding ratio (%) 0.91%	Shares —	Shareholding ratio (%) —	Shares —	Shareholding ratio (%) —	Taipei High School of Commerce Chairman, Vice Chairman, President, Executive Vice President of Yuanta Financial Holdings; Chairman, Manager, Deputy Manager and Executive Vice President of Yuanta Securities; Vice Chairman of Yuanta Securities Asia Financial Services; Chairman of Yuanta Securities (HK)	President of the Company; Director of Yuanta Securities; Director of Yuanta Foundation	—	—	—
Director	Representative of Modern Investment of Chieh Chiang Fan (Tony)	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Shares Holds 81,685,335 shares with Chairman Rong Jiu Wang and Director Tony Shen on behalf of Modern Investment	Shareholding ratio (%) 0.68%	Shares Holds 106,685,335 shares with Chairman Rong Jiu Wang and Director Tony Shen on behalf of Modern Investment and also individually holds 301,888 shares	Shareholding ratio (%) 0.91%	Shares 1,081	Shareholding ratio (%) 0.00%	Shares —	Shareholding ratio (%) —	Doctorate, University of Cambridge Chairman of Taiwan High Speed Rail; Chairman of Taiwan Futures Exchange; Chairman of TDCC; Chairman of TransAsia Airways; Chairman of Askey Corporation; Chairman of Yuanta Securities (formerly known as Fuhsia Securities)	Chairman of Yuanta Bank	—	—	—

Title	Name	Nationality or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse, and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	Representative of Tsun Chueh Investment: Wei Chen Ma (Michael)	Republic of China	Male	2013.06.01	2016.06.16	Three Years	Shares: Holds 404,220,950 shares with Director Jin Long Fang and Director Yueh Tsang Lee on behalf of Tsun Chueh Investment	Shareholding ratio (%): 3.34%	Shares: Holds 413,220,950 shares with Director Jin Long Fang and Director Yueh Tsang Lee on behalf of Tsun Chueh Investment	Shareholding ratio (%): 3.54%	Shares: —	Shareholding ratio (%): —	Shares: —	Shareholding ratio (%): —	Bachelor of Business, University of Southern California Vice Chairman of Yuanta Life; Executive Vice President of Yuanta Financial Holdings; Vice Chairman of Yuanta Bank; CEO of SSpower; Director of Yuanta Core Pacific Securities; Chairman of Richcorp International Limited; Special Assistant of Chairman of Yuanta Construction Development	Director of Yuanta Bank; Director of Yuanta Construction Development; Director of Yuan Hung Investment; Director of Yuan Hsiang Investment; Chairman of Yuanta Foundation; Director of Yuanta Life; Director of Asia Modern Foundation; Director of International Taipei Trade Building, World Trade Center Co., Ltd.; Director of TWSE; Director of Richcorp International Limited; Director of Yuanta International Investment	—	—	—
Director	Representative of Tsun Chueh Investment: Jin Long Fang	Republic of China	Male	2010.06.29	2016.06.16	Three Years	Shares: Holds 404,220,950 shares with Director Wei Chen Ma and Director Yueh Tsang Lee on behalf of Tsun Chueh Investment and also individually holds 557,152 shares	Shareholding ratio (%): 3.34%	Shares: Holds 413,220,950 shares with Director Wei Chen Ma and Director Yueh Tsang Lee on behalf of Tsun Chueh Investment and also individually holds 557,152 shares	Shareholding ratio (%): 3.54%	Shares: 1,200,053	Shareholding ratio (%): 0.01%	Shares: —	Shareholding ratio (%): —	National Chiayi Vocational High School Director of Yuanta Core Pacific Securities; Chairman of Li Ching Industry; Chairman of Yuanta United Steel; Chairman of Yuan Kun Development	Director of Yuanta Bank; Director of Yuan Kun Development	—	—	—
Director	Representative of Tsun Chueh Investment: Yueh Tsang Lee	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Shares: Holds 404,220,950 shares with Director Wei Chen Ma and Director Jin Long Fang on behalf of Tsun Chueh Investment and also individually holds 2,854,972 shares	Shareholding ratio (%): 3.34%	Shares: Holds 413,220,950 shares with Director Wei Chen Ma and Director Jin Long Fang on behalf of Tsun Chueh Investment and also individually holds 2,854,972 shares	Shareholding ratio (%): 3.54%	Shares: 478,597	Shareholding ratio (%): 0.00%	Shares: —	Shareholding ratio (%): —	Department of Applied Sociology, Toyo University (Japan) Chairman of Tiffin Securities; Director of Yuanta Financial Holdings	Director of Yuanta Futures; Director of Yuanta Securities; Chairman of Ever Tone Investment Limited	—	—	—
Director	Representative of Hsu Tong Investment: Hsien Tao Chiu	Republic of China	Male	2005.06.29	2016.06.16	Three Years	Shares: Holds 2,512,126 shares with Director Ming Hong Hsu and Director Ching Yuen Chen on behalf of Hsu Tong Investment and also individually holds 12,493,448 shares	Shareholding ratio (%): 0.02%	Shares: Holds 2,512,126 shares with Director Ming Hong Hsu and Director Ching Yuen Chen on behalf of Hsu Tong Investment and also individually holds 12,493,448 shares	Shareholding ratio (%): 0.02%	Shares: 141,249	Shareholding ratio (%): 0.00%	Shares: —	Shareholding ratio (%): —	B.A. in Business Administration, Southwestern University Chairman of Teaching Securities; Managing Director of Asia-Pacific Bank; Director of Investment Trust; Chairman of Asia Pacific Leasing; Chairman of Fu An Insurance Agent	Director of Yuanta Bank; Director of Yuanta Futures; Chairman of Taiwan Yi Ho International; Chairman of Fiat International; Chairman of Kantles Trading; Chairman of Guan Yu Investment; Director of Cheng Lung Motors; Chairman of Yi Ho Motors; Director of Feng Lung Motors	—	—	—

Title	Name	Nationally or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse, and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	Representative of Hsu Tong Investment: Ming Hong Ho	Republic of China	Male	2013.06.01	2016.06.16	Three Years	Shares Holds 2,512,126 shares together with Director Hsien Tao Chiu and Director Chung Yuan Chen on behalf of Hsu Tong Investment	Shareholding ratio (%) 0.02%	Shares Holds 2,512,126 shares with Director Hsien Tao Chiu and Director Chung Yuan Chen on behalf of Hsu Tong Investment and also individually holds 290,337 shares	Shareholding ratio (%) 0.02%	Shares —	Shareholding ratio (%) —	Shares —	Shareholding ratio (%) —	MBA, University of Washington; Chairman of Yuanta Futures; Director of Polaris Securities; Chairman of 2nd term of Chinese National Futures Association; Supervisor and Director of Taiwan Futures Exchange; Director of Waterland Industries Corporation; Director of Pao Feng Asset Management Co. Ltd.; Chairman of Taiwan Securities Association	—	—	—	
Director	Representative of Hsu Tong Investment: Chung Yuan Chen	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Shares Holds 2,512,126 shares together with Director Hsien Tao Chiu and Director Ming Hong Ho on behalf of Hsu Tong Investment	Shareholding ratio (%) 0.02%	Shares Holds 2,512,126 shares with Director Hsien Tao Chiu and Director Ming Hong Ho on behalf of Hsu Tong Investment and also individually holds 2,000,000 shares	Shareholding ratio (%) 0.02%	Shares —	Shareholding ratio (%) —	Shares —	Shareholding ratio (%) —	Kai'Nan High School of Commerce and Industry Executive Yuan Political Adviser; Managing Director of Taiwan Power Company; Chairman of Taipei City Fire Buff Association; Supervisor of Chang Jia M&E Engineering Corp.	—	—	—	
Independent Director	Sou Shun Wu	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Shares —	Shareholding ratio (%) —	Shares —	Shareholding ratio (%) —	Shares 2,433	Shareholding ratio (%) 0.00%	Shares —	Shareholding ratio (%) —	Doctor of Finance, University of Florida; Chairman of Taipei Exchange; Chairman of Securities and Futures Institute; Professor and also Dean of College of Management of Chang Gung University; Professor of Department of Management Science, National Chiao Tung University; Professor and also Chair of National Chiao Tung University Institute of Management of Technology; Managing Supervisor of Hua Nan Commercial Bank; Supervisor of Hua Nan Financial Holdings; Managing Director of Taiwan Power Company	Independent Director of Yuanta Securities, Chartered Professor of National Taiwan Normal University; Director of NTNU Venture Capital Co., Ltd.	—	—	—

Title	Name	Nationality or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse, and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship	
							Shares	Shareholding ratio(%)	Shares	Shareholding ratio(%)	Shares	Shareholding ratio(%)	Shares	Shareholding ratio(%)			Title	Name	Relationship
Independent Director	Ming Ling Hauch	Republic of China	Male	2016.06.16	2016.06.16	Three Years	—	—	—	—	—	—	—	—	Independent Director of Yuanta Bank; Independent Director of Walsin Lihwa Corp.; Independent Director of TTY Biopharm; Independent Director of Lite-On Technology Corporation	—	—	
Independent Director	Lat Ping Chi	Republic of China	Male	2014.05.27	2016.06.16	Three Years	—	—	—	—	—	—	—	—	Master, Soochow University Institute of Accounting; MBA, Bloomsburg University of Pennsylvania President of PwC Taiwan; Adjunct Professor of College of Technology Management, National Tsing Hua University; Adjunct Professor of National Taiwan University of Science and Technology School of Management; Member of the Board of Examiners for Senior Professional and Technical Examination of the R.O.C.; Standing Director of Taiwan Corporate Governance Association; Chairman of Financial Literacy & Education Association (FINLEA)	Independent director of Yuanta Life; Chairman of Mazarrine Asia Pacific; Independent Director of Aimate (Cayman) International Co., Ltd.	—	—

Title	Name	Nationally or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse, and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship	
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Independent Director	Yin Hua Yeh	Republic of China	Male	2016.06.16	2016.06.16	Three Years	—	—	—	—	—	—	—	—	—	—	—	—

Note 1: The contents above, including shares and shareholding ratios, were based on actual shareholdings on January 31, 2019. Shareholding ratios for institutional shareholders do not include the personal shareholdings of representatives.

Note2: The date first elected is the date on which directors or representative first assumed their positions.

Note3: Yuanta Financial Holdings had a total of 11,686,232,456 shares outstanding as of January 31, 2019.

(II) Major shareholders of institutional shareholders

Data baseline date: 01/31/2019

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

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

Data baseline date: 01/31/2019

Major institutional shareholders of institutional shareholders	Major institutional shareholders of institutional shareholders Major Shareholders	
Teng Ta Investment	Lien Heng Investment	53.58%
	Mai Kao Venture Capital	45.87%
	Judy Tu	0.55%
Lian Ta Investment	Chiao Hua International Investment	45.79%
	Lien Heng Investment	37.14%
	Chiu Ta Investment	14.02%
	Hsing Tsai Investment	2.58%
	Judy Tu	0.47%
Chiu Ta Investment	Kai Wen Investment	46.06%
	Lian Ta Investment	33.26%
	Teng Ta Investment	14.27%
	Lien Heng Investment	4.72%
	Modern Investment	1.69%
Lien Heng Investment	Chang Lueh Investment	45.14%
	Hsing Tsai Investment	22.49%
	Teng Ta Investment	19.61%
	Lian Ta Investment	11.14%
	Modern Investment	1.25%
	Chiu Ta Investment	0.37%
Hsing Tsai Investment	Lien Heng Investment	48.93%
	Wei Teh Investment	46.19%
	Chiu Ta Investment	4.88%
Super Large Investment	Hui Tung Investment	100%

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

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

Note1: A "✓" is marked in the space beneath a condition number when a director has met that condition during the two

(2) years prior to election and during his or her period of service. The conditions are as follows:

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

Note2: Independent Director Sou Shan Wu is concurrently serving as an independent director of Yuanta Securities. Independent Director Ming Ling Hsueh is concurrently serving as an independent director of Yuanta Bank. Independent Lai Ping Chi is concurrently serving as an independent director of Yuanta Life. Independent Director Yin Hua Yeh is concurrently serving as independent directors of Yuanta Bank and Yuanta Life respectively. However, based on Letter Jin-Guan-Cheng- E-Tzu No. 0960010070 of March 19, 2007, the Financial Supervisory Commission made the interpretation that when an independent director of a financial holding company concurrently serves as the independent director at one of its 100% owned subsidiaries, such circumstances will be considered as serving in one company, and hence will not be counted in the “Others” category.

(V) The Company’s fulfillment of the board member diversity policy:

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

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

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

- (1) Ability to make judgments about operations
 - (2) Accounting and financial analysis ability
 - (3) Business management ability (including ability to manage subsidiaries)
 - (4) Crisis management ability
 - (5) Knowledge of the industry
 - (6) An international market perspective
 - (7) Leadership ability
 - (8) Decision-making ability
 - (9) Risk management knowledge and ability
2. The Company’s current Board (elected in 2016) consists of 13 directors, including 4 independent directors and the other external natural person directors.

The Board members’ professional backgrounds involve laws, economics, accounting, finance, business administration, and business studies, et al. The members are specialized and experienced in banking, securities, insurance futures and asset management as required by the financial holdings industry. Many of the directors are also experienced in practical management or execution of merger and acquisition, information technology, steel and construction and, therefore, make a contribution to the Company’s domestic/overseas business management and risk control. Such composition completely satisfies the Company’s strategy transformed from the initial three-pillar development, namely securities, banking and insurance development, to the development oriented toward “solidification of cores and driving of growth”.

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

Diversity Core Item	Basic composition				Term of office (years)				Industry experience							Professional knowledge/skills										
	Nationality/place of registration	Gender	Age				0-4	5-7	8-11	12-14	Financial Holding	Bank	Insurance	Securities	Futures	Asset Management	Information/Technology /Construction Industry	Financial	Legal	Finance / Accounting	Statistics / Actuarial	Engineering/IT	Business management	Risk management	Overseas markets/M&A	
41 to 50			51 to 60	61 to 70	71 to 75																					
Directors	Rong Jou Wang	Male			✓		✓			✓							✓	✓	✓				✓	✓	✓	
	Tony Shen	Male						✓															✓	✓	✓	
	Tony Fan	Male			✓					✓							✓	✓	✓					✓	✓	
	Wei Chen Ma	Male	✓				✓			✓							✓	✓	✓					✓	✓	
	Hsien Tao Chiu	Male							✓																	
	Yueh Tsang Lee	Male			✓					✓														✓	✓	✓
	Jim Long Fang	Male												✓												
	Ming Hong Ho	Male				✓																				
	Chung Yuan Chen	Male								✓																
	Sou Shan Wu	Male									✓															
	Ming Ling Hsueh	Male																								
Lai Ping Chi	Male																									
Yin Hua Yeh	Male																									

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

Data baseline date: 01/31/2019

Title (Note 1)	Nationality	Name	Gender	Date of Election (Appointment) Date	Shares held		Shareholdings of spouse and undage-children		Shareholding under another		Education and selected past positions (Note-2)	Concurrent positions at other companies	Members who are spouses or relatives within the second degree of kinship	
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
President	Republic of China	Tony Shen	Male	2014.07.25	4,606,315	0.04%	—	—	—	—	Taipei High School of Commerce Chairman and Vice Chairman of Yuanta Financial Holdings; Vice Chairman of Yuanta Securities Asia Financial Services; Chairman of Yuanta Securities; Chairman of Yuanta Securities (HK)	Director of Yuanta Securities; Director of Yuanta Foundation	—	—
Executive Vice President (Chief Strategy Officer)	Republic of China	Vincent Chen	Male	2016.07.01	308,929	0.00%	—	—	—	—	B.A. in Law, National Chung Hsing University Director of Yuanta Investment Consulting (Beijing); Director, Executive Vice President of Yuanta Securities; Director of Yuanta Venture Capital; Director of Yuanta I Venture Capital; Director of Yuanta Securities Asia Financial Services; Supervisor of Yuanta Asset Management; Supervisor of SYF Information; Supervisor of SYF Information (Shanghai)	Chairman and Director of Yuanta Asset Management; Chairman and Director of Yuanta Securities (HK); Director of Yuanta Securities Asia Financial Services; Director of Yuanta Futures; Director of Yuanta Asia Investment; Director of Yuanta Foundation	—	—
Internal Auditing Dept. General Auditor	Republic of China	Ming Hsiu Tsai	Male	2016.07.01	894,527	0.01%	—	—	—	—	MBA, National Chung Hsing University President, General Auditor, CFO, and Chief Risk Management Officer of Ta Chong Bank	None	—	—
Corporate Banking Division Vice President (Chief Corporate Banking Officer)	Republic of China	Frank Kuo	Male	2014.07.21	567,201	0.00%	—	—	—	—	MBA, the University of Texas at Arlington Director/President of Yuanta Venture Capital; Director/President of Yuanta I Venture Capital ; Chairman of Yuanta Asia Investment; Director of Yuanta Bank; Director of Kun JI I Venture Capital Co., Ltd.; Independent Director of TSH Biopharm; Director of e-Ray Optoelectronics Technology Co., Ltd.; Director/Chairman/President of Grand Asia Capital Services Pte. Ltd. (Singapore); Director/Chairman/President of Grand Asia Asset Management; Director of TSC Venture Capital Corp.; Director of Parawin Venture Capital Capital Corp.; PT Yuanta Sekuritas Indonesia Commissioner	Director of WI Hapse Group; Director of Yuanta Asia Investment; Director of Yuanta Securities (HK); Director of CDB BioScience Ventures I, Inc.; Director of TSC Bio-Venture Capital Corporation; Director of Top Talent III Venture Capital Co., Ltd.; Director of Top Talent II Venture Capital Co., Ltd.; Director of Grand Cataly Venture Capital III Co., Ltd.; Director of QJ Ding Venture Capital Co., Ltd.; Director of China Power Venture Capital Co., Ltd.; Director of HWA VI Venture Capital Corp.; Director of Kong Man Industrial Company; Director of Der Yang Biotechnology Venture Capital Corp.; Director of Director of Harbinger Venture III Capital Corp.; Director of Lian Ding Venture Capital Corp.; Executive Vice President of Yuanta Securities; Director of Yuanta Venture Capital; Director of Yuanta I Venture Financial Services	—	—
Institutional IR Dept. Senior Vice President International Division (Chief International Operation Officer)	Republic of China	Allen Wu	Male	2008.09.23 2017.01.01	493,363	0.00%	—	—	—	—	MBA, Mississippi State University Executive Vice President of Yuanta Securities; Vice Chairman, Director of Yuanta Securities Asia Financial Services; Director of Yuanta Securities (HK); Director of Yuanta Investment Consulting (Beijing); Director of Yuanta Life Insurance Agent; Director of Yuanta International Products Brokers; Director of GC Structured Company in Vietnam	Executive Vice President of Yuanta Bank; Director/Chairman of Director of Yuanta Savings Bank (Philippines)	—	—

Title (Note 1)	Nationality	Name	Gender	Date of Election (Appointment) Date	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship	
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Secretary Office Senior Vice President	Republic of China	Lawrence Lee	Male	2017.09.01	75,850	0.00%	890,207	0.01%	—	—	Master in Law, Soochow University Executive Vice President of Yuanta Securities; Chairman of Yuanta Asset Management; Chairman of Yuanta Securities; Director of Yuanta International Finance Brokers; Director/President of Yuanta Venture Capital; Consulting Director of Yuanta Venture Capital; Director of Yuanta I Venture Capital; Director of Yuanta Securities Asia Financial Services; Director/President of Yuanta Securities Finance	Executive Vice President of Yuanta Securities	—	—
Risk Management Dept. Senior Vice President (Chief Risk Officer)	Republic of China	Hsuan Min Kuo	Male	2014.07.01	214,969	0.00%	—	—	—	—	M.A. in International Business Administration, National Taiwan University Senior Vice President of Yuanta Securities; Assistant Vice President of Chinatrust Bank; Assistant Vice President of President Securities; Manager of MasterLink Securities	Supervisor of Yuanta Securities Investment Consulting; Director of Yuanta Securities Finance; Senior Vice President of Yuanta Life; Supervisor of Yuanta Venture Capital; Supervisor of Yuanta I Venture Capital; Director of Yuanta Securities Asia Financial Service	—	—
IT Dept. Senior Vice President (Chief Information Officer)	Republic of China	Hsin Mei Chen	Female	2014.09.01	230,733	0.00%	7,503	0.00%	—	—	MBA, National Taiwan University Director of Yuanta Futures; Vice President of Yuanta Bank; Manager of Taipei Fubon Commercial Bank	Senior Vice President of Yuanta Bank	—	—
Digital Development Division Senior Vice President (Chief Digital Development Officer)	Republic of China	Mei Ling Kuo	Female	2019.01.02	11,482	0.00%	—	—	—	—	Master of Business Administration, National Chengchi University Executive Vice President of Capital Securities Corporation; Manager of SYSCOM Computer Engineering Co.	Executive Vice President of Yuanta Securities	—	—
Financial Management Dept. Vice President (Chief Financial Officer)	Republic of China	Hsu Shu Mai	Male	2017.07.01	700,054	0.01%	—	—	—	—	Master degree in Finance, National Taiwan University Senior Vice President of Yuanta Securities	Director of Yuanta Life; Director of Yuanta Securities Asia Financial Service; Senior Vice President of Yuanta Bank	—	—
Compliance Affairs Dept. Vice President (Chief Compliance Officer)	Republic of China	Wen Ching Chau	Female	2018.02.01	239,022	0.00%	—	—	—	—	Bachelor in Law, National Chengchi University Senior Assistant Vice President of Yuanta Financial Holdings; Senior Vice President of Yuanta Securities; Director of Yuanta Asia Investment	Senior Vice President of Yuanta Bank; Supervisor of Yuanta Asset Management; Supervisor of Yuanta Securities Finance	—	—
Legal Affairs Dept Vice President (Chief Legal Officer)	Republic of China	Cheng Hua Sun	Female	2018.02.01	—	—	—	—	—	—	Master of Graduate Institute of National Development, National Taiwan University Prosecutor of Shihlin District Prosecutors Office; Judge/Presiding Judge of Taipei District Court	Senior Vice President of Yuanta Securities; Director of Yuanta Securities Finance	—	—
Human Resources Dept. Vice President (Chief HR Officer)	Republic of China	Sophia Chang	Female	2014.07.01	310,362	0.00%	—	—	—	—	Master of Professional Accounting, National Taiwan University Senior Assistant Vice President of Yuanta Financial Holdings; Senior Vice President of Yuanta Life; Senior Assistant Vice President of Yuanta Bank; Manager of Syspower Corporation	Senior Vice President of Yuanta Bank	—	—
Administration Dept. Vice President (Chief Admin. Officer)	Republic of China	Robert C.S. Yang	Male	2014.07.21	156,913	0.00%	—	—	—	—	Doctor of Philosophy in News & Mass Communication, Jnan University Assistant Vice President of Yuanta Securities; Director/President of Jing Zhun Consulting Co., Ltd.	Senior Vice President of Yuanta Bank	—	—

Title (Note 1)	Nationality	Name	Gender	Date of Election (Appointment) Date	Shares held		Shareholdings of spouse and undage children		Shareholding under another		Education and selected past positions (Note 2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Operational Support Dept. Vice President (Chief Operational Support Officer)	Republic of China	Ming Lang Liu	Male	2017.09.01	347,025	0.00%	—	—	—	—	Bachelor in Business Administration, Tamkang University Director/Vice President of Yuanta Securities Finance; Senior Vice President of Yuanta Securities	Director of Yuanta Life; Director of Yuanta Securities Finance; Executive Vice President of Yuanta Securities	—	—	—
Corporate Planning Dept. Vice President	Republic of China	Wen Chi Chou	Female	2014.07.01	86,187	0.00%	—	—	—	—	MBA, National Chengchi University Senior Assistant Vice President of Yuanta Financial Holdings	None	—	—	—
Internal Auditing Dept. Vice President (Vice General Auditor)	Republic of China	Chen Hsiang Wu	Male	2018.09.16	171,184	0.00%	2,295	0.00%	—	—	Master of Business, National Taiwan University Director of Yuanta Life; Director of Tsun Church Investment	Senior Vice President of Yuanta Securities	—	—	—
Corporate Banking Division Vice President (Vice Chief of Corporate Banking Officer)	Republic of China	Yi Wen Ma	Female	2018.05.01	260,701	0.00%	—	—	—	—	Master of Business Administration, National Chengchi University Senior Vice President of Yuanta Securities; Manager of Grand Cathay Securities Corp.	Vice President of Yuanta Securities	—	—	—
Vice President	Republic of China	Tai Yung Hsiang	Male	2013.12.01	51,689	0.00%	—	—	—	—	Bachelor in Cooperative Management, National Chung Hsing University Vice President of Hua Nian Financial Holdings; Chief Secretary of Board of Directors of Mega Financial Holdings	Senior Vice President of Yuanta Bank	—	—	—
Vice President	Republic of China	Chun Chao Lin	Male	2018.06.08	—	—	—	—	—	—	Bachelor in Accounting, Chung Yuan Christian University Senior Vice President of Pricewaterhouse Coopers Certified Public Accountants	None	—	—	—
Financial Management Dept. Assistant Vice President	Republic of China	Wei Ning Chang	Female	2016.06.01	—	—	—	—	—	—	Master of Business Administration, National Chengchi University Assistant Vice President of Yuanta Futures; Assistant Vice President of Yuanta Securities; Senior Manager of Yuanta Securities Finance; Assistant Vice President of DBS BANK (Taipei); Assistant Vice President of PWC; Director of TaiChong Securities	None	—	—	—
Administration Dept. Senior Assistant Vice President (Deputy Chief Admin. Officer)	Republic of China	Po Ching Li	Male	2013.07.01	257,958	0.00%	—	—	—	—	Department of Electronic Engineering, You De High School Senior Assistant Vice President of Yuanta Securities	Vice President of Yuanta Securities; Manager of Chengde Building	—	—	—
Administration Dept. Assistant Vice President	Republic of China	Chen Chun Lin	Male	2011.07.01	79,920	0.00%	147	0.00%	—	—	Business Administration Department of National Taipei College of Business Assistant Vice President of Yuanta Securities; Assistant Vice President of Yuanta Securities Finance	Senior Assistant Vice President of Yuanta Bank	—	—	—
Administration Dept. Assistant Vice President	Republic of China	Hsin Tang Huang	Male	2012.04.16	—	—	—	—	—	—	Bachelor in Mass Communication, Fu Jen Catholic University Assistant Vice President of Yuanta Securities	None	—	—	—

Title (Note 1)	Nationality	Name	Gender	Date of Election (Appointment) Date	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions (Note2)	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Administration Dept. Assistant Vice President	Republic of China	Hsien Chun Li	Male	2016.06.01	53,775	0.00%	—	—	—	—	Electronic Equipment Maintenance Department, Chih-Kuang Senior Vocational High School of Business & Technology Senior Manager of Yuanta Securities	Assistant Vice President of Yuanta Securities	—	—	—
IT Dept. Senior Assistant Vice President	Republic of China	Yung Hsien Chang	Male	2010.05.01	25,245	0.00%	—	—	—	—	Bachelor in Mathematics Sciences, National Chengchi University Assistant Vice President of Yuanta Securities; Assistant Vice President of OCBC Bank	Senior Assistant Vice President of Yuanta Securities	—	—	—
IT Dept. Assistant Vice President	Republic of China	Chun Chang Chang	Female	2010.05.01	11,308	0.00%	—	—	—	—	Master of Administration, National Taiwan University of Science and Technology Assistant Vice President of Yuanta Securities; Investment Consulting	Senior Assistant Vice President of Yuanta Securities	—	—	—
IT Dept. Assistant Vice President	Republic of China	Po Yi Wu	Male	2014.04.01	5,740	0.00%	—	—	—	—	Master of Administration, National Taiwan University of Science and Technology Senior Manager of Yuanta Securities	Assistant Vice President of Yuanta Securities	—	—	—

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

Note2: The work experience of anyone above relating to their current roles, e.g. previous employment in the auditor's firm or employment in a related company, must be addressed with detailed job titles and responsibilities.

Note3: The "Shares" and "Ratio" columns above marked with "—" denote "0"; columns under "Managers who are spouses or relatives within the second degree of kinship" marked with "—" denote "None."

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

Data baseline date: 12/31/2018
 Unit: NT\$, %

Title	Name	Remuneration to directors						Remuneration from concurrently serving as employees				Sum of A, B, C, D, E, F, and G as percentage of net income		Remuneration from invested non-subsidary enterprises(s)							
		Wages (A)		Pension upon retirement (B)	Compensation (C)		Service Expenses (D)		Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)	Employee Compensation (G)			Yunta Financial Holdings	Companies included in the financial statement					
		Yunta Financial Holdings	Companies included into the financial statement		Yunta Financial Holdings	Companies included into the financial statement	Yunta Financial Holdings	Companies included into the financial statement	Yunta Financial Holdings	Companies included into the financial statement		Cash	Stock				Cash	Stock			
Director	Representative of Modern Investment: Rong Jui Wang																				
Director	Representative of Modern Investment: Tony Shen																				
Director	Representative of Modern Investment: Chieh Chung Fan																				
Director	Representative of T Sun Chueh Investment: Michael Ma																				
Director	Representative of T Sun Chueh Investment: Jin Long Fang																				
Director	Representative of T Sun Chueh Investment: Yueh Tsang Lee																				
Director	Representative of Hsu Tong Investment: Hsien Tao Chiu	39,438,466	94,158,466	0	0	151,207,792	151,207,792	3,220,283	9,695,897	1.04%	1.37%	37,897,250	37,897,250	0	0	104,079	0	1.24%	1.57%	235,600	
Director	Representative of Hsu Tong Investment: Ming Hong Ho																				
Director	Representative of Hsu Tong Investment: Chung Yuan Chen																				
Independent Director	Sou Shan Wu																				
Independent Director	Ming Ling Hsueh																				
Independent Director	Lai Ping Chi																				
Independent Director	Yin Hua Yeh																				

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

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

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

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

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

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

3. Remuneration to President, and Vice Presidents

Data baseline date: 12/31/2018
Unit: NT\$, %

Title	Name	Wages (A)		Pension upon retirement (B)		Bonuses and special allowances (C)		Employee Compensation (D)		Sum of A, B, C, and D as percentage of net income (%)	Companies included into the financial statement	Remuneration from invested non-subsidiary enterprises(s)
		Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Cash	Stock			
President	Tony Shen											
Executive Vice President (Chief Strategy Officer)	Vincent Chen											
Internal Auditing Dept. General Auditor	Ming Hsiu Tsai											
Corporate Banking Division Senior Vice President (Chief Corporate Banking Officer)	Frank Kuo											
Institutional IR Dept. and International Division Senior Vice President (Chief International Operation Officer)	Allen Wu											
Digital Development Division Senior Vice President (Chief Digital Development Officer)	Chieh Wu	30,854,361	69,058,361	0	0	74,799,314	193,430,171	756,477	0	1,314,904	0	0
Secretariat Office Senior Vice President	Lawrence Lee											
Risk Management Dept. Senior Vice President (Chief Risk Officer)	Hsuan Min Kuo											
IT Dept. Senior Vice President (Chief Information Officer)	Hsiu Mei Chen											
Compliance Affairs Dept. Vice President (Chief Compliance Officer)	Wun Cing Ciou											
Human Resources Dept. Vice President (Chief HR Officer)	Sophia Chang											
Administration Dept. Vice President (Chief Admin. Officer)	Robert C.S. Yang											

Title	Name	Wages (A)		Pension upon retirement (B)		Bonuses and special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D as percentage of net income (%)		Remuneration from invested non-subsidary enterprises(s)	
		Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Cash	Stock	Cash	Stock	Yuanta Financial Holdings		Companies included into the financial statement
Legal Affairs Dept Vice President (Chief Legal Officer)	Cheng Hua Sun														
Financial Management Dept. Vice President (Chief Financial Officer)	Hsu Shu Mai														
Operational Support Dept. Vice President (Chief Operational Support Officer)	Ming Lang Liu														
Corporate Banking Division Vice President (Vice Chief of Corporate Banking Officer)	Yi Wen Ma														
Internal Auditing Dept. Vice President (Vice General Auditor)	Chen Hsiang Wu														
Corporate Planning Dept. Vice President	Wen Chi Chou														
Vice President	Tai Yung Hsiang														
Vice President	Chun Chao Lin														
Former Compliance Affairs Dept. Executive Vice President (Former Chief Compliance Officer)	Yu De Chuang														

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

4. Range of remuneration to president and vice presidents

Breakdown of remuneration to president and vice presidents (NT\$)	President and vice presidents	
	Yuanta Financial Holdings	Companies included into the financial statement (E)
Below 2,000,000	Yu Te Chuang, Allen Wu, Chieh Wu, Lawrence Lee Sophia Chang, Ming Lang Liu, Cheng Hua Sun, Tai Yung Hsiung, Yi Wen Ma, Chen Hsiang Wu	Yu De Chuang
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	Vincent Chen, Hsiu Mei Chen, Wun Cing Ciou Hsu Shu Mai, Chun Chao Lin	Chun Chao Lin, Chen Hsiang Wu
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Frank Kuo, Robert C.S. Yang, Wen Chi Chou	Chieh Wu, Sophia Chang, Robert C.S. Yang, Tai Yung Hsiung, Lawrence Lee, Wen Chi Chou, Yi Wen Ma
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Ming Hsiu Tsai, Hsuan Min Kuo	Ming Hsiu Tsai, Allen Wu, Hsuan Min Kuo, Ming Lang Liu
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		Frank Kuo, Vincent Chen, Hsiu Mei Chen Wun Cing Ciou, Hsu Shu Mai, Cheng Hua Sun
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Tony Shen	Tony Shen
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over 100,000,000		
Total	21	21

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

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

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

(4) Remuneration to drivers was NT\$672 thousand.

(5) Vice Chief of Corporate Banking Officer, Yi Wen Ma, served as of May 1, 2018.

(6) Vice General Auditor, Chen Hsiang Wu, served as of September 16, 2018.

(7) Vice President, Chun Chao Lin, served as of May 2, 2018.

(8) Former Chief Compliance Officer, Yu De Chuang, served until January 31, 2018.

5. Managers receiving employee compensation and state of distribution

Data baseline date: 12/31/2018

Unit: NTS; %

	Title	Name	Stock	Cash	Total	The sum as percentage of net income (%)
Managers	President	Tony Shen	0	880,720	880,720	0.005%
	Executive Vice President (CSO)	Vincent Chen				
	General Auditor, Internal Auditing Dept.	Ming Hsiu Tsai				
	Senior Vice President, Corporate Banking Division (Chief Corporate Banking Officer)	Frank Kuo				
	Institutional IR Dept. and International Division Senior Vice President (Chief International Operation Officer)	Allen Wu				
	Senior Vice President, Digital Development Division (Chief Digital Development Officer)	Chieh Wu				
	Senior Vice President, Secretariat Office	Lawrence Lee				
	Senior Vice President, Risk Management Dept. (Chief Risk Officer)	Hsuan Min Kuo				
	Senior Vice President, Information Dept. (CIO)	Hsiu Mei Chen				
	Vice President, Compliance Affairs Dept.(CCO)	Wen Ching Chiu				
	Vice President, Human Resources Dept. (CHRO)	Sophia Chang				
	Vice President, Administrative Management Dept. (CAO)	Robert C.S. Yang				
	Vice President, Legal Affairs Dept. (CLO)	Cheng Hua Sun				
	Vice President, Financial Management Dept. (CFO)	Hsu Shu Mai				
	Vice President, Operational Support Dept. (Chief Operational Support Officer)	Ming Lang Liu				
	Vice President, Corporate Banking Division (Vice Chief of Corporate Banking Officer)	Yi Wen Ma				
	Vice President, Internal Auditing Dept. (Vice General Auditor)	Chen Hsiang Wu				
	Vice President, Corporate Planning Dept.	Wen Chi Chou				
	Vice President	Tai Yung Hsiung				
	Vice President	Chun Chao Lin				
	Assistant Vice President, Financial Management Dept.	Wei Ning Chang				
	Senior Assistant Vice President, Admin. Management Dept. (Vice CAO)	Po Ching Li				
	Assistant Vice President, Admin. Management Dept.	Chen Chun Lin				
	Assistant Vice President, Admin. Management Dept.	Hsin Tang Huang				
	Assistant Vice President, Admin. Management Dept.	Hsien Chun Li				
	Senior Assistant Vice President, Information Dept.	Yung Hsien Chang				
	Assistant Vice President, Information Dept.	Chun Ching Chang				
	Assistant Vice President, Information Dept.	Po Yi Wu				
Former Executive Vice President, Compliance Affairs Dept.(CCO) (Former Chief Compliance Officer)	Yu De Chuang					

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

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

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

Unit: NT\$1,000; %

Year / Item	Net income	Directors' remuneration		Ratio of directors' remuneration to net income		Remuneration of president and vice presidents		Ratio of president and vice presidents' remuneration to net income	
		Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement
2017	16,204,948	173,165	234,212	1.07%	1.45%	87,910	209,389	0.54%	1.29%
2018	18,679,208	231,868	293,063	1.24%	1.57%	106,410	263,803	0.57%	1.41%

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

(1) Directors (including Independent Directors)

A. Director and Independent Director

The remuneration to directors shall be allocated in the manner referred to in Article 33 of the Company's Articles of Incorporation. That is, if the Company has profit at the year's final accounting, the remuneration to directors shall be no more than 0.9% of the remainder after the profit less accumulated loss, if any. The allocation of remuneration to directors shall follow the typical pay levels adopted by peer companies and take into consideration the reasonableness of the correlation with future risk exposure each year. The actual allocation shall be based on the self-appraisal result on the Board of Directors members and statistics of directors' attendance at meetings, continuing education and negative qualifications, and calculated on a pro rata basis subject to the number of days for which the directors hold the position. The Board of Directors is authorized to resolve the remuneration to the Company's independent directors based on the typical pay levels adopted by peer companies. In order to avoid direct or indirect conflict of interest with the Company, the remuneration is paid at fixed amount on a monthly basis, excluded from the Company's allocation of remuneration to directors. Meanwhile, according to the Company's Articles of Incorporation, the transportation allowance and fees for attending meetings payable to directors shall be paid based on the typical pay levels adopted by peer companies.

B. Chairman and Vice Chairman

The Remuneration Committee and Board of Directors are authorized to resolve the remuneration and benefits to Chairman and Vice Chairman based on their participation in the Company's operation, contribution value and the typical pay levels adopted by peer companies. Meanwhile, the Board of Directors is authorized to resolve the severance pay/pension payable to the Chairman and Vice Chairman based on their participation in the Company's operation, contribution value and the typical pay levels adopted by peer companies, in accordance with the Company's Articles of Incorporation and Regulations Governing Severance Pay/Pension Payable to Chairman and Vice Chairman.

(2) President and managers

According to Article 29 of Chapter VI of the Company's Articles of Incorporation, the President shall take charge of all of the Company's affairs subject to resolution made by the Board of Directors, and may be authorized by the Board of Directors to carry out transactions externally. The President and Managers shall set the annual operating objectives and performance appraisal indicators based on the Company's mid-term and long-term business strategies and annual business plan on a yearly basis.

A. Target setting

The Company's President and managers set the annual operating objectives and performance appraisal standards based on the Company's business strategies and annual business plan. The operating objectives consist of the operating development strategies, annual operating highlights, operations and human resource management, group resource integration and supporting, internal control and compliance. The management team holds a meeting on a monthly basis to review, discuss and timely modify the Company's operating performance, promotion of operating highlights and effect of integration, and practices the strategies and achieves the performance under the performance management mechanism dedicated to "initial target setting, mid-term follow-up and improvement, and final review and appraisal".

B. Performance appraisal

According to the Company's Performance Management Regulations, the Company must conduct the mid-term and final performance appraisals each year to rate the performance, subject to the physical result per target, based on the operating objectives and performance appraisal indicators for the President and managers. The performance appraisal results are categorized into 5 levels (5~1 levels). Specifically, Level 5 stands for excellent performance beyond the expected target. Level 4 stands for the performance higher than the standard and occasionally excellent performance. Level 3 stands for the performance satisfying what is expected and the operating objectives. Level 2 stands for the performance less than the expected target and to be improved. Level 1 stands for the performance far less than the expected target, namely failure. Upon weighted summing up of all objectives, the results are reported to Chairman to help the Chairman conduct the performance appraisal on the President and managers. The results about performance appraisal on the President and managers, and correspondent performance bonus, must be submitted to the Remuneration Committee and directors' meeting for review and approval.

C. Remuneration policies and business performance, and future risk exposure

70% of the operating objectives to be set by the Company's President reside in the business development objectives, including the operating profit achievement rate, ROE achievement, achievement rate of subsidiaries' core business lines and growth-driven business, and results of promotion of sustainability and corporate social responsibility of Yuanta Financial Holdings and its subsidiaries. 30% thereof reside in the internal management objectives, including supervision on the achievement rate of co-marketing objectives of the Group's subsidiaries, successors selection and cultivation, and fulfillment of compliance and internal control. Both of said operating objectives are primarily based by the performance appraisal and performance

bonus about the President. The standards governing allocation of the annual remuneration to the President must follow the typical pay levels adopted by peer companies and also take into consideration the entire contribution of the President to the Group achieved by his operation of the Group and operating performance. The annual remuneration allocated to the President and all contributions he/she achieves are related to each other positively.

The Company values the managers' contribution and value to the Group. 70% of the annual operating objectives set by the Company's managers subject to their job responsibilities reside in the business development objectives, while 30% thereof reside in internal management objectives, including intra-company system integration and backup, successors selection and cultivation, and fulfillment of compliance and internal control, etc.. The policy, system, standard and structure of the salary and remuneration to the Company's managers must be reviewed by Remuneration Committee and then submitted to the Board of Directors for resolution on the remuneration to managers. When resolving the salary and remuneration to individual managers, the Board of Directors must follow the profit earned by or typical pay levels adopted by peer companies, and take into consideration the individual performance and the managers' business performance and contribution to the Company.

In order to ensure and align with the profit earned upon the risk exposure adjustment, the remuneration to the President and managers must be changed based on specific proportion to make it related to the profit earned by the Company and the Company's stock price in the form of the one-year savings-type shareholding trust. Notwithstanding, if the Company's price-book ratio (PBR) is beyond the average level among the peer companies or any other significant risk events affecting the Company's goodwill adversely arise, the Company may plan to deal with it by any other approaches, means or longer deferral and propose the relevant motion to the Remuneration Committee for discussion and resolution, or cut or withhold the bonus to have the President and managers share the future risk exposure with the Company, so as to develop oriented toward the corporate sustainability management philosophy. The Company's remuneration system balancing business performance and risk management helps recruit and retain excellent talents and encourage the talents to develop their potentials effectively. In conclusion, the management team consisting of excellent talents would create more excellent business performance for the Company and shareholders inevitably. The Company feeds the operating results back to the managers reasonably, so that the managers' personal operating objectives may align with the Company's operating objectives and shareholders' equity permanently and closely to help create the mutual interest for the individuals, the Company and shareholders, and achieve a win-win-win situation.

(IX) Information about Chairmen and presidents rehired as consultant after retiring

No information about Chairmen and presidents rehired as consultant after retiring from the Company is available.

(X) Whether the Company establishes any successor cultivation planning for the Board members and key management, and the operation of such planning

1. Member of Board of Directors

According to the "Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies", "Yuanta Financial Holdings Corporate

Governance Best-Practice Principles” and “Yuanta Financial Holdings Regulations Governing Directors’ Continuing Education”, the Company will, subject to the changes in internal and external environments, the Company’s development needs and directors’ expertise, arrange the corporate governance continuing education programs for no less than 3 sessions each year to help directors enhance their knowledge as required and strengthen directors’ performance of duties. Meanwhile, the Company will also have the personnel with potential to accumulate the experience in holding such positions as directors and supervisors in subsidiaries through certain arrangements, and cultivate and train the successors of the management and Board members.

2. Successor cultivation planning for the key management, and the operation of such planning

According to the Company’s Articles of Incorporation and Articles of Association, the Company’s key management consist of the President, chief functional officers, chief executive officers and vice presidents, etc. The managers are empowered to act on behalf of the Company whenever it is required by business, whose powers must be determined in accordance with the Company’s relevant regulations. Chief functional officers and chief executive officers appointed under supervision of the president are responsible for implementing various functional affairs, or executing the guidance and integration of departments. The Company’s departments may perform duties by group subject to the business nature and needs, and appoint assistant vice presidents, managers, assistant managers, deputy managers, specialists and clerks to take charge of the departments’ operations.

The Company’s job description booklet has established the human resource database for successors. The “successor cultivation” refers to an indicator adopted by the Company’s performance appraisal on the supervisors. The successor cultivation mechanism includes the managerial staff’s training plan, business supervisors’ training plan and key management’s internship seminar, aided with the project mission assignment, participation in meetings, work shift, exchange with peers and functionary substitution, to have the successors of supervisors at all levels complete the relevant training and practicing. Meanwhile, the Company will assess the performance of the successor cultivation plan periodically during the mid-term and final performance appraisal each year.

In the event of transfer of the President or managers, the Company’s management team will select competent personnel from the human resource database for successors, who must hold the qualifications under the Company Act and the qualification requirements for the founder or responsible persons of financial holding companies, and also take the candidates’ basic information, competency and integrity into consideration. The basic information includes the candidate’s educational background, work experience, and performance appraisal or other reward & punishment record for the most recent year. The competency refers to the management philosophy and strategy upheld by the candidate (e.g. Conservative, stable or aggressive asset quality improvement policy, and risk management-oriented policy, etc.) when he/she held some position, and his/her operating performance,

important contributions or achievements. If no competent candidate is available among the Company's in-house personnel, the Company must select external professional managers based on said conditions and qualifications, evaluate whether they agree with the Company's core value, management philosophy and enterprise culture, and then proceed with the procedures for appointment of the managers, and submit a motion for the appointment to a directors' meeting for resolution.

V. Status of Corporate Governance

(I) Operation of the Board of Directors

1. The board held 13(A) meetings during 2018; the attendance of directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Representative of Modern Investment Co., Ltd.: Rong Jou Wang	13	0	100	
Director	Representative of Modern Investment Co., Ltd.: Tony Shen	13	0	100	
Director	Representative of Modern Investment Co., Ltd.: Tony Fan	13	0	100	
Director	Representative of Tsun Chueh Investment Co., Ltd.: Michael Ma	12	1	92	
Director	Representative of Tsun Chueh Investment Co., Ltd.: Jin Long Fang	12	1	92	
Director	Representative of Tsun Chueh Investment Co., Ltd.: Yueh Tsang Lee	13	0	100	
Director	Representative of Hsu Tong Investment: Hsien Tao Chiu	12	1	92	
Director	Representative of Hsu Tong Investment: Ming Hong Ho	12	1	92	
Director	Representative of Hsu Tong Investment: Chung Yuan Chen	13	0	100	
Independent Director	Sou Shan Wu	13	0	100	
Independent Director	Ming Ling Hsueh	13	0	100	
Independent Director	Lai Ping Chi	13	0	100	
Independent Director	Yin Hua Yeh	13	0	100	

Other items to be stated:

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

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

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

- (1) 23rd meeting of the 7th board of directors on January 31, 2018

The motion for performance appraisal on the group performance bonus of the Company's President, chief functional officers, chief of business divisions and Auditor-General in 2017.

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

- (2) 23rd meeting of the 7th board of directors on January 31, 2018

The motion for performance appraisal on the group performance bonus in 2017.

Resolution:

A. Chairman Rong Jou Wang, who was an interested party, recused themselves from the voting, and Independent Director Ming Ling Hsueh acted as the chairperson at the time of voting.

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

- (3) 23rd meeting of the 7th board of directors on January 31, 2018

The motion for the purchase by Yuanta Life, the Company's subsidiary, of the land at Land Nos. 769 and 769-1, Sub-section 2, Jiling Section, Zhongshan District, Taipei City and the building thereon in order to perform the new construction project for its own office buildings thereon.

Resolution: Director Wei Chen Ma, Independent Director Lai Ping Chi and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions.

- (4) 25th meeting of the 7th board of directors on March 28, 2018

Propose the motion for appointing Director Ming Hong Ho, Chief Corporate Banking Officer Frank Kuo, Chief Risk Officer Hsuan Min Kuo and Chief Financial Officer Hsu Shu Mai to serve as the directors of Yuanta Securities Asia Financial Services.

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

- (5) 25th meeting of the 7th board of directors on March 28, 2018

Propose the Company's motion for allocation of remuneration to employees 2017.

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

- (6) 25th meeting of the 7th board of directors on March 28, 2018

Propose the Company's motion for allocation of remuneration to directors 2017.

Resolution:

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

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

- (7) 29th meeting of the 7th board of directors on June 27, 2018

The motion for allocation of remuneration to the Company's directors (exclusive of independent directors) in 2017.

Resolution:

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

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

- (8) 29th meeting of the 7th board of directors on June 27, 2018

The Motion for allocation of remuneration to the directors and supervisors of invested enterprises appointed by the Company in 2017.

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

- (9) 30th meeting of the 7th board of directors on July 25, 2018

The motion for allocation of remuneration to the Company's President, chief functional officers, chief of executive officer and Auditor-General in 2017.

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

(10) 31st meeting of the 7th board of directors on August 29, 2018

In order to satisfy the need for spaces of the headquarters' departments/offices, Yuanta Bank, a subsidiaries of the Company, wishes to submit the tender for the superficies for the 10 lots of land situated at 114-1, Sub-section 2, Huaisheng Section, Daan District, Taipei City for construction of the self-owned office building.

Resolution: Except Director Tony Fan, Director Wei Chen Ma, Director Jin Long Fang, Director Hsien Tao Chiu, Director Chung Yuan Chen, Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions.

(11) 31st meeting of the 7th board of directors on August 29, 2018

The motion for renewed appointment of the President.

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

(12) 32nd meeting of the 7th board of directors on September 26, 2018

Propose the motion for the Company's plan to participate in subscription for the subsidiary Yuanta Life's 2018 plan to increase capital by NTS1 billion in cash through the issuance of shares.

Resolution: Director Wei Chen Ma, Independent Director Lai Ping Chi and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions.

(13) 34th meeting of the 7th board of directors on November 28, 2018

For transferring the whole equity of Yuanta Securities Finance held by the Company to the stakeholder, Yuanta Securities.

Resolution: Director Tony Shen, Director Yueh Tsang Lee, Director Ming Hong Ho and Independent Director Sou Shan Wu who were interested parties recused themselves, the remaining directors present agreed to pass the motions.

(14) 36th meeting of the 7th board of directors on January 23, 2019

Propose the name list of Nomination Committee of the Company's Board of Directors of 7th term.

Resolution: Director Wei Chen Ma, Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions.

(15) 36th meeting of the 7th board of directors on January 23, 2019

The motion for performance appraisal on the group performance bonus in 2018.

Resolution: Chairman Rong Jou Wang, who was an interested party recusing himself, the remaining directors present agreed to pass the motions.

(16) 36th meeting of the 7th board of directors on January 23, 2019

The motion for performance appraisal on the group performance bonus of the Company's President, chief functional officers, Chief Executive Officer and Auditor-General in 2018.

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

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

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

- (2) The Company's 2010 general shareholders' meeting resolved to establish the Remuneration Committee, of which the convener should be acted by an independent director, to help the Board of Directors establish the performance appraisal and remuneration standards for managers, as well as the directors' remuneration structure and system, through fair and transparent procedures, and also the reasonable remuneration system linked with risk and performance, insofar as the Company's entire development strategies are satisfied.
- (3) In addition, information relating to directors'/independent directors' ongoing education and board meetings attendance as well as their remuneration was posted on the MOPS.
- (4) Apart from regularly participating in audit committee meetings and board of directors meetings, since taking office the company's independent directors regularly meet with the company's top management, department managers, and staff to review matters related to corporate governance and business development, benefiting the company at all levels. In order to fully understand the organization of the company, its operational efficiencies, business plans and decision-making processes, the independent directors visit the company several times each week, investing considerable time reviewing meeting information, understanding the company's financial, accounting, auditing and risk control status so as to fulfill their duty to exercise the due diligence of a good administrator.
- (5) In order to upgrade and improve the corporate governance system, the Company appoints the third independent organization, Taiwan Corporate Governance Association, to perform the in-depth assessment on the corporate governance system periodically. It reviews the completeness of the related system, fulfillment of the same and validity of the feedback mechanism to provide the reference information helping the Company establish the future corporate governance system development plan. The Company passed the Taiwan Corporate Governance Association's "CG6011 (2017) Corporate Governance Framework Assessment Certificate with Excellence" in 2018, becoming the first company to receive this certification effective from June 12, 2018 to June 11, 2020 in Taiwan.
- (6) In order to practice the corporate sustainability management philosophy, fulfill the promotion of corporate governance, strengthen the Board of Directors' regulations about ethical management and perform the corporate social responsibility, the Company passed the motion for amendments to the articles of association and establishment of the "Regulations Governing Establishment of Corporate Sustainability Committee" at 34th meeting of the Board of Directors of 7th term on November 28, 2018 to form the Corporate Sustainability Committee subordinated to the Board of Directors.
- (7) The Company has appointed Taiwan Corporate Governance Association to perform the 2018 external assessment on performance of the Board of Directors in December 2018 and, with respect to the 8 major aspects, including A. composition of Board of Directors; B. Direction by Board of Directors; C. Authorization by Board of Directors; D. Supervision by Board of Directors; E. Communication with Board of Directors; F. Internal control and risk management; G. Self-discipline of Board of Directors; H. Others, such as directors' meetings and supporting systems, assess performance of the Board of Directors through questionnaire and on-site visit. The Company will continue to improve the Board of Directors' function based on the assessment results.
- (8) In order to solidify the functions of the Board of Directors and strengthen the management mechanism, the Company passed the motion for establishment of the Nomination Committee at 36th meeting of the Board of Directors of 7th term on January 23, 2019.

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

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

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

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

2. Attendance of independent directors at various Board of Directors meetings in the most recent year (2018)

⊙: In person; ☆: By proxy; *: Absent

2018	1	2	3	4	5	6	7	8	9	10	11	12	13
Sou Shan Wu	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Ming Ling Hsueh	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Lai Ping Chi	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Yin Hua Yeh	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

(II) Operation and functions of the audit committee

- The number of persons, term of office and authority of the Company's audit committee shall be subject to Article 3, Article 4, Article 5 and Article 6 of the Articles of Association for the Company's Audit Committee. The relevant regulations are disclosed in the "Corporate Governance Best-Practice Principles and related regulations" in the section of "Corporate Social Responsibility" on the Company's website.
- The audit committee held 15 (A) meetings during 2018; the attendance of independent directors is summarized as follows:

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

Other items to be stated:

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

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

A. 27th meeting of the 7th audit committee on January 16, 2018

The motion for evaluation on the CPA's independence according to the Company's Corporate Governance Best-Practice Principles, explanation about replacement of the CPA, and appointment of PwC Taiwan to audit and certify the Company's 2018 financial statements and tax filings.

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

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 23th meeting of the 7th board of directors on January 31, 2018.

B. 28th meeting of the 7th audit committee on January 31, 2018

The motion for the purchase by Yuanta Life, the Company's subsidiary, of the land at Land Nos. 769 and 769-1, Sub-section 2, Jiling Section, Zhongshan District, Taipei City and the building thereon in order to perform the new construction project for its own office buildings thereon.

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

- The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 23th meeting of the 7th Board of Directors on January 23, 2018. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- C. 29th meeting of the 7th audit committee on February 27, 2018
 Motion for the annulment of treasury stock from 17th buyback and completion of capital decrease.
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 24th meeting of the 7th board of directors on March 7, 2018.
- D. 30th meeting of the 7th audit committee on March 20, 2018
 Motion for the Company's consolidated financial statements 2017.
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 25th meeting of the 7th board of directors on March 28, 2018.
- E. 30th meeting of the 7th audit committee on March 20, 2018
 Motion for submission of the Company's 2017 Statement on Internal Control System.
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 25th meeting of the 7th board of directors on March 28, 2018.
- F. 31st meeting of the 7th audit committee on April 17, 2018
 For important financial management affairs.
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 26th meeting of the 7th board of directors on April 25, 2018.
- G. 32nd meeting of the 7th audit committee on May 15, 2018
 For issuance of the Company's "2018 unsecured common corporate bonds".
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 27th meeting of the 7th board of directors on May 23, 2018.
- H. 35th meeting of the 7th audit committee on July 17, 2018
 Motion for the annulment of treasury stock from 18th buyback and completion of capital decrease.
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 30th meeting of the 7th board of directors on July 25, 2018.
- I. 36th meeting of the 7th audit committee on August 21, 2018
 Motion for the Company's consolidated financial statements Q2 of 2018.
 Resolution made by the Audit Committee: approved by all present members unanimously.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 30th meeting of the 7th board of directors on August 29, 2018.
- J. 37th meeting of the 7th audit committee on August 29, 2018
 In order to satisfy the need for spaces of the headquarters' departments/offices, Yuanta Bank, a subsidiaries of the Company, submitted the tender for the superficies for the 10 lots of land situated at 114-1, Sub-section 2, Huaisheng Section, Daan District, Taipei City for construction of the self-owned office building.
 Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 31st meeting of the 7th Board of Directors on August 29, 2018. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- K. 38th meeting of the 7th audit committee on September 18, 2018
 Propose the motion for the Company's plan to participate in subscription for the subsidiary Yuanta Life's 2018 plan to increase capital by NT\$1 billion in cash through the issuance of shares.
 Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 32nd meeting of the 7th Board of Directors on September 26, 2018. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- L. 40th meeting of the 7th audit committee on November 20, 2018
 For transferring the whole equity of Yuanta Securities Finance held by the Company to the stakeholder, Yuanta Securities.

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

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 34th meeting of the 7th Board of Directors on November 28, 2018. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.

M. 42nd meeting of the 7th audit committee on January 15, 2019

The motion for evaluation on the CPA's independence according to the "Company's Corporate Governance Best-Practice Principles", explanation about replacement of the CPA, and appointment of PwC Taiwan to audit and certify the Company's 2019 financial statements and tax filings.

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

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 36th meeting of the 7th board of directors on January 23, 2019.

N. 42nd meeting of the 7th audit committee on January 15, 2019

Amendments to certain articles of the Company's "Regulations Governing the Acquisition and Disposal of Assets".

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

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 36th meeting of the 7th board of directors on January 23, 2019.

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

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

(1) 28th meeting of the 7th audit committee on January 31, 2018

The motion for the purchase by Yuanta Life, the Company's subsidiary, of the land at Land Nos. 769 and 769-1, Sub-section 2, Jiling Section, Zhongshan District, Taipei City and the building thereon in order to perform the new construction project for its own office buildings thereon.

Resolution: Except Independent Director Lai Ping Chi and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions and submitted to the Board of Directors for resolution.

(2) 37th meeting of the 7th audit committee on August 29, 2018

In order to satisfy the need for spaces of the headquarters' departments/offices, Yuanta Bank, a subsidiaries of the Company, submitted the tender for the superficies for the 10 lots of land situated at 114-1, Sub-section 2, Huaisheng Section, Daan District, Taipei City for construction of the self-owned office building.

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

(3) 38th meeting of the 7th audit committee on September 18, 2018

Propose the motion for the Company's plan to participate in subscription for the subsidiary Yuanta Life's 2018 plan to increase capital by NT\$1 billion in cash through the issuance of shares.

Resolution: Except Independent Director Lai Ping Chi and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions and submitted to the Board of Directors for resolution.

(4) 40th meeting of the 7th audit committee on November 20, 2018

For transferring the whole equity of Yuanta Securities Finance held by the Company to the stakeholder, Yuanta Securities.

Resolution:

A. Independent Director Sou Shan Wu, who was an interested parties, recused themselves from the voting, and Independent Director Ming Ling Hsueh acted as the chairperson at the time of voting.

B. Apart from the interested party, who recused himself, the remaining independent directors present agreed to pass the motions and report the same to the Board of Directors for resolution.

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

(1) The Company has established the "Communication Procedures for Audit Committee and Internal Auditing Department" and "Communication Procedures for Audit Committee and Certified Public Accountants" to govern all communications between the Audit Committee and internal auditors/accountants, which thus far have resulted in very good communication. At the same time, internal auditors and CPAs will be evaluated separately at the end of each year for their overall performance, and the results are reported to the Board of Directors.

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

4. Operation and functions of the audit committee:

- (1) The Company’s Audit Committee shall be responsible for “improve Yuanta FHC’s internal mechanism and assist the Board of Directors in enhancing corporate governance performance”. The Committee members consist of independent directors in whole, and the Committee is the most important functional committee in the operation of the Company’s Board of Directors. The Audit Committee will establish the “Annual plan for events and agenda” based on the Company’s mid-term and long-term development strategies each year, as the core of the execution of annual strategic objectives by the Company’s Board of Directors. The annual work focuses include review on the Company’s annual business and strategic planning, corporate governance-related issues, financial reports, internal audit affairs and risk management, et al. The Audit Committee and Board of Directors will execute the same and review the results of execution each year.
- (2) The information about the Audit Committee is disclosed in the “Audit Committee” in the section of “Corporate Social Responsibility” on the Company’s website: <https://www.yuanta.com/TW/IR/Governance/Committees>.

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

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

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

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

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

On the home page of the Company’s website, the “Corporate Social Responsibility” section discloses information related to the operations of corporate governance at the company. (<https://www.yuanta.com/TW/CSR/Governance>)

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

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

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

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
(2) Is the financial holding company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?	✓		<p>H. Risk management knowledge and ability The information about diversified policies on the Board of Directors is disclosed in the “Board of Directors” in the section of “Corporate Social Responsibility” on the Company’s website at https://www.yuanta.com/TW/IR/Governance/Board</p> <p>(2) The Company has established the Remuneration Committee and Audit Committee pursuant to laws. In order to fulfill the promotion of corporate governance, strengthen the Board of Directors’ governance of ethical corporate management, and fulfill the corporate social responsibility, the Company’s Board of Directors passed the motion for expansion of the Ethical Management Committee to include the corporate social responsibility affairs and reformation to the Corporate Sustainability Committee subordinated to the Board of Directors on November 28, 2018.</p> <p>The “Corporate Sustainability Committee” governs the “Ethical Corporate Management Promotion Center” and “Corporate Social Responsibility Promotion Center” responsible for promoting and coordinating the relevant routine affairs, and report work plans and execution results to the Committee and Board of Directors periodically.</p> <p>In order to solidify the functions of the Board of Directors and strengthen the management mechanism, the Company passed the motion for establishment of the “Nomination Committee” on January 23, 2019.</p> <p>(3) According to the Company’s “Corporate Governance Best-Practice Principles”, the Company shall assess the independence of the external auditor in the duration of the audit committed by the external auditor, based on the following: A. Whether the auditor provides services that would affect the independence of the audit. B. Whether any financial relations exist between the auditor and the Company that would affect the independence of the audit. C. Whether the auditor provides services or products to the</p>
(3) Has the financial holding company assessed the independence of the external auditor periodically (at least once per year), and also disclosed the assessment procedure honestly?	✓		

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
<p>(4) Have the regulations or procedures governing appraisal on performance of the Board of Directors established by the financial holding company is approved by the Board of Directors:</p> <p>A. Is the self-appraisal conducted at least once per year and the appraisal result is disclosed at the Company's website?</p> <p>B. Is it expressly stated that the external appraisal should be conducted at least once per three (3) years and within the time limit defined in the relevant regulations, and the implementation and appraisal results should be disclosed at the Company's website?</p>	✓		<p>Company or charges contingent professional fees or commissions from the Company.</p> <p>D. Whether any actual or threatened legal actions exist between the auditor and the Company.</p> <p>E. Whether the auditor receives such gifts as goods or services of inappropriate value from the Company.</p> <p>F. Whether the auditor was the Company's employee once and resigned for no more than two (2) years.</p> <p>Said assessment report, together with the "Statement of Independent Audit", will be submitted to the audit committee and Board of Directors. The motion for employment will be subject to a resolution made by the Board of Directors.</p> <p>The Company assessed that Chou Chien-Hung, Chen Hsien-I and Chen Li-Yuan, CPAs of PricewaterhouseCoopers Certified Public Accountants met the Company's independence assessment criteria, and acquired the Statement of Independent Audit, which was approved at 42nd meeting held by the Audit Committee of 7th term on January 15, 2019 and 36th meeting of the Board of Directors of 7th term on January 23, 2019.</p> <p>(4) The Company's "Regulations Governing Appraisal on Performance of the Board of Directors (Functional Committee)" have been resolved and approved at the 40th directors' meeting of 6th term on December 23, 2015.</p> <p>A. According to Article 3 of the Regulations, it is necessary to conduct the appraisal on performance of the Board of Directors (functional committee) at least once per year. Meanwhile, according to Article 6 of the Regulations, it is necessary to record the appraisal result and submit the same to the Board of Directors for discussion and correction.</p> <p>The self-appraisal result on performance of the Board of Directors (functional committee) and the board members (self or peer) 2018 has been reported to 36th meeting of 7th board of directors on January 23, 2019. The result summarized that "No director (or independent director)</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
			<p>has put forward any suggestions or supplementary notes against the self-appraisal result. Apparently, all of the directors (including independent directors) recognized the efficiency and operation of the Board of Directors (functional committee) and board members (self or peer) positively.”</p> <p>B. Further, the 6th directors’ meeting of 7th term held on October 26, 2016 resolved the amendments to the Company’s “Regulations Governing Appraisal on Performance of the Board of Directors (Functional Committee)” by adding Paragraph 3 off Article 5 thereto providing that the appraisal on performance of the Company’s board of directors should be contracted to an external professional and independent organization, or external experts/scholars once per three (3) years. The Company has appointed Taiwan Corporate Governance Association to perform the 2018 external assessment on performance of the Board of Directors in December 2018 and, with respect to the 8 major aspects, including 1. composition of Board of Directors; 2. Direction by Board of Directors; 3. Authorization by Board of Directors; 4. Supervision by Board of Directors; 5. Communication with Board of Directors; 6. Internal control and risk management; 7. Self-discipline of Board of Directors; 8. Others, such as directors’ meetings and supporting systems, assess performance of the Board of Directors through questionnaire and on-site visit. The “general comments” on the assessment results are summarized as following:</p> <p>“1. You (namely, Yuanta Financial Holdings), upgraded the “Ethical Management Committee” to the “Corporate Sustainability Committee” in November 2018. This demonstrates your commitment and undertaking to the corporate social responsibility and sustainability-related issues.</p> <p>2. You acknowledge the independent directors’ value and respect the constructive opinion given by the</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
(5) Has the financial holding company disclosed the connection between the appraisal on performance of the directors and remuneration to the directors?	✓		<p>independent directors. The following cases reflect the Company's positive response to individual independent directors' opinion:</p> <ul style="list-style-type: none"> ● Ethical Management Committee upgraded to Corporate Sustainability Committee ● Changes of the suggestion about appointment of any important subsidiary's internal audit officers <p>3. You establishes the Board of Directors' performance assessment system, conducts the assessment each year, and appoints an independent third party to help the assessment once per three years. This reflects the Board's accountability cultures for the stakeholders, and shall be identified as the model of the management department.</p> <p>4. You value introduction of professional directors and provide considerable supports, and encourage and assist the professional directors to make contributions with their expertise.”</p> <p>The Company will continue to improve the Board of Directors' function based on the assessment results. The information about the regulations or procedures governing appraisal on performance of the Board of Directors is disclosed in the “Major Internal Policies” in the section of “Corporate Social Responsibility” on the Company's website at: https://www.yuanta.com/TW/IR/Governance/Internal-Policies</p> <p>The information about the self-appraisal result on performance of the Board of Directors (functional committee) and the board members (self or peer) is disclosed in the “Board of Directors” in the section of “Corporate Social Responsibility” on the Company's website at https://www.yuanta.com/TW/IR/Governance/Board</p> <p>(5) Except independent directors, the other directors of the Company refer to corporate directors. According to the Company's Articles of Incorporation, the allocation of</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
(6) Has the financial holding company disclosed the information about means of communication between independent directors and related units (or executive officers) and CPAs (e.g. Means, item discussed and results of communication on the Company's financial report and business overview, et al.) at the Company's website?	✓		<p>remuneration to directors shall follow the typical pay levels adopted by peer companies and take into consideration the reasonableness of the correlation with future risk exposure each year. The actual allocation shall be based on the self-appraisal result on the Board of Directors members and statistics of directors' attendance at meetings, continuing education and negative qualifications, and then the remuneration shall be allocated to the corporate directors on a pro rata basis subject to the number of days for which the directors hold the position.</p> <p>The Board of Directors is authorized to resolve the remuneration to the Company's independent directors based on the typical pay levels adopted by peer companies. In order to avoid direct or indirect conflict of interest with the Company, the remuneration is paid at fixed amount on a monthly basis, excluded from the Company's allocation of remuneration to directors.</p> <p>(6) The Company has established the "Communication Procedures for Audit Committee and Internal Auditing Department" to govern all communications between the Audit Committee and internal auditors, which thus far have resulted in very good communication. Also, internal auditors would be evaluated separately at the end of each year for their overall performance, and the results are reported to the Board of Directors.</p> <p>The Company discloses the information about means of communication between independent directors and Risk Management Dept., chief internal audit officers and CPAs, and item discussed and resolutions, etc. in the "Other Committees/Audit Committee" in the section of "Corporate Social Responsibility" > "Corporate Governance" on the Company's website: https://www.yuanta.com/TW/IR/Governance/Committees</p>
3. Whether the financial holding company delegates the unit or personnel dedicated to (concurrently in charge of) corporate governance (including but not limited to, provision of information required by directors for carrying	✓		<p>3. The Company has delegated the unit and personnel dedicated to (concurrently in charge of) corporate governance: (1) The Company's Secretariat Office would be responsible for handling the affairs related to meetings held by the Board</p> <p>There was no departure in this respect.</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>out business, organization of directors' meetings and shareholders' meetings, registration of incorporation and registration of changes, and production of directors' meeting and shareholders' meeting minute)?</p>			<p>of Directors and audit committee, and designating the personnel dedicated to communicating and providing the relevant information required by directors for carrying out business.</p> <p>(2)The Company's Administration Department would be responsible for organization of shareholders' meeting, production of shareholders' meeting minute, and registration of incorporation and changes.</p> <p>(3)To be in line with the competent authority's new Corporate Governance Roadmap, the Company promotes the policy for appointment of corporate governance officers in financial holdings companies, and TWSE/TPEX-listed companies with the capital amounting to more than NT\$10 billion. The Company's Board of Directors has approved the motion for appointment of the existing Chief Secretary, Senior Vice President Lawrence Lee, to serve as the chief corporate governance officer responsible for supervising the Secretariat Office's handling of the affairs related to corporate governance officers, at the directors' meeting on November 28, 2018. The scope of duties and powers are stated as following:</p> <ul style="list-style-type: none"> A. Process the affairs related to directors' meetings and shareholders' meetings pursuant to laws. B. Produce the directors' meeting and shareholders' meeting minute. C. Help the directors with their assumption of the position and continuing education. D. Provide the directors with any information required by them to perform their duties. E. Help the directors with compliance affairs. F. Any other requirements under the Articles of Incorporation or by contract. <p>(4)The Company's chief corporate governance officers processed the affairs related to directors' meetings and shareholders' meetings, and also helped the Board of Directors well-found the various commissions' mechanism pursuant to laws, and provide the directors with</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
4. Whether the financial holding company establishes communication channels with stakeholders (including but not limited to, shareholders, employees, and customers, et al.)?	✓		<p>information required by them to perform their duties as their annual work focuses in 2018.</p> <p>(5)The chief corporate governance officers have continued their education for a total of 6 hours from November 28, 2018 until January 31, 2019. Notwithstanding, they will need to further continue their education for 12 hours by November 28, 2019.</p> <p>(6)The information about the chief corporate governance officers is disclosed in the “Corporate Governance Officers” in the section of “Investor relations/Corporate Governance” > on the Company’s website: https://www.yuanta.com/TW/IR/Governance/Board</p> <p>The Company establishes the well-founded spokesperson system pursuant to the “Uniform Spokesman Procedure”, and appoints the spokesperson and deputy spokesperson to release any public information, policy or other related information to the public on behalf of the Company officially.</p> <p>The Company and all of its subsidiaries use their best efforts to provide adequate information to stakeholders such as customers, correspondent banks, vendors, employees, and shareholders, and has established the “CSR” > in the section of “Stakeholders Engagement” on its website to disclose the identification of major concerns about stakeholders, channels of communication with the stakeholders and investigation on certain concerns.</p> <p>Meanwhile, the Company attaches great importance to the rights and interests of stakeholders and to maintain fair channels of communication with them via mailbox or phone. The Company’s Legal Affairs Department assists with and handles possible legal disputes. Where the opinion fed back by any stakeholder is considered material, the responsible unit must report the same to the Audit Committee and Board of Directors under the Company’s internal control system. Website: https://www.yuanta.com/TW/CSR/Stakeholder-Engagement/</p> <p>The Company also set up the “Investor relations” section on its website (https://www.yuanta.com/TW/IR) dedicated to disclosing such matters as shareholder structure, operating performance and credit ratings, and the Institutional IR Dept.</p>
			There was no departure in this respect.

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
5. Information Disclosure (1) Establishment of a corporate website to disclose information concerning financial affairs and corporate governance?	✓		<p>dedicated to maintaining the relations and strategic communication with investors therein (at https://www.yuanta.com/TW/IR/Service/Contact-Us). In order to establish the ethical and transparent enterprise culture, promote the sound management and encourage whistle-blowing against misconduct in the Company, the Company set up the "Whistle-Blowing System" in the section of "Investor relations">"Corporate Governance" on the Company's official website to disclose the requirements about the whistle-blowing system, whistle-blowing hotline and email box (at https://www.yuanta.com/TW/IR/Governance/Reporting-Mechanism).</p> <p>(1) On the home page of the Company's website, the "About Us" section discloses corporate policies, organizational charts and other related information. The "Corporate Social Responsibility" section discloses information related to the operations of corporate governance by the Company. The "Group" section describes the business carried out by each of the Group's subsidiaries. The "Investor Relations" section provides financial information and announcements related to shareholders and public information. The "Corporate Governance" in the section of "Investor relations" discloses the members, functions, operations and related regulations of the Board of Directors and other committees (e.g., Audit Committee, Remuneration Committee, Sustainability Committee and Nomination Committee, etc.), the risk management policies and organizational framework, and internal audit system, summary of whistle-blowing system, and information to be reported and disclosed under Article 46 of the Financial Holding Company Act. Meanwhile, according to the "TWSE Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds" and "TWSE Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", the Company discloses the public information</p>
			There was no departure in this respect.

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
<p>(2) Other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?</p> <p>(3) Whether the Company establishes any information security risk management structure, information security policy and concrete management program, and discloses the same on the Company's website or in its annual report?</p>	<p>✓</p> <p>✓</p>		<p>about the Company's finance, business and corporate governance.</p> <p>(2) The company has set up an English website, established a spokesperson and deputy spokesperson system, and assigned specific persons to collect and disclose important information. At the same time investor-related information is posted on the company website.</p> <p>(3) A. Information security risk management structure The Company implemented ISO 27001:2005 ISMS and also passed the certification by BSI in 2011. Thereafter, the Company would complete the continuing review once per year and the re-examination once per three years. Meanwhile, the Company also completed the ISO 27001:2013 revision to keep strengthening the information security management and control via the PDCA cycle.</p> <p>B. Concrete management program: The Company expressly states the information security objectives and information security responsibilities in its information security policy and establishes the multi-departmental information security taskforce, which coordinate and research the handling and review on the information security policy, plan, allocation of resources, implementation, and crisis management through the taskforce's meetings and the information security management review meeting to be held at least once per year, and also report the results for execution of the information security to the Board of Directors periodically to ensure establishment and implementation of the information security management system. In order to control the information security management system effectively, the Company establishes the relevant policy, regulations (guidelines and enforcement rules, et al.), procedures (guidebook on the information business) and QR/FM (Quality Records/Form) to be followed by</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
6. Other important information enabling a better understanding of the company's corporate governance (including but not limited to employee rights and interests, employee care, investor relations, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, purchase of liability insurance by the company for directors and supervisors, and donations to political parties, interested parties and public welfare groups):	✓		<p>the entire information business operation, management and control.</p> <p>(1) Employee rights and interests: The Company's human resources management mechanisms all comply with labor laws and regulations and internal control requirements, safeguarded employees' legitimate rights and interests. The Company will call a labor and employer meeting periodically to urge the sufficient communication between both parties and gather the common consensus between both parties to make the relations between both parties more harmonious.</p> <p>(2) Employee care: The Company cares about the physical and mental health of its employees and undertakes education and training, group insurance, employee shareholding trusts, and health checkups. Meanwhile, it encourages employees to cultivate diversified hobbies, participate in various social clubs, and get used to having fun when working. The Company also strives to realize employees' potential, and trains and rewards excellent talents so as to enhance employees' on-the-job competitiveness and market value and create a diversified and friendly working environment by encouraging a positive attitude toward corporate sustainability.</p> <p>(3) Investor relations and stakeholders interests: In its "Corporate Governance Best-Practice Principles," the company has defined the contents of investor relations and stakeholders' interests. These principles are implemented in the company's day to day business and focus on the following aspects: A. The company maintains open channels of communication with investors, and respects and protects their legal rights. B. Taking advantage of the convenience of the Internet, the company has established a website, which carries information on financial affairs and corporate governance for the reference of shareholders and stakeholders. Taking into account the needs of foreign investors, the corporate</p>
			There was no departure in this respect.

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
			<p>website also provides an English version of corporate governance related information.</p> <p>(4) Continuing education of directors: See Pages 101 ~ 103</p> <p>(5) Implementation of risk management policy and risk measurement criteria:</p> <p>A. In order to establish the Company's risk management standards and ensure the completeness, validity and reasonableness of the risk management, the Company has had the Board of Directors approve the risk management policy and risk management criteria.</p> <p>B. The risk management policy refers to the Company's ultimate guidelines governing risk management. Various management risks shall be defined based on the policy, attributes of various risks, and effect to be produced by the risks to the Company's operating stability and capital safety.</p> <p>C. Subsidiaries shall establish the risk management systems that meet their business portfolio, business scale and capital scale, according to the Company's risk management policy, to measure and manage effectively the various risks to be borne by them.</p> <p>(6) Implementation of customer policy: The company protects customer privacy based on "Confidentiality Measures on Customer Information for Yuanta Financial Holdings and Its Subsidiaries", "Personal Data Protection Policy of Yuanta Financial Holdings" and "Personal Data Management Rules of Yuanta Financial Holdings". The company uses customer information in accordance with the forgoing measures and within the scope of the law so as to fulfill its obligations in maintaining the confidentiality of customer information and protect customer privacy.</p> <p>(7) Purchase of liability insurance by the Company for directors and managers: The Company continues to purchase the directors/supervisors and managers liability insurance for its directors (including independent directors) and managers, in order to pass on the</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO		Summary
			<p>Company's business risk and help establishment of a well-founded corporate governance mechanism.</p> <p>(8) Donations to political parties, interested parties, and non-profit organizations:</p> <p>A. Handled in accordance with the Company's guidelines governing public donations. Public donations mean those donations which comply with the following laws and regulations:</p> <p>(A) Donations to political parties, political groups and political candidates in accordance with Political Donations Act.</p> <p>(B) Donations to the public welfare groups and syndicates defined in the General Provisions of the Civil Code, or any other educational, cultural, public welfare or charity agencies or groups which are registered with the competent authorities or incorporated validly in accordance with other relevant laws and regulations.</p> <p>B. Where the donated subject is a related party, the donations shall be reported to the Board of Directors for resolution, regardless of the amount of the donations, and material information shall be announced in accordance with Paragraph 1.43 of Article 4 of the "Taiwan Stock Exchange Corporation's (TWSE) Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".</p>
<p>7. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies.</p> <p>The Company also ranked among the top 5% of listed company groups in the "Corporate Governance Assessment Operation" of the 4th term held by TWSE, and was awarded presentation by TWSE on May 23, 2017. The Company has won this honor for three consecutive years.</p> <p>With respect to the indicators not awarded any mark in the "Corporate Governance Assessment Operation" of the 4th term, the Company shall take corrective actions against the deficiencies in two indicators, namely the punishment rendered by the competent authority against the implementation of the internal control system and the Company's material violation of the internal control systems, as the first priority. Considering that the Company's subsidiary, Yuanta Bank and Ta Chong Bank, was fined by the competent authority, the Company was not awarded any mark or the Company's marks were deducted therefor. Given this, the Company contacted the responsible unit immediately upon announcement of the rating result of the "Corporate Governance Assessment Operation" of the 3rd term and asked it to notify the subsidiary to fulfill and strengthen the function for three lines of defense about internal control to mitigate the risk over imposition of fine.</p>			

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

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

1. Information about members, functions and operations of Remuneration Committee

(1) Information about remuneration committee members

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

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

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

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

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

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

(2) Functions of Remuneration Committee

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

- A. Determine and periodically review the performance appraisal on the Company's directors and managers, and remuneration policy, system, standard and structure;
- B. Periodically evaluate and determine the Company's remuneration to directors and managers

(3) Information concerning the remuneration committee

- A. The Company establishes the "Annual plan for events and agenda" of Audit Committee and deliverables to be met by the Company's operation in accordance with the "Regulations on the Establishment of Remuneration Committees by TWSE/TPEX Listed Companies and their Exercise of Powers".
- B. The Company's remuneration committee consists of 4 members.
- C. 7th-term members' office: from June 16, 2016 to June 15, 2019; the 7th-term committee held 7(A) meetings during 2018, and the attendance of the committee members is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Ming Ling Hsueh	7	0	100	
Member	Sou Shan Wu	7	0	100	
Member	Lai Ping Chi	7	0	100	
Member	Yin Hua Yeh	7	0	100	

Other items to be stated:

1. If the Board of Directors does not adopt or amend the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the remuneration committee, please specify the deviation and reason): None.
2. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.

D. The motions discussed by the Company's Remuneration Committee in the most recent year (2018) and resolutions thereof, and the Company's handling of the members' opinion are stated as following:

Remuneration Committee	Motion and follow-up	Resolution	The Company's handling of the Remuneration Committee members' opinion
13th of 7th term 31 January, 2018	<ol style="list-style-type: none"> 1. The motion for performance appraisal on the group performance bonus of the Company's Chairman of Board in 2017. 2. The motion for performance appraisal on the group performance bonus of the Company's President, chief functional officers, chief of business divisions and Auditor-General in 2017. 	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously
14th of 7th term 20 March, 2018	<ol style="list-style-type: none"> 1. Motion for allocation of remuneration to employees 2017 2. Motion for allocation of remuneration to directors 2017 	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously
15th of 7th term 25 April, 2018	The performance assessment mechanism adopted in 2017 when the Company appointed the directors/supervisors of the affiliates, and status of implementation thereof	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously
16th of 7th term June 19, 2018	<ol style="list-style-type: none"> 1. The performance assessment mechanism adopted in 2017 when the affiliates appointed the directors/supervisors of the investees, and status of implementation thereof 2. The motion for allocation of remuneration to the Company's directors (exclusive of independent directors) in 2017. 3. The Motion for allocation of remuneration to the directors and supervisors of invested enterprises appointed by the Company in 2017. 	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously
17th of 7th term 17 July, 2018	The motion for allocation of remuneration to the Company's President, chief functional officers, chief of executive officer and Auditor-General in 2017.	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously
18th of 7th term 21 August, 2018	<ol style="list-style-type: none"> 1. The motion for amendments to the Company's "Performance Management Regulations". 2. The motion for renewed appointment of the President. 	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously
19th of 7th term 20 November, 2018	<ol style="list-style-type: none"> 1. Amendments to certain articles of the Company's "Regulations Governing Remuneration to Employees". 2. Amendments to certain articles of the Company's "Regulations Governing Bonus". 	Agreed by the members unanimously	Proposed to the directors' meeting Agreed by the present directors unanimously

2. Information about members' position titles, job responsibilities and operations of Corporate Sustainability Committee

(1) Information about Corporate Sustainability Committee members' position titles

Position Title (Note 2)	Qualification Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 3)								Number of positions as a Corporate Sustainability Committee Member in other public listed companies (Note 4)	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Director	Tony Shen			✓			✓	✓	✓	✓	✓	✓	0	—
Independent Director	Ming Ling Hsueh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Sou Shan Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Lai Ping Chi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Yin Hua Yeh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—

Note 1: The Company passed the motion for expansion of the Ethical Management Committee to include the corporate social responsibility affairs and reformation to the Corporate Sustainability Committee at 34th meeting of the Board of Directors of 7th term on November 28, 2018.

Note 2: Please specify director, independent director or others.

Note 3: "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

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

Note 4: None of the Company's Corporate Sustainability Committee members holds the position as a member of any other company's corporate sustainability committee.

(2) Functions of Corporate Sustainability Committee members

The Committee is subordinated to the Board of Directors to take charge of the following operations:

- A. Helping integrate the value of ethical corporate management and corporate social responsibility into the Company's business strategies;
- B. Establishing the related policies ensuring ethical corporate management and fulfilling corporate social responsibility in line with laws;
- C. Supervising and fulfilling the execution of ethical corporate management and corporate social responsibility policies, and assessing the results thereof;
- D. Establishing any other policies concerning ethical corporate management and corporate social responsibility, and supervising the execution thereof.

(3) Information about operations of Corporate Sustainability Committee

- A. According to Article 2 of the Regulations Governing Establishment of Corporate Sustainability Committee, the Committee must consist of 3~7 members, who must be served by the Company's directors, and at least a majority of the members must be served by independent directors.
- B. The Corporate Sustainability Committee of the current term consists of 5 members (including 4 independent directors).
- C. Term of office to be held by 7th-term members: from November 28, 2018 to June 15, 2019. The term of office to be held by the Committee member shall be identical with that held by the director, unless otherwise provided by laws, or the Company's articles of incorporation or charters.
- D. In the most recent year (2018), the Corporate Sustainability Committee has held 2 meetings (A). The attendance of the committee members is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Tony Shen	2	0	100	
Member	Sou Shan Wu	2	0	100	
Member	Ming Ling Hsueh	2	0	100	
Member	Lai Ping Chi	2	0	100	
Member	Yin Hua Yeh	2	0	100	

Other items to be stated:

1. If the Board of Directors does not adopt or amend the Corporate Sustainability Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Corporate Sustainability Committee's opinions: None.
2. For resolution(s) made by the Corporate Sustainability Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.
3. Other important motions and results of execution thereof:
(1) 1st meeting of the 7th Corporate Sustainability Committee on November 29, 2018

- A.Motion for election of the convener;
 B.Motion for appointment of the responsible persons of “Ethical Corporate Management Promotion Center” and “Corporate Social Responsibility Promotion Center”.
- (2)2nd meeting of the 7th Corporate Sustainability Committee on December 28, 2018
- A.Motion for report on the “2018 Results of Execution” by the Ethical Corporate Management Promotion Center.
 B.Motion for report on the “2018 Results of Execution” by the Corporate Social Responsibility Promotion Center.
 C.Motion for discussion about the “2019 Work Promotion Plan” by the Ethical Corporate Management Promotion Center.
 D.Motion for discussion about the “2019 Work Promotion Plan” by the Corporate Social Responsibility Promotion Center.
 E.Motion for discussion about the amendments to the Company’s “Yuanta Financial Holdings Ethical Management Principles” and “Yuanta Financial Holdings Procedures for Ethical Management and Guidelines for Conduct”.
 F.Motion for discussion about the amendments to the Company’s “Yuanta Financial Holdings Corporate Social Responsibility Policy and Management Rules” and “Yuanta Financial Holdings Corporate Social Responsibility Best-Practice Principles”.
 G.Motion for discussion about the “grouping and appointment of the responsible person” of the Corporate Social Responsibility Promotion Center.

3. Information about job responsibilities and operations of Nomination Committee

(1) Nomination Committee members

Position Title (Note 2)	Qualification Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 3)								Number of positions as a nomination committee member in other public listed companies (Note 4)	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company’s operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company’s operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Ming Ling Hsueh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Yin Hua Yeh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Director	Michael Ma			✓	✓		✓			✓	✓	✓	0	—

Note 1: The Company passed the motion for establishment of the Nomination Committee at 36th meeting of the Board of Directors of 7th term on January 23, 2019.

Note 2: Please specify director, independent director or others.

Note 3: “✓” is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or supervisor of the company or an affiliate. However, when the person is an independent director appointed by the company, its parent company, or a subsidiary pursuant to Securities and Exchange Act or the local laws and regulations.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company’s total outstanding shares, nor is one of the Company’s ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company’s total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.

- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
- (8) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Note 4: None of the Company's Nomination Committee members holds the position as a member of any other company's nomination committee.

(2) Functions of Nomination Committee

The Committee is subordinated to the Board of Directors to take charge of the following operations:

- A. Establishing the criteria governing such diversified backgrounds as professional knowledge, technology, experience and gender, and independence, required from the Board of Directors members, and searching, reviewing and nominating the candidates for director.
- B. Constructing and developing the structural framework of the Board of Directors and various committees.
- C. Establishing and periodically reviewing the directors' continuing education plans.
- D. Researching and amending the Company's Corporate Governance Best-Practice Principles.

(3) Status

- A. According to Article 4 of the Articles of Association for Nomination Committee, the Committee must consist of no less than 3 directors elected by the directors, and a majority of the members must be served by independent directors.
- B. The Nomination Committee of the current term consists of 3 members (including 2 independent directors).
- C. Term of office to be held by 7th-term members: from January 23, 2019 to June 15, 2019. The term of office to be held by the Committee member shall be identical with that held by the director, unless otherwise provided by laws, or the Company's articles of incorporation or charters.
- D. The Company's Nomination Committee was established on January 23, 2019. By January 31, 2019, the Committee has never held any meeting.

(VI) Fulfillment of corporate social responsibility

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
<p>1. Exercising Corporate Governance</p> <p>(1) Does the Company define corporate social responsibility policies, systems, framework and related management policies, review the effect of implementation thereof, and disclose the same on the Company’s website?</p>	✓		<p>There was no departure in this respect.</p> <p>(1)A. The Company has established its “CSR Best Practice Principles” in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies” and current practices. These principles were passed by the Board of Directors on October 26, 2010 to serve as guidance for the Company’s social responsibilities principles. On December 28, 2010, the Board of Directors passed the “Corporate Social Responsibility Policy and Management Rules” to establish the Company’s CSR policy and the organizational structure and functions of the units dedicated to promoting CSR.</p> <p>B. The Company amended the “Yuanta Financial Holdings Corporate Social Responsibility Best Practice Principles” in accordance with the new “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies”. These principles were passed at 18th meeting of the Board of Directors of the 7th term on August 30, 2017.</p> <p>C. The Company established the “Corporate Social Responsibility Work Promotion Center” in 2011. In order to precisely fulfill and follow up the effect of implementation of various functions, the Board of Directors ratified the amendments to the “Corporate Social Responsibility Policy and Management Rules” on October 26, 2016, so as to have the Center meeting organized once per quarter to help follow up the execution of various projects and ensure the execution quality. In order to practice the corporate sustainability management philosophy, the Company established the “Corporate Sustainability Committee” at the end of 2018. The Committee is dedicated to supervising and fulfilling the enactment and execution of the corporate social responsibility policy, and assessment the results thereof.</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
(2) Does the Company periodically organize any corporate social responsibility education and training program?	✓		<p>The "Corporate Social Responsibility Work Promotion Center" was also founded in line with the establishment of the "Corporate Sustainability Committee", now renamed into the "Corporate Social Responsibility Promotion Center".</p> <p>D. The Company's mid-term and long-term sustainability strategies: To establish a sustainable business management and service model and work hard to be selected by Dow Jones Sustainability Index (DJSI World) as its mid-term objective, and become an international sustainable benchmark enterprise as its long-term objective.</p> <p>An "international sustainable benchmark enterprise" constitutes the Company's vision for sustainable development. To this end, the Company continues to uphold the three major ideas about sustainable finance, environment friendly and society's mutual prosperity to practice the same into the corporate culture and business. The Company shall also provide more diversified financial products, greener financial services, and more well-founded customer care, and urge its business partners to focus on the issue about sustainability, so as to establish a sustainable business management and service model step by step.</p> <p>The CSR Best Practice Principles and Corporate Social Responsibility Policy and Management Rules are disclosed on the following website: https://www.yuanta.com/TW/IR/Governance/Internal-Policies</p> <p>(2)A. The Company engages in propagating the compliance and anti-bribery/corruption and organizes the relevant test each year, in order to strengthen the employees' ethical conduct and correct knowledge about rules of law.</p> <p>B. The Company organizes the general CSR courses and the professional courses for the dedicated personnel periodically each year, in order to propagate the idea about CSR and actual results to the whole employees and</p>

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, and reasons
	Yes	No	
<p>(3) Has the Company established a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors and stating the operations and execution of such unit on the Company’s website?</p>	✓		<p>lead the employees to fulfill the CSR. In 2018, the Company has organized a total of 26 sessions for CSR-related courses attended by 14,923 trainees. Meanwhile, the Company also invited external experts and advisors to organize the CSR-related educational courses periodically each year. In 2018, the Company has held a total of 48 sessions for CSR and DJSI educational courses for the units and personnel dedicated to promoting CSR, lasting for more than 59 hours and attended by more than 489 trainees.</p> <p>(3)A. Article 4 of the Company’s “Corporate Social Responsibility Policy and Management Rules” outlined the structure and duties of the Corporate Social Responsibility Promotion Center. A convener and a deputy convener were appointed on December 30, 2010. Meanwhile, on October 26, 2016, to deal with the adjustment in the Company’s organization, the Company modified the structure and duties of the Center. The related amendments to the structure and duties were approved by the Board of Directors. The “Corporate Social Responsibility Work Promotion Center” was also founded in line with the establishment of the “Corporate Sustainability Committee”, now renamed into the “Corporate Social Responsibility Promotion Center”.</p> <p>B. In order to practice the corporate sustainability management philosophy, fulfill the promotion of corporate governance, strengthen the Board of Directors’ regulations about ethical management and perform the corporate social responsibility, the Company established the “Corporate Sustainability Committee” at the end of 2018. The President of Yunta Financial Holdings serves as the convener, and the four independent directors serve as the committee members. The Corporate Sustainability Committee is subordinated to the Board of Directors, primarily responsible for establishing the related policies ensuring ethical corporate management and fulfilling corporate social responsibility, supervising and fulfilling</p>

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, and reasons
	Yes	No	
(4) Has the Company defined some reasonable compensation policy, integrated corporate social responsibility with employees’ performance evaluation, and established some clear and effective reward/disciplinary system?	✓		<p>the execution of ethical corporate management and corporate social responsibility policies, and assessing the results thereof. The Committee governs the “Ethical Corporate Management Promotion Center” and “Corporate Social Responsibility Promotion Center” consisting of related personnel from the Company and its subsidiaries responsible for promoting and coordinating the relevant routine affairs. The Corporate Social Responsibility Promotion Center is identified as the unit dedicated to promoting the corporate social responsibility, which governs 7 functional teams including the Corporate Governance Team, Customer Care Team, Green Business Team, Employee Care Team, Environmental Sustainability Team, Social Participation Team and General Affairs Team. The Corporate Social Responsibility Promotion Center holds the work meeting per quarter to report the various results to the Corporate Sustainability Committee periodically each year, and to the Board of Directors for twice per year. The amendments to related rules and structure shall be subject to the approval by the Board of Directors, for the purpose of effective management and fulfillment of the Company’s CSR policy.</p> <p>C. Operations and execution of the unit on the Company’s website: https://www.yuanta.com/TW/CSR</p> <p>(4) In order to encourage and urge employees to work with due diligence, the Company has defined the reward & punishment rules. Should an employee’s conduct violate these norms, he/she will be required to correct the conduct, and the violation will be reported and punished depending on the severity of the circumstances. The reward and punishment results will be linked with the performance appraisal system and the remuneration policy. The employees are expected to comply with the relevant laws and</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
(5) Has the Company defined some policy to reflect the operating performance or result on the remuneration to employees?	✓		<p>internal control system when engaging in various operating activities, in order to fulfill the corporate social responsibility.</p> <p>(5) In order to inspire employees, the Company has established the performance appraisal and remuneration policy. Therefore, the Company's business results and personal performance may be reflected to the entire employees' remuneration adequately. Meanwhile, in order to recruit and retain talents, the Company established the "Permanent Remuneration Policy" in December 2008. The subjects to whom the Policy is applicable may be rewarded permanent remuneration in cash or in the form of the Company's stock options, or another permanent remuneration portfolio decided by the Company.</p> <p>Further, according to the Company's Articles of Incorporation, if the Company has profit at the year's final accounting, the remuneration to employees shall be allocated at the range from 0.01% to 0.5% of the remainder, if any.</p> <p>The information about the remuneration to employees is disclosed in the "Major Internal Policies-Articles of Incorporation" in the section of "Investor relations" on the Company's website at: https://www.yuanta.com/TW/IR/Governance/Internal-Policies</p>
2.Fostering a Sustainable Environment (1) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	✓		<p>(1) The Company's measures to raise resource utilization efficiency and its use of renewable materials are explained below: A. We recycle and reuse energy-intensive articles. This includes advocating as well as promoting the recycling and reuse of paper products, the use of recycled paper and resource recycling as well as reporting on execution status.</p>
			There was no departure in this respect.

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, and reasons
	Yes	No	
(2) Has the Company established environmental policies suitable for the Company’s industrial characteristics?	✓		<p>B. We properly dispose of waste. This includes advocating and promoting waste sorting and reduction, waste water treatment and reporting on the outcome.</p> <p>C. We adopt low-consumption and green OA appliances and devices. Since 2011, we have been awarded “Excellent Green Procurement Entity” by Department of Environmental Protection of Taipei City Government each year.</p> <p>D. The Company has been honored by Department of Environmental Protection, Taipei City Government as the excellent benchmark entity for 8 years consecutively, and by Environmental Protection Administration, Executive Yuan as the excellent green procurement entity for 7 years consecutively.</p> <p>(2) The Company established the environmental management system exclusively applicable to the financial business based on ISO 14001 environment management standard systems, and acquired the BSI certification. Meanwhile, the Company also delivered the ISO 14064-1 Greenhouse Gas Investigation System into its nine subsidiaries extensively in three steps. The Group’s 324 business locations throughout Taiwan received ISO14064-1 Greenhouse Gas Investigation System Certification, with the cover rate of inspection attaining 100%, and passed the BSI certification in March 2018. Meanwhile, the subsidiaries dedicated to banking, securities, investment trust and securities finance have introduced the ISO 50001 energy management system, and also received the BSI certification. The on-going environmental management is stated as following:</p> <p>A. Environmental policies were drafted or amended per the Company’s operating policies, assessment result considered in terms of important environment or the management review resolution.</p> <p>B. Fulfill the “Corporate Social Responsibility”, and establish the Energy and Climate Transformation Management Policy in order to deal with such issues as shortage of international energy and climate</p>

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

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

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", and reasons
	Yes	No	
<p>(3) Is the Company aware of how climate change impacts business operations, or conduct investigation into greenhouse gases, or defines some energy saving and carbon/greenhouse gas reduction, water consumption reduction or other waste management strategies?</p>	✓		<p>h. Promote videoconferencing to save the staff from consuming the energy used in commuting.</p> <p>i. Plan to replace traditional lighting with LED to save power.</p> <p>j. The communication of official letters, internal and external, has been replaced by an online approval system to save consumption of paper and carbon powder.</p> <p>(3) The Company establishes the "Environmental Policy" dedicated to fulfilling environmental protection, environmental management and energy saving in 2016. Meanwhile, in order to deal with such issues as shortage of international energy and climate transformation, in 2017, the Company established the "Energy and Climate Transformation Management Policy" to respond to the energy saving and carbon reduction trend actively, and also defined the energy saving objectives and programs to include sustainable operation into the Company's management and operation.</p> <p>The Group takes carbon risk very seriously. Since 2016, it has become a member of the Carbon Disclosure Project (CDP). In 2018, the Company was rated by the CDP as A- for "Leadership", hitting the best record for the Group and also ranking the best among peer companies.</p> <p>In addition to dealing with the governmental energy saving/carbon reduction policies and promoting multiple related measures, the Company also defines the goal for energy saving in accordance with the "Regulations Governing Energy Subscribers' Identification of Goals for Energy Saving and Implementation Plan", promulgated by Ministry of Economic Affairs, in order to achieve the power saving rate more than 1% each year from 2015 to 2019 and also to achieve the average power saving rate more than 1% for the five years.</p> <p>The forecast yearly average power saving rates of Financial Holding Building were 2.67% in 2015 and 2016, while the actual power consumption and power saving rate was 6%.</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
(4) Has the Company disclosed the emissions of CO2 or other greenhouse gas in the past two (2) years?	✓		<p>The Company also replaced all LED lighting fixtures in 2017. The actual power consumption was saved by 596,600 degrees and electricity bill saved 11.21% in 2017 from 2016. The actual power consumption was saved by 949,500 degrees and electricity bill saved by 20.10% in 2018 from 2017.</p> <p>The Group has physically practiced the sustainability in terms of climate transformation, energy saving and carbon reduction, and green environmental protection, by procuring the green power of 500,000 degrees in 2016, and in 2017 again. Meanwhile, the Group has also subscribed for 500 Renewable Energy Certificates in 2018, ranking in the first place in the same trade and corresponding to the absorption of CO2 of 0.7 Daan Forest Park each year, in order to use its best efforts to care the Earth and environmental sustainability.</p> <p>(4) The Group has built the ISO 14064-1 system since 2015, and also conducted the investigation into greenhouse gases of the Company and the Group's subsidiaries. From 2015 to 2017, following the increasing expansion of the investigation boundary, the data about the Group's greenhouse gas emissions and primary energy consumption tend to be complete increasingly day by day. Said 9 subsidiaries will deliver the same successively. In 2018, the 324 business locations of the 9 subsidiaries have completed the introduction of ISO 14064-1 system, with the cover rate of 100%. This is beyond the target set initially. The total emissions of CO2 were 3016.77 tons-CO2/year in 2015.</p> <p>The total emissions of CO2 were 4451.74 tons-CO2/year in 2016.</p> <p>The total emissions of CO2 were 25741 tons-CO2/year in 2017.</p> <p>Note 1: The range of data in 2015 extended to the fuel consumed by Yunta Financial Holdings Building and shuttle buses and company vehicles, and the</p>

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, and reasons
	Yes	No	
(5) Has the Company received the certification from ISO14001, ISO50001 or any similar environment or energy management system, and discloses the same on the Company’s website or in its CSR report?	✓		<p>greenhouse gas emissions referred to the related emissions of energy primarily.</p> <p>Note 2: The range of data in 2016 extended to all subsidiaries that built the ISO 14064-1 greenhouse investigation system.</p> <p>Note 3: The range of data in 2017 extended to the 324 business locations including Yuanta Financial Holdings and all subsidiaries, which built the ISO 14064-1 greenhouse investigation system.</p> <p>(5) The Company received the ISO 14001 certification in March 2016, and kept operating the system and passed the BSI certification in January 2017 and January 2018. The subsidiaries dedicated to banking, securities, investment trust and securities finance have introduced the ISO 50001 energy management system successively. All of them expanded the introduction parameters and also received the BSI certification based on their annual plan. The Company discloses said information in the “CSR Report-Environmental Sustainability” section on the Company’s website: https://www.yuanta.com/TW/CSR/Environmental-Sustainability</p>
<p>3. Preserving Public Welfare</p> <p>(1) Has the Company established any human rights protection policy in accordance with the relevant laws and international human rights conventions?</p> <p>(2) Does the Company disclose the identified interested parties’ identity, concerned issues, communication channels and responses on the Company’s website?</p>	✓		<p>(1) In order to maintain and protect the human rights, the Company establishes the human rights protection policy in accordance with the human rights protection spirit and basic principles disclosed in the Universal Declaration of Human Rights, United Nations Global Compact and International Labour Convention, in order to regulate the protection of human rights in workplaces, supply of healthy and safe workplaces and propagation of human rights policies, and fulfill the responsibility for respecting and protecting human rights.</p> <p>(2) The Company’s website set up the Stakeholder Engagement section. The interested parties identified by the Company are primarily categorized into seven groups, including</p>
			There was no departure in this respect.

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
<p>(3) Has the Company established any employee complaint mechanism and channel, and takes care of such complaints adequately?</p>	✓		<p>shareholders and investors, customers, employees, governmental entities, suppliers, communities (including NPO and NGO) and the media. The Corporate Social Responsibility Promotion Center discusses and verifies said interested party groups, lists the primary counterparts, issues, and ways and channels for reaching agreement, include the issues concerned by stakeholders into the corporate social responsibility routine operations management and annual plan, holds meetings to follow up the progress periodically, and makes amendment and adjustment if necessary. Website: https://www.yuanta.com/TW/CSR/Stakeholder-Engagement/Contacts</p> <p>(3)A. The Company calls a labor and employer meeting periodically to establish a communication platform between laborers and employer to upgrade employees' participation and identification in the company's policies so as to form a positive interactive model and to create a win-win situation.</p> <p>B. The Company has established the employee complaints system. Employees may reflect their comments and suggestions via adequate channels, and may file the complaint with the internal/external appeal entity and responsible person in charge of processing complaints according to the claim and procedure stated in the public notice for employees' complaints. Meanwhile, the Company also installed a sexual harassment complaint hotline and email box dedicated to processing complaints against sexual harassment filed by any employee in the workplace, in order to establish a safe and friendly working environment.</p> <p>(4) The Company conducts the regular occupational safety and firefighting trainings and drills as required by law. Moreover, based on Article 16 of the "Regulations for Labor Safety and Health Education and Training" by the Council of Labor Affairs, Executive Yuan, providing that "The employer shall have new recruits receive necessary</p>
<p>(4) Does the Company provide the existence of a safe and healthy work environment, and conducts regular health and safety training for employees?</p>	✓		

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
(5) Has the Company established a mechanism for periodic communication with employees, and notification to employees of the circumstances that might materially affect the operation in a reasonable manner?	✓		<p>safety and health education and trainings applicable to their new posts", the Company would have its occupational safety business supervisor act as the lecturer in the educational trainings for new recruits on occupational health and safety to be organized by the Company each year, to teach about the labor, safety and health laws and regulations, safety & health concept and safety & health work rules, in order to protect the employees' safety and health in work. Meanwhile, the training also teaches about the accident reporting and response action, rescue routes in the office and business place, usage of fire protection equipment, and knowledge about first aid, subject to the characteristics of the financial industry. Meanwhile, the Company will invite physicians, professional nurses, sports coaches or other healthcare professionals to organize health seminars, on-site health consulting service provided by physicians, sports programs and physical fitness instruction for promotion of the employees' health and guidance to the employees about correct health knowledge and care for the employee's physical and mental health.</p> <p>The Company protects the safety and health of all employees in the workplace by means of such multiple measures as periodic labor safety & health education training, office environment sanitation and periodic fire protection safety inspection, air quality at office premises, water quality inspection and lighting inspection.</p> <p>Website: https://www.yuanta.com/TW/CSR/Employees/Health-and-Safety</p> <p>(5)A. The Company calls the labor-management meeting periodically to establish a communication platform between the labor and management, via which the employees may provide their feedback and suggestions, to upgrade the employees' participation and identification in the Company's policies, and forms a positive interactive model by means of the various units' internal meetings to communicate the Company's policies and</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
(6) Has the Company established some effective career development training plan for employees?	✓		<p>business orientations, so as to have the management and labors work with each other amicably and create a win-win situation.</p> <p>B. The various regulations and systems and benefit information for employees are posted in the intranet to help employees understand their own interests and rights. Meanwhile, a dedicated unit posts important daily news of the company on the intranet for employees' easy access so as to understand updated industrial developments and the company's important messages.</p> <p>C. Material changes in the Company's operation will also be published via email from time to time, so that employees will have access to timely.</p> <p>D. The Company has made available on its website the "Important News" and also the "Important Messages" section to provide employees with the access to update information on line.</p> <p>E. The Company contracts the external advisor to perform the survey on employees' opinion by inviting the employees to feed back their opinion on the corporate core value, orientation, organizational communication, learning & development, salary & benefits and human resource management, et al., assessing the employees' awareness and thoughts toward the business policies, analyzing and discussing the issues discovered in the process of the survey and drafting the corrective action plans, and continues following up the correction results to respond to the employees' opinion and create the working environment achieving a win-win situation for both of the labor and management.</p> <p>(6)A. The Company upholds the philosophy of "satisfying the finance industry and group business development needs" to continue training talents specialized in finance. The Company has established diversified development system for talents holding management function and professional function, and offered the training courses and provided learning resources by the four major frameworks</p>

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, and reasons
	Yes	No	
<p>(7) Has the Company established the related consumer protection policies and complaints procedures toward the R&D, procurement, production, operation and service procedures?</p>	✓		<p>including the management school, professional school, license school and life school.</p> <p>The management find out and reserve the management and professional talents needed by the financial industry’s and Group’s development through talent identification, designated continued education, work shifts, assignment of projects, and digital learning. Meanwhile, the Company also encourages its employees to access various financial areas of the Group and learn the diversified functions voluntarily to help the Company and employees respond to the rapid changes in the finance industry and also hold the knowledge, technology and competency keeping up with the time.</p> <p>B. Meanwhile, in order to enable employee training to meet the Group’s enterprise culture and practical management needs and to signify senior employees’ professional value and contribution, the Group has engaged in promoting the in-house trainer system based on the plentiful experience of in-house staff permanently, so as to fulfill the Company’s internal knowledge management and experience transmission. It is also done to help enhance colleagues’ professional competency in the area of finance.</p> <p>C. The Group’s employee training program 2018 offered a total of 3,210 courses, attended by a total of 280,680 trainees. The total training hours were 483,962 hours. The total employee training budget was NT\$42.13 million. Averagely, each employee accepted the training for 44.1 hours and attended the training for 25.6 counts, and was allocated the training budget, NT\$3,835.</p> <p>(7) In order to fulfill the Company’s responsibility to keep customer information confidential, the Company has set up the “Yuanta Financial Holding Co. Ltd. and Subsidiaries Customer Information Confidentiality Measures” and statement of privacy, and posted their contents on the Company’s website. Each subsidiary settles the dispute over merchandising based on such principles as the</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
<p>(8) Does the Company market and label products and services in accordance with the related laws and international practices?</p>	✓		<p>"Consumption Dispute Resolution Regulations", "Fair Dealing Policy" and "Fair Dealing Strategies", in order to well-found its protection toward consumers' interest and right. The Company has established the channel for consumer complaints as follows: upon confirmation of a complaint, the Company immediately notifies the relevant units to attend to the matter, and maintain close contact with the complainant, the Company, and/or regulatory authorities, to ensure the effective and timely handling of the issue. Yuanta's subsidiaries also adhere to the regulations of their respective industries in setting their complaint handling procedures, so that each case is appropriately handled and each complainant has their concerns addressed with a satisfactory response.</p> <p>For details on the customer complaint channels of Yuanta FHC and its subsidiaries, please see the Yuanta FHC website: Yuanta Homepage > Corporate Social Responsibility > Stakeholder Engagement > Stakeholder Contacts. Website: https://www.yuanta.com/TW/CSR/Stakeholder-Engagement/Contacts</p> <p>(8) The Company's subsidiaries value the customers' interest and right very much, and sufficiently disclose the information to customers and competent authorities honestly per the competent authorities' requirements whenever any financial instrument hit the market, including the terms and conditions of the instrument, characteristics of the instrument, DM, and various documents to be disclosed per the competent authorities' requirements. Further, the Company establishes the internal control system and related guidelines with respect to the product design and sale, and helps customers understand the products rapidly in the form of service attendants' detailed explanation, financial courses organized by various subsidiaries from time to time, social media layout, and disclosure of the product details and simplified Q&A on the official website, in order to upgrade the customers'.</p>

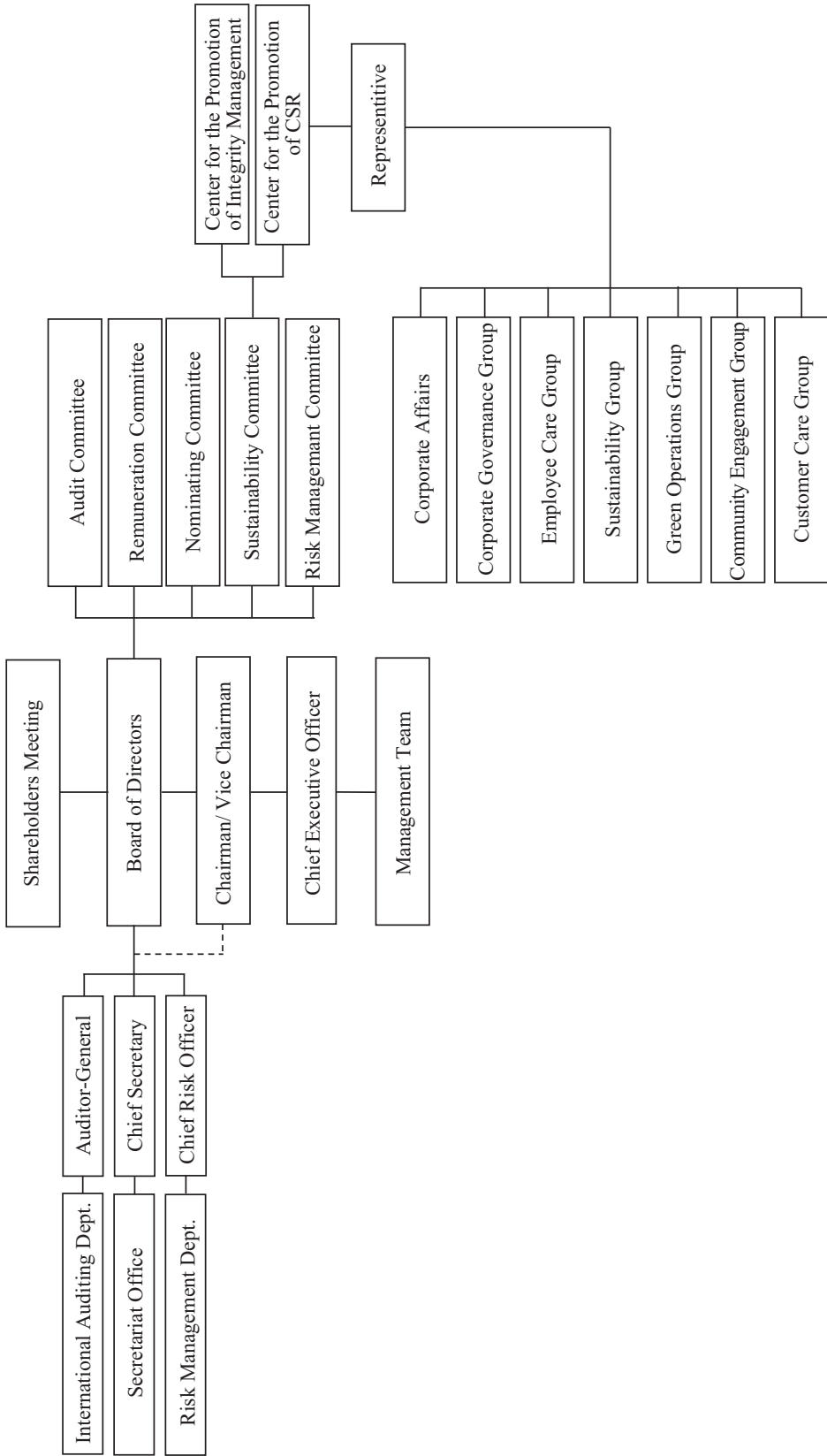
Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", and reasons
	Yes	No	
(9) Does the Company has assessed the supplier's record in environmental protection and society before trading with the supplier?	✓		<p>knowledge about financial instruments. The Company also sets up multiple communication and complaining channels to respond to the customers' needs.</p> <p>(9)A. The Company is dedicated to purchasing green products from suppliers to fulfill its responsibility for protecting the earth. In order to protect the Earth, the suppliers work hard to develop various green products. The Company will procure their products as the priority, subject to need. Since 2011, the green procurement has been awarded a certificate of gratitude by the Environmental Protection Administration and Taipei City Government for six (7) years consecutively. In order to fulfill the "green procurement", the Company applies the green products bearing the green mark identified in positive listing, including the three types of environment protection product which renders less impact to the environment, namely, "the product which acquires the green mark granted by Environmental Protection Administration, Executive Yuan", "the product which meets the requirements about recycling materials, low pollution, recycling and energy saving", and "the other product with identical or similar performance which may increase the social interest or reduce the social cost".</p> <p>B. The Company asks the suppliers to comply with the integrity and ethical principles with the Company. For tangible product suppliers to enter into a procurement contract with the Company, as of June 2013, the Company will ensure they understand the Company's integrity and ethical principles and corporate social responsibility strategies and approaches in accordance with "Ethical Management and Guidelines for Conduct". The Company will also ask them to submit a written undertaking of integrity and ethical proof showing no record of corruption and bribery, in order to comply with the integrity and ethical principles and maintain corporate social responsibility</p>

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, and reasons
	Yes	No	
(10) Does the contract between the Company and its main supplier include the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?	✓		(10) The Company will ask suppliers to sign the “Written Undertaking for Human Rights and Sustainable Environment” to expressly undertake that they will comply with the Labor Standard Law and respect basic labors’ human rights, avoid endangering labors’ basic rights, comply with environment-related laws and regulations, and devote itself to sustain the environment, fulfill the enterprise culture upholding sustainable environmental development, care for the earth, cherish resources, protect the environment and save energy, and fulfill their obligations to protect society and environment, in the hope of exerting the Company’s influence and urging suppliers to fulfill the corporate social responsibility together..
4.Enhancing Information Disclosure Enhancing Information Disclosure Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?			The Company’s Corporate Social Responsibility Report has been disclosed on the Company’s website, and the Market Observation Post System.
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: There was no departure in this respect.			There was no departure in this respect.
6. Other information material to the understanding of the corporate social responsibility: Please view the “Corporate Social Responsibility” section on the home page of the Company’s website (https://www.yuanta.com/TW/CSR).			
7. If the company’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: The Company’s corporate social responsibility report 2017 passed certification by the third party organization, BSI, in May 2018. BSI has inspected the Inclusivity, Materiality and Responsiveness of the corporate social responsibility report in accordance with AA1000 AS: 2008 and GRI. The Company’s corporate social responsibility report followed the “core” options under GRI and met the AA1000 Type 1 medium guarantee criteria and also acquired BSI’s exclusive written statement. The Company’s corporate social responsibility report in both Chinese and English versions are available. The corporate social responsibility report of Yuanta Financial Holdings may be downloaded from the following website: https://www.yuanta.com/TW/CSR/CSR-Report			

Note1: Regardless of “Yes” or “No”, the status shall be stated in the “Summary” section.

Note2: Where the Company has prepared a Corporate Social Responsibility Report, the summary thereof may not be required. Only if this report specifies to refer to the Corporate Social Responsibility Report will it be needed, or may be replaced by the index page number.

Note3: The Corporate Social Responsibility Promotion Center is identified as the Company’s unit dedicated to promoting the corporate social responsibility, which governs 7 functional teams. The organizational structure is stated as following:



(VII) Fulfillment of ethical management

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
<p>I. Enactment of ethical management policy and program</p> <p>(1) Does the Company expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?</p>	✓		<p>There was no departure in this respect.</p>
		<p>(1)A. On October 25 and December 27, 2011, the Board of Directors passed the creation of "Yuantia Financial Holdings Ethical Management Principles ("Ethical Management Principles")" and "Yuantia Financial Holdings Procedures for Ethical Management and Guidelines for Conduct" ("Guideline for Conduct"), respectively, based on Financial Supervisory Commission's policies, and the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and "Procedures for Ethical Management and Guidelines for Conduct" published by Taiwan Stock Exchange Corporation. These rules are applicable to all subsidiaries, all foundations to which the Company has directly/indirectly donated more than 50% of operating funds, and other institutions or organizations in which the company exercises controlling interests.</p> <p>B. The Company's "Ethical Management Principles" were published in accordance with Letter Tai-Zheng-Zhi-Li-Zi No. 1030022825 issued by Taiwan Stock Exchange Corporation on November 7, 2014. The addition of Article 14, Article 15 and Article 16 thereto and amendments to 18 articles including Article 2, Article 6, Article 10 and Article 11, et al. thereof passed by the Board of Directors' meeting in March 2015 and was then submitted to the shareholders' meeting 2015.</p> <p>C. To enforce the "Ethical Management Principles" and strengthen the Board of Directors' regulations about ethical management, the Company has established the "Corporate Sustainability Committee" subordinated to the Board of Directors to govern the "Ethical Corporate Management Promotion Center" and "Corporate Social Responsibility Promotion Center". The "Ethical Corporate Management Promotion Center" is responsible for handling the ethical corporate management-related</p>	

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

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
<p>under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or within other operating areas?</p>			
<p>2.Implementation of ethical management</p> <p>(1) Has the Company assess a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p>	✓		There was no departure in this respect.
<p>(2) Has the Company established a unit dedicated to (concurrently engaged in) promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors and stating the operations and execution of such unit on the Company's website?</p>	✓		<p>(1) The Company has already drawn up the "Checklist for Singing of Procurement Contracts" and included an ethical management clause into in the contract in accordance with the "Guideline for Conduct", to help the assessment when negotiating concluding contract with external procurement supplier involving the buyout/sellout of ownership of products. The "written undertaking for ethical management" attached to the checklist shall be signed by the external procurement supplier as proof. Furthermore, when concluding the procurement contract, the Company takes into consideration the supplier's compliance with the ethical management clause and Article 20 of the "Guideline for Conduct".</p> <p>(2)A. The motion submitted for establishment of the "Corporate Sustainability Committee" subordinated to the Board of Directors was resolved and approved at 34th meeting of 7th-term Board of Directors on November 28, 2018 to strengthen the Board of Directors' regulations about ethical management. The Committee shall report to the Board of Directors after the meeting held in Q1 of each year. The relevant information is disclosed in the "Committees/Sustainability Committee" in the section of "Corporate Social Responsibility" on the Company's website at: Website: https://www.yuanta.com/TW/IR/Governance/Committees B. The Company has submitted the report on the overview of corporate governance and ethical management 2018 to the Board of Directors' meeting in March 2019 for approval.</p>

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

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No		Summary
(5) Has the Company organized internal/external education training program for ethical management periodically?	✓		<p>internal audit, and audit by Financial Examination Bureau and the external auditor, in order to ensure that design and execution of the Company's accounting system still works.</p> <p>(5)A. The Company organizes the "Compliance and Anti-bribery & Anti-corruption Promotion" training program on a yearly basis. All employees have to take part in the program and pass the test, to ensure that employees have correct knowledge and basic judgment of relevant laws and ethical conduct, and that the corporate ethical management policy may be fulfilled.</p> <p>B. Meanwhile, the Company has also urged the subsidiaries to boost the "Compliance and Anti-bribery & Anti-corruption Promotion" training program as planned to continue enhancing our ethical management philosophy, and also established good corporate governance and risk management mechanisms to create a sustainable business environment.</p>
3. Status of the Company's complaint system	✓		There was no departure in this respect.
(1) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	✓		<p>(1) The motion for establishment of the "Regulations Governing Implementation of Complaint System" submitted by the Company has been approved by the Board of Directors. The Company also established the convenient complaint channels, such as hotline and email box, and also assigned the units with the independent powers to accept and investigate the complaint cases. If the complaint filed by any employee is proven, the Company's dedicated unit will report the same to its supervisor, and the complainant will be rewarded in accordance with the Company's Guidelines Governing Reward and Punishment.</p> <p>(2) The Company's "Regulations Governing Implementation of Complaint System" has expressly stated the procedures for investigation and coordination in the complaint cases and the following standard operating procedures, and required that the personnel dedicated to processing complaints shall provide the written statement undertaking that they will</p>
(2) Has the Company defined the standard operating procedure and nondisclosure mechanism toward the investigation of complaints as accepted?	✓		

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
(3) Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?	✓		keep the complainants' identity and contents of the complaint in confidence. (3) The protection policies adopted by the Company in accordance with the "Regulations Governing Implementation of Complaint System" include the confidentiality of the complainant's ID, non-disclosure of the information sufficient to identify the complainant, prohibition from firing, dismissing or demoting the complainant or cutting the complainant's salary, damaging the interest vested in the complainant pursuant to laws, contracts or customs, or rendering any decision in disfavor of the complainant on the ground of the complaint.
4.Enhancing Information Disclosure Has the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	✓		There was no departure in this respect. The Company has disclosed its "Ethical Management Principles" and "Guideline for Conduct" in the "CSR" area of its website and on the Market Observation Post System. The effect of implementation thereof was also stated in the Company's annual report and CSR report disclosed on said websites.
5. If the Company has established ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: None.			
6. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the Company): The Company has enacted the "Checklist for the Signing of Procurement Contracts". When procuring products and before signing the contract, the Company will ask the supplier to issue a written undertaking for ethical management and will search whether the trading counterpart has any unethical management record, such as bribery or illegal political donations, and include the ethical management clauses and relevant matters into the contract.			

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

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

Please view the "Corporate Social Responsibility" section on the home page of the Company's website (<https://www.yuanta.com/TW/CSR>)

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

1. For effective control of the company's internal handling of important information and its disclosure mechanisms, the 25th meeting of the 4th Board of Directors on January 21, 2009, approved the "Procedures for the Handling of Major Internal Incidents", and uploaded the Procedures to the Company's intranet website upon the amendments thereto passed at 2nd meeting of the 5th Board of Directors on July 27, 2010. Management and all employees are required to abide by them and refrain from any insider trading activities.
2. The Company passed the Taiwan Corporate Governance Association's "CG6011 (2017) Corporate Governance Framework Assessment Certificate with Excellence" in 2018, becoming the first company to receive this certification effective from June 12, 2018 to June 11, 2020 in Taiwan.
3. Other information enabling better understanding of the Company's corporate governance: Please refer to the "Corporate Social Responsibility" section of the Company website: (<https://www.yuanta.com/TW/CSR>) or the official website of the Market Observation Post System (<http://emops.twse.com.tw/server-java/t58query>; company code 2885).

(X) Directors' continuing education

Data baseline date: 12/31/2018

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Chairman	Rong Jou Wang	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Chairman	Rong Jou Wang	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Chairman	Rong Jou Wang	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Chairman	Rong Jou Wang	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Independent Director	Lai Ping Chi	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Independent Director	Lai Ping Chi	2018.09.19	2018.09.19	Taiwan Corporate Governance Association	(Summit) The 14 th Term Corporate Governance International Summit Forum - Fulfillment and supervision of directors' obligation-Experience in Delaware, directors' obligation to supervise under the existing legal system in Taiwan, independent directors' responsibility, independent directors' functions, independent directors' support (for a whole day)	6
Independent Director	Lai Ping Chi	2018.11.02	2018.11.02	Taiwan Corporate Governance Association	Introduction to the focus on the 2018 amendments to the Company Act	3
Independent Director	Lai Ping Chi	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Independent Director	Sou Shan Wu	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Independent Director	Sou Shan Wu	2018.04.13	2018.04.14	Taiwan Institute of Directors	Family legacy and enterprise transformation governance method	6
Independent Director	Sou Shan Wu	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Independent Director	Sou Shan Wu	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Independent Director	Sou Shan Wu	2018.12.27	2018.12.27	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Independent Director	Ming Ling Hsueh	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Independent Director	Ming Ling Hsueh	2018.04.13	2018.04.13	Taiwan Corporate Governance Association	Talks about the taxation environment transformation and tax reform trend in the cross-straits and U.S.A. in terms of the global wave of anti-tax avoidance	3
Independent Director	Ming Ling Hsueh	2018.04.27	2018.04.27	Taiwan Corporate Governance Association	Tendency and interpretation on the latest amendments to the Company Act	3
Independent Director	Ming Ling Hsueh	2018.05.08	2018.05.08	Taiwan Stock Exchange Corporation (TWSE)	Summit forum for new corporate governance roadmap for TWSE-listed companies	3
Independent Director	Ming Ling Hsueh	2018.06.26	2018.06.26	Taiwan Corporate Governance Association	Introduction to new corporate governance roadmap	1
Independent Director	Ming Ling Hsueh	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Independent Director	Ming Ling Hsueh	2018.09.19	2018.09.19	Taiwan Corporate Governance Association	(Summit) The 14 th Term Corporate Governance International Summit Forum - Fulfillment and supervision of directors' obligation and independent directors' liability (in the morning)	3
Independent Director	Ming Ling Hsueh	2018.10.30	2018.10.30	Taiwan Corporate Governance Association	Latest amendments to the Company Act and directors' responsibility	3
Independent Director	Ming Ling Hsueh	2018.11.12	2018.11.12	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Independent Director	Ming Ling Hsueh	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Independent Director	Yin Hua Yeh	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Independent Director	Yin Hua Yeh	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Independent Director	Yin Hua Yeh	2018.09.19	2018.09.19	Taiwan Corporate Governance Association	(Summit) The 14 th Term Corporate Governance International Summit Forum - Independent directors' functions and independent directors' support (in the afternoon)	3
Independent Director	Yin Hua Yeh	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Tony Shen	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Tony Shen	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Director	Michael Ma	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Michael Ma	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Director	Michael Ma	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Hsien Tao Chiu	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Hsien Tao Chiu	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Director	Hsien Tao Chiu	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Jin Long Fang	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Jin Long Fang	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Director	Jin Long Fang	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Ming Hong Ho	2018.02.22	2018.02.22	Taiwan Stock Exchange Corporation (TWSE)	2018 Presentation for promotion of securities firms' anti-money laundering operations	3
Director	Ming Hong Ho	2018.05.08	2018.05.08	Taiwan Securities Association	In-service training workshop for senior management: Anti-Money Laundering	3
Director	Ming Hong Ho	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Director	Ming Hong Ho	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Ming Hong Ho	2018.12.27	2018.12.27	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Tony Fan	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Tony Fan	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Director	Tony Fan	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Yueh Tsang Lee	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Yueh Tsang Lee	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Director	Yueh Tsang Lee	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Yueh Tsang Lee	2018.12.27	2018.12.27	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Director	Chung Yuan Chen	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Director	Chung Yuan Chen	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Director	Chung Yuan Chen	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Director	Chung Yuan Chen	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3

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

Data baseline date: 12/31/2018

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Executive Vice President	Vincent Chen	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Executive Vice President	Vincent Chen	2018.10.26	2018.10.26	Securities and Futures Institute	2018 Insider trading prevention promotion conference	3
Executive Vice President	Vincent Chen	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
General Auditor	Ming Hsiu Tsai	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
General Auditor	Ming Hsiu Tsai	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Senior Vice President	Hsuan Min Kuo	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Senior Vice President	Hsuan Min Kuo	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Senior Vice President	Hsuan Min Kuo	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Senior Vice President	Frank Kuo	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Senior Vice President	Frank Kuo	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Senior Vice President	Chieh Wu	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Senior Vice President	Chieh Wu	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Senior Vice President	Allen Wu	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Senior Vice President	Allen Wu	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Senior Vice President	Allen Wu	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Senior Vice President	Lawrence Lee	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Senior Vice President	Lawrence Lee	2018.05.25	2018.05.25	Taiwan Stock Exchange Corporation (TWSE) Taipei Bar Association	Studies on FSC's new corporate governance roadmap - Corporate Governance Officers	3
Senior Vice President	Lawrence Lee	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Senior Vice President	Lawrence Lee	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Senior Vice President	Lawrence Lee	2018.12.27	2018.12.27	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Vice President	Ming Lang Liu	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Vice President	Ming Lang Liu	2018.10.23	2018.10.23	Taiwan Corporate Governance Association	Equity planning and reelection of directors/supervisors of TWSE/TPEx-listed companies	3
Vice President	Wen Ching Chiu	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Vice President	Wen Ching Chiu	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Vice President	Wen Ching Chiu	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Vice President	Wen Ching Chiu	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Vice President	Hsu Shu Mai	2018.03.30	2018.03.30	Taiwan Securities Association	Domestic and foreign laws & regulations on anti-money laundering/countering of terrorism financing	3
Vice President	Hsu Shu Mai	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Vice President	Cheng Hua Sun	2018.07.12	2018.07.12	Taiwan Securities Association	Fin-tech innovation strategies	3
Vice President	Cheng Hua Sun	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Vice President	Robert C.S. Yang	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3
Vice President	Sophia Chang	2018.09.12	2018.09.12	Taiwan Securities Association	Analysis on thorough amendments to the Company Act - based on power structure	3
Vice President	Sophia Chang	2018.12.26	2018.12.26	Taiwan Corporate Governance Association	Assessment on Board of Directors' performance	3

(XII)Implementation of the internal control system

1. Internal Control System Statement: See page 106
2. CAP's report on special audit of internal control system: None.

Statement on Internal Control System of Yuanta Financial Holdings

We hereby declare on behalf of Yuanta Financial Holding Co., Ltd. that, in accordance with “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries“, from January 1, 2018 to December 31, 2018, the Company had an internal control system, performed risk management, and was audited by an impartial and independent internal auditing department, which regularly reported to the Board of Directors and the Audit Committee. After a careful assessment, it was found that except for the matters identified in the attached schedule, all units were able to effectively implement internal control and legal compliance tasks during the year. This Statement shall be included among the chief contents of the Company’s annual report and prospectus, and shall be made public. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal liabilities.

To:
Financial Supervisory Commission

Stated by:
Chairman: Rong Jou Wang

President: Tony Shen

General Auditor: Ming Hsiu Tsai

Head Office CCO: Wen Ching Chiu

Date: 2019/03/25

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

(Basis date: 12/31/2018)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
Yuanta Securities: 1. The Company was found defective in the anti-money laundering and countering of terrorism financing operations in violation of Paragraph 2 of Article 2 of the Regulations Governing Securities Firm. Accordingly, FSC issued a reprimand.	1. (1) Add/amend internal regulations and strengthen review. (2) Establish the “Operating Procedure for Money Laundering Risk Assessment on New Products (Services) or New Business Types”. (3) Re-check the scope of the customer risk assessment and adjust the same. (4) Check customers’ beneficial owners or take related control policies. (5) Identity the customers who are politically exposed persons (PEPs) domestically as high-risk customers, and also report the maintenance of customers engaged in suspicious transactions in the AML system. (6) Activate the investigation on persons involved in negative news, and conduct name screening and identification.	Improvement completed.
2. A former Financial Trading Dept. supervisor was suspected of trading securities in the name of some customer or via some customer’s account. Meanwhile, the Company accepted the order placed in an exclusive electronic form and acquired the equipment in violation of the relevant requirements under Paragraph 2 of Article 2 of the Regulations Governing Securities Firm and, therefore, FSC issued a reprimand.	2. (1) Compliance Affairs Dept. would strengthen the propagation about laws and regulations to all workers on a quarterly basis. (2) Amend the guidebook on the information business.	Improvement completed.
3. The causes of out-trades and account number corrections as reported were found not matching the facts about the out-trades and corrections and in violation of Paragraph 2 of Article 2 of the Regulations Governing Securities Firm. FSC issued a reprimand accordingly.	3. (1) Engage in propagation to all workers. (2) Strengthen the related personnel’s educational training.	Improvement completed.
4. The account opening operations for customers who are domestic institutional investors, offshore overseas Chinese and foreigners failed to identify the customers’ beneficial owners and misidentified high-risk customers or certain PEPs	4. (1) Check customers’ beneficial owners or take related control policies. (2) Identify the PEPs and their closely related parties as high-risk ones.	Improvement completed

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>as low-risk ones. The Company was held violating Paragraph 2 of Article 2 of the Regulations Governing Securities Firm and, therefore, FSC issued a reprimand.</p> <p>5. Some differences were in the corporate governance operations, internal regulations, internal control and risk management mechanism of the subsidiary, Yuanta Finance (HK), and the investment plan prepared when the company was set up. The Company was held violating Paragraph 2 of Article 2 of the Regulations Governing Securities Firms and FSC issued a reprimand accordingly.</p>	<p>5.</p> <ol style="list-style-type: none"> (1) Supervise the amendments to the Articles of Association and organizational chart. (2) Supervise the establishment of regulations and mechanism about business and risk management. (3) Supervise the establishment of mechanism dedicated to reporting material cases to Yuanta Securities (HK). (4) Supervise the reporting of the name list of personnel holding positions concurrently to the Board of Directors. (5) Report the difference in the actual operations of overseas subsidiaries and the investment plans prepared when the subsidiaries were set up to the FSC. 	<p>Improvement completed'</p>
<p>6. Yuanta Securities (HK) failed to maintain the management's written approvals on the adjustment of the concentration limit with respect to China Huishan Dairy Holdings Company Limited, and the financing contract failed to comply with the requirements by the Securities and Futures Commission, Hong Kong. The Company was held failing to fulfilling its responsibility for supervision and audit in violation of Paragraph 2 of Article 2 of the Regulations Governing Securities Firm and, therefore, FSC issued a reprimand.</p>	<p>6.</p> <ol style="list-style-type: none"> (1) When supervising the adjustment and relief of the limit on any single securities financing, strictly complete and maintain the management's written approval records. (2) Supervise the amendments to the "terms and conditions on securities and/or futures and/or options accounts". (3) Supervise the amendments to the "Regulations Governing Securities Financing Risk". 	<p>Improvement completed.</p>
<p>7. Yuanta Securities (Thailand) failed to complete the KYC/CDD strictly and, therefore, was held failing to comply with the rules, conditions and procedures promulgated by the capital market board. The Company was fined THB640,000 (NT\$600,000 approximately) by the SEC in Thailand accordingly.</p>	<p>7.</p> <ol style="list-style-type: none"> (1) Adjust and amend the KYC/CDD. (2) Enhance the CDD on customers who access email addresses other than their personal ones and the different customers who access the same email address. (3) Cancel the temporary credit limits from other securities firms' customers. (4) Record customers' information and keep monitoring customers' transactions in the KYC database. (5) Establish the legal compliance 	<p>Improvement completed.</p>

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>8. Yuanta Securities (Korea) failed to render notice about the status of pension fund within the prescribed time limit and, therefore, was held violating the related pension regulations. The Company was fined 50 million won (NT\$1.4 million approximately) by the FSC in Korea.</p> <p>9. Some former employee of Yuanta Securities (Korea) misappropriated the stock in the customer's account and, therefore, the Company paid compensation to the customer.</p> <p>10. The ABCP bought by Yuanta Securities (Korea) suffered the potential risk about insolvency upon maturity. As a result, O O securities was default on buying back the residual positions.</p>	<p>control system.</p> <p>8. Establish the "Operating Procedure for Notification of Overdue Pension Payment".</p> <p>9.</p> <p>(1) The basic information required for the account opening must be completed by customers in person.</p> <p>(2) Customers must complete the application form for changes of information, if any, in person, and the original of customers' ID card must be checked.</p> <p>(3) Customers may not order the transactions until they key in their password in person.</p> <p>(4) Inspect customers' ID cards and check the signature or seal on the withdrawal slip; the withdrawal and remittance to be completed upon customers' entry of their password in person.</p> <p>(5) Provide the service only upon customers' completion of the application form for "balance of cash and securities" in person.</p> <p>10.</p> <p>(1) Reserve the sound recording of order placed via phone or K-bond messenger messages.</p> <p>(2) Add the new level of authority to have the holding of short-term overseas credit instruments subject to the approval by the department's senior management.</p> <p>(3) Amend the risk management requirements.</p>	<p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p>
<p>Yuanta Securities Investment Trust:</p> <p>1. Failed to conduct the money-laundering and terrorism financing risk assessment before offering new services, fulfill the CDD and identification of beneficial owners, verify the new customers' risk level before entering into business relations and engage in foreign securities investment consulting service without approval by the competent authority, when engaging in the AML operations.</p>	<p>1.</p> <p>(1) Already added related risk assessment and management procedures to fulfill the compliance with the related AML requirements.</p> <p>(2) Already received the approval from the competent authority on the engagement in foreign securities investment consulting service on July 13, 2017, and practiced the business pursuant to laws.</p>	<p>Improvement completed.</p>

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
2. The related investment analysis report prepared before purchase of the bonds failed to disclose the issuer's basic financial data and information. It could not help the Company verify the issuer's business overview or review the adequacy of the investment.	2.Enhanced the investment analysis report output control procedure, which went live on October 22, 2018.	Improvement completed.
Yuanta Life:		
1.Some related party was contracted to provide the comprehensive planning and construction management services with respect to the Company's own office buildings. Notwithstanding, some of the services were held no superior than those provided by the others in the same trade based on supporting information. The Company failed to take the service quality into consideration but made decision based on quotation only. The Company was held defective.	1.Already strengthened the supplier selection operation and also added the selection guidelines to specify the qualifications and scope and weight of the selection for the supplier selection.	Improvement completed.
2.Failed to identify customers who were supposed to be rated as high risk when engaging in the anti-money laundering and countering of terrorism financing operations.	2.Already adjusted the customers' risk level as high risk in the AML system in line with the results identified in the internal assessment checklist; follow up high-risk customers periodically and record review results.	Improvement completed.
3.The CDD operations failed to review the existing transactions and maintain relevant record, upon awareness of any material changes in the information about customers' identity and background.	3.Upon awareness of any material changes in the information about the identity and background of the customers who were assessed as high-risk instead, already recorded the review procedure in the "CDD List" in detail, and amended internal operating procedures to include said policies.	Improvement completed.
4. Failed to establish the operating procedures dedicated to dealing with changes of laws and regulations, fulfill the review and follow up the update in laws and regulations strictly, and thereby caused it impossible for some of the Company's internal regulations to be in line with the amendments to laws and regulations, in a timely manner; e.g. the level of authority with respect to the "enactment of and amendments to the anti-money laundering and countering of terrorism financing rules and regulations" in the statement of division of	4.Already established the relevant operating procedures, specified related control mechanism, adjusted related forms to fulfill the review and conducted periodic follow-up; already adjusted the follow-up and management policy to deal with update in laws and regulations, amended the statement of division of responsibilities and also the internal regulations governing anti-money laundering in line with the amendments to the laws and regulations.	Improvement completed.

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>responsibilities was still “President”, instead of the “Board of Directors” in line with the relevant amendments, and the Company still failed to amend the internal regulations governing anti-money laundering in line with the amendments to the laws and regulations.</p> <p>5. Failed to assess the cost and effect of the own land development project with due diligence.</p> <p>6. The telemarketing service solicited customers with exaggerative and misleading speech and failed to disclose the important contents of insurance contract to customers.</p> <p>7. The search operations in the life insurance and investment-linked operations failed to maintain the browsing history in the information system and conduct a random check on users’ operation periodically pursuant to the relevant requirements.</p> <p>8. Failed to review the adequacy of the existing operating controls and validity of the compliance management system based on the deficiencies found in the audit by the Internal Auditing Department and the suggestions about improvement proposed by the Department.</p>	<p>5. Already amended the management procedure and included the contents regulated and analyzed by related assessment report as the basis to be followed.</p> <p>6. Already strengthened the quality management about solicitation by telemarketing and the educational training on telemarketing specialists, and also added/amended the handbook to enhance the mechanism dedicated to controlling the skill of speech about telemarketing.</p> <p>7. Already implemented the real-time recording on the host monitor and amended the management guidelines to include the random check on the access tracking record to review the data periodically.</p> <p>8. Already added and amended the operating procedures to include the mechanism dedicated to reviewing the discoveries in the audit conducted by the Internal Auditing Department.</p>	<p>Improvement completed.</p> <p>The improvement plan is undergoing and the improvement is scheduled to be completed in Q1 of 2019.</p> <p>Improvement completed.</p> <p>Improvement completed.</p>

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

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

An indictment was initiated against two former employees of Yuanta Bank by the prosecutor of Taiwan Taipei District Prosecutors Office for the offense against insider trading under the Securities and Exchange Act in December 2017. As a result, Taiwan Taipei District Court rendered the judgment holding that both of them should be convicted guilty in the first instance on December 26, 2018. For the time being, the appeal filed by both of the employees against said judgment is still pending.

Improvement:

- (1) Strengthen the propagation to the clerks about relevant laws and criminal liability to be borne for violations of the laws.
- (2) Already enhanced the internal control system, and strengthened the educational

training about compliance and validity of self-assessment on compliance.

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

(1) Yuanta Bank

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

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

(2) Yuanta Securities

The Company failed to define the range of authorized price in the process of making decision about transactions when concurrently engaging in proprietary trading of futures and, therefore, was fined NT\$120,000. (Jin-Guan-Zheng-Qi-Fa-Zi No. 10600354271 on September 6, 2017).

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

(3) Yuanta Life

A. With respect to the claim for the two compensation of hospitalization for the same incident, the Company only paid one compensation thereof. Meanwhile, the Company closed the case when the investigation on the incident was still pending and thereby resulted in incomplete payment of compensation. The Company was fined NT\$600,000 accordingly. (Letter Jin-Guan-Po-Shou-Zi No. 10602541322 of March 7, 2017)

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

B. The motion that was not supposed to be proposed as a temporary motion was proposed at the Board of Directors meeting as a temporary motion. The Company was fined NT\$600,000 accordingly. (Letter Jin-Guan-Po-Shou-Zi No. 10602544592 of August 10, 2017)

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

C. The CDD operations failed to review the existing transactions and maintain relevant record, upon awareness of any material changes in the information about customers' identity and background. The Company was fined NT\$500,000 accordingly. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Upon awareness of any material changes in the information about the identity and background of the customers who were assessed as high-risk instead, already recorded the review procedure in the “CDD List” in detail, and amended internal operating procedures to include said policies.

- D. Failed to establish the operating procedures dedicated to dealing with changes of laws and regulations, fulfill the review and follow up the update in laws and regulations strictly, and thereby caused it impossible for some of the Company’s internal regulations to be in line with the amendments to laws and regulations, in a timely manner; the Company was fined NT\$600,000 accordingly. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already established the relevant operating procedures, specified related control mechanism, adjusted related forms to fulfill the review and conducted periodic follow-up.

(4) Ta Chong Bank

The Bank failed to establish or execute an internal control system when processing the minute of board of directors meeting of the financial derivatives customer and review on the customer’s application for loan and, therefore, was held defective in the internal control system and fined NT\$4 million and also ordered to make correction. (Letter Jin-Guan-Yin-Kong-Zi No. 10660002220 of June 1, 2017)

Improvement:

- A. The Bank issued a public notice advising various business units never to provide customers with template minute of the Board of Directors meeting for reference.
- B. The Bank also issued a letter to restate fulfillment of the review on the minute of board of directors of financial derivatives customers to ensure genuineness of the minute.
- C. The Bank added the “Checklist for Items to be Noted in the Minute of Board of Directors Meeting”.
- D. The Bank amended the “Application Form for Loan” in format and added the “Application Form for Risk Limit Before Settlement of Financial Instruments with Corporate Customers” to prevent customers from misunderstanding the credit limit as the risk limit of financial derivatives.

3. Deficiencies Reprimanded by the Financial Supervisory Commission

(1) Yuanta Bank

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

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

B. Given the defective processing of the loan to CHING FU SHIPBUILDING CO., LTD. and AML operations, the Company should be ordered to make corrections. (Letter Jin-Guan-Yin-Kong-Zi No. 10660006100 of December 29, 2017)

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

(2) Yuanta Securities

A. The Company bought the stock of the financial organization to be acquired and merged by Yuanta Financial Holdings via proprietary trading and applied for the share swap. Such investment policy lacked proper justifications and intended to evade the investment restrictions. It also worked with customers to exchange convertible bonds, and allowed the trader of its Hsinchu Branch to apply for loan as the customer's broker. As a result, the Company was warned and the trader was suspended from practicing the business for one year. (Letter Jin-Guan-Cheng-Chuan-Zi No. 1050054147 dated January 4, 2017, and the written decision under No. 10500541471)

Improvement:

(A) Amended the internal operations and related control guidelines.

(B) The trader has been suspended from performing duty for one (1) year. The Company also strengthened the propagation of relevant laws and regulations to the relevant personnel.

B. The Company has worked with customers to engage in placement of securities to help the customers purchase CB, when processing the operations about bookbuilding and placement of securities for CB, and was ordered to make corrections accordingly. (Letter Jin-Guan-Zheng-Quan-Zi No. 1060002398 of January 19, 2017)

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

C. The Company's application for investment by its overseas investees in private venture and for acting as the general partner was held defective. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Zheng-Quan-Zi No. 1060020196 of June 7, 2017)

Improvement:

(A) The application for correcting the investment project has been filed with the FSC.

(B) Already amended the related internal control policy.

D. The Company failed to establish the risk assessment mechanism before offering new services and fulfill the CDD and re-assessment on customers' risk strictly and, therefore, was held defective in the internal control system. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Zheng-Quan-Zi No. 1070301969 of March 15, 2018)

Improvement:

(A) Add/amend the related internal regulations.

- (B) Check customers' beneficial owners or take related control policies.
 - (C) Re-check the scope of the customer risk assessment and adjust the same.
- E. Given the inconsistency in the actual operations of the Company's overseas investee (Yuanta Finance (HK)) and the investment plan prepared when the company was set up, the Company was found defective in supervision and management of its subsidiary and was ordered to make corrections. (Letter Jin-Guan-Zheng-Quan-Zi No. 1070307285 of April 3, 2018)

Improvement:

- (A) Supervise the amendments to the articles of association and organizational chart by Yuanta Finance (HK); the establishment of regulations and mechanism about business and risk management; the establishment of mechanism dedicated to reporting material cases to Yuanta Securities (HK).
 - (B) Supervise the reporting of the name list of the personnel holding positions in Yuanta Securities (HK) and Yuanta Finance (HK) concurrently to the boards of directors of Yuanta Securities (HK) and Yuanta Finance (HK).
 - (C) Report to the FSC in writing the inconsistency in the actual operations of the Company's overseas investee and the investment plan prepared when the company was set up.
- F. A related party was contracted to provide the comprehensive planning and construction management services with respect to the Company's own office buildings. Notwithstanding, some of the services were held no superior than those provided by the others in the same trade based on supporting information. The Company failed to take the service quality into consideration but made decision based on quotation only. The Company was ordered to make corrections accordingly. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement:

- (A) Strengthen the propagation about laws and regulations to all workers of the relevant Department.
 - (B) Compliance Affairs Dept. will strengthen propagation about laws and regulations to all workers on a quarterly basis.
 - (C) Amend the guidebook on the information business.
- G. The Company's overseas investee (Yuanta Securities (HK)) failed to maintain the management's written approvals on the adjustment of the concentration limit on stock of a single entity, and the financing contract failed to comply with the requirements by the Securities and Futures Commission, Hong Kong. The Company was held failing to fulfilling its responsibility for supervision and audit on its subsidiary and, therefore, was ordered to make corrections. (Letter Jin-Guan-Zheng-Quan-Zi No. 1070323940 of September 5, 2018)

Improvement:

- (A) When supervising the adjustment and relief of the limit on any single securities financing by Yuanta Securities (HK), strictly complete and maintain the management's written approval records.
- (B) Supervise the amendments to the "terms and conditions on securities and/or futures and/or options accounts" by Yuanta Securities (HK) pursuant to the suggestions proposed by the Securities and Futures Commission, Hong Kong, and notify the customers immediately.

- (C) Supervise the amendments to the “Regulations Governing Securities Financing Risk” by Yuanta Securities (HK) pursuant to the suggestions proposed by the Securities and Futures Commission, Hong Kong.
- H. The causes of out-trades and account number corrections reported by the Company were found not matching the facts about the out-trades and corrections and in violation of Paragraph 4 of the “Directions for Reporting and Handling of Out-Trades and Account Number Corrections by Securities Brokers” and, therefore, the Company was ordered to make correction. (Letter Jin-Guan-Zheng-Quan-Zi No. 1070324930 of September 10, 2018)

Improvement:

- (A) Engage in propagation to all workers pursuant to relevant requirements.
- (B) Strengthen the related personnel’s educational training.
- I. The Company’s account opening operations for customers who are domestic institutional investors, offshore overseas Chinese and foreigners failed to identify the customers’ beneficial owners and conduct the name screening so as to cause the risk over misidentification of the risk level, and the Company was held defective in controlling the facility granted to the affiliated account and implementing the internal control system dedicated to managing exceptional conditions. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Zheng-Quan-Zi No. 1070346494 of December 13, 2018)

Improvement:

- (A) Check customers’ beneficial owners or take related control policies.
- (B) Identify the PEPs and their closely related parties as high-risk ones, and strengthen the verification procedure.
- (C) Adopt the consolidated control over the facility to an affiliated account, and conduct the enquiries and review on the facility upon verification of the affiliation.

(3) Ta Chong Bank

- A. The Bank was held defective in processing financial derivatives trading and, therefore, was ordered to make corrections. (Letter Jin-Guan-Yin-Kong-Zi No. 10600215360 of September 19, 2017)

Improvement:

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

net worth and the financial report should be audited or reviewed by a CPA.

- B. The loan granted to CHING FU Group and anti-money laundering operations were held defective and the Bank was ordered to make corrections accordingly. (Letter Jin-Guan-Yin-Kong-Zi No. 1066000610Q of December 29, 2017)

Improvement:

- (A) Reviewed and strengthened the related procedure for granting loan.
(B) Strengthened the investigation and analysis of the trading monitoring system early warning and alarm.

(4) Yuanta Life

- A. If the complaining unit has set up the claim department, it would be disadvantageous to settlement of dispute over claim of benefits. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Po-Shou-Zi No. 10602541322 of March 7, 2017)

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

- B. The Company failed to require or notify the correction with the respect the defective application documents for payment of the full medical expense reimbursement insurance compensation and, therefore, was ordered to make corrections. (Letter Jin-Guan-Po-Shou-Zi No. 10602541322 of March 7, 2017)

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

- C. The Company failed to establish the standards for monitoring the risk over assets/liabilities. This was disadvantageous to the asset/liability risk management and, therefore, was ordered to make corrections. (Jin-Guan-Po-Shou-Zi No. 10602544592 of August 10, 2017)

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

- D. The Company determined that all real properties should be exempted from the impairment test as the urban land price index did not decline in Taipei City, and also failed to collect objective evidence case by case for the asset impairment test. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Po-Shou-Zi No. 10600077132 of August 28, 2017)

Improvement: In order to enhance the objectiveness of real property impairment test, since 2016, the Company has retained certain external professional organization to conduct the evaluation periodically and issue the real property appraisal report as the

basis for impairment test evaluation, and also included the policy into the “Domestic Real Property Management Procedure” as the basis to be followed.

- E. The Company failed to review the adequacy of the educational training promotional materials provided to the insurance brokers and, therefore, certain inadequate comparison appeared in the teaching materials prepared by the business promotion specialists. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Po-Shou-Zi No. 10602548032 of December 18, 2017)

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

- F. A related party was contracted to provide the comprehensive planning and construction management services with respect to the Company’s own office buildings. Notwithstanding, some of the services were held no superior than those provided by the others in the same trade based on supporting information. The Company failed to take the service quality into consideration but made decision based on quotation only. The Company was held defective and ordered to make corrections accordingly. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already strengthened the supplier selection operation and also added the selection guidelines to specify the qualifications and scope and weight of the selection for the supplier selection.

- G. Failed to identify the customers who were supposed to be rated as high risk when engaging in the anti-money laundering and countering of terrorism financing operations and, therefore, was ordered to make corrections. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already adjusted the customers’ risk level as high risk in the AML system in line with the results identified in the internal assessment checklist; follow up high-risk customers periodically and record review results.

- H. Failed to assess the cost and effect of the own land development project with due diligence and, therefore, was ordered to make corrections. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already amended the management procedure and included the contents regulated and analyzed by related assessment report as the basis to be followed.

- I. The telemarketing service solicited for customers with exaggerative and misleading speech and failed to disclose the important contents of insurance contract to customers. The Company was ordered to make corrections accordingly. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already strengthened the quality management about solicitation by telemarketing and the educational training on telemarketing specialists, and also added/amended the handbook to enhance the mechanism dedicated to controlling the skill of speech about telemarketing.

- J. The search operations in the life insurance and investment-linked operations failed to maintain the browsing history in the information system and conduct a random check on users' operation periodically pursuant to the relevant requirements. The Company was ordered to make corrections accordingly. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already implemented the real-time recording on the host monitor and amended the management guidelines to include the random check on the access tracking record to review the data periodically.

- K. Failed to review the adequacy of the existing operating controls and validity of the compliance management system based on the deficiencies found in the audit by the Internal Auditing Department and the suggestions about improvement proposed by the Department and, therefore, was ordered to make corrections. (Jin-Guan-Po-Shou-Zi No. 10704546232 of September 25, 2018)

Improvement: Already added and amended the operating procedures to include the mechanism dedicated to reviewing the discoveries in the audit conducted by the Internal Auditing Department.

(5) Yuanta Securities Finance

The Company's fund for operating the loan secured by securities was covered by issuance of promissory note in part and the Company should be ordered to make correction. (Letter Jin-Guan-Zheng-Tou-Zi No. 1060033831 of September 27, 2018)

Improvement:

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

(6) Yuanta Securities Investment Trust

- A. According to the special inspection and general inspection conducted by the FSC on the Company's anti-money laundering and countering of terrorism financing in 2017, the Company failed to conduct the money-laundering and terrorism financing risk assessment before offering new services, fulfill the CDD and identification of beneficial owners, verify the new customers' risk level before entering into business relations and engage in foreign securities investment consulting service without approval by the competent authority, when engaging in the AML operations and, therefore, should be ordered to make corrections. (Letter Jin-Guan-Zheng-Tou-Zi No. 1070311683 of April 13, 2018)

Improvement:

- (A) Already added the management procedure, and scheduled to complete the assessment based on the procedure by February 2018.
- (B) Already completed the related documents and identity matching. Already included the customers who failed to correct the documents into the subjects rejected from trading.
- (C) Already established the risk assessment procedure to identify the customers' risk level before entering into business relations with the

customers. Also already established the related trading counterparts' information section to complete the improvement.

(D) Disciplined the department supervisors held derelict in performing duty. Already received the approval from the competent authority on the engagement in foreign securities investment consulting service on July 13, 2017, and practiced the business pursuant to laws.

B. The investment analysis report prepared before purchase of the bond by the Company's target bond fund upon maturity failed to disclose the issuer's basic financial data and information. It could not help the Company verify the issuer's business overview or review the adequacy of the investment. The Company was ordered to make corrections accordingly. (Letter Jin-Guan-Zheng-Tou-Zi No. 1070347569 of December 21, 2018)

Improvement: Enhanced the investment analysis report output control procedure, which went live on October 22, 2018.

4. Penalties imposed by the Financial Supervisory Commission in accordance with Paragraph 1, Article 54 of the Financial Holding Company Act: None.
5. Disclosure of losses exceeding \$50 million incurred during the year, whether individually or in total, as a result of conspiracy, material contingencies (including fraud, theft, misappropriation of assets, fictitious transactions, forgery of documents and securities, kick-backs, natural disasters, external forces, hackers' attacks, theft and leakage of confidential information, disclosure of customers' details or other major events), or accidents arising from failure to comply with Safety and Maintenance Guidelines for Financial Institutions: None.
6. Other disclosures required by the Financial Supervisory Commission
 - (1) Yuanta Savings Bank (Philippines)

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

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

(2) Yuanta Securities (Korea)

A. The Financial Commission of Korea held that the Company's staff had accepted the treatment for playing golf overseas offered by IM Investment & Securities for three times for the bond transactions and brokerage from January 22, 2010 to February 10, 2012. The unjustified enrichment gained therefor was equivalent to 4.7 million won. The Company was fined 12.5 million won (NT\$337,050 approximately) accordingly.

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

B. According to the CMA-MMW audit report issued by FSC, the Financial Commission of Korea will hold that: 1. No agreement on preferred interest should be concluded with KSFC; 2. The basis for calculation of tax payable by customer is incorrect; 3. No co-marketing activity should be engaged in together with KSFC, and that the Company should be warned and punished accordingly. As a result, the Company was fined 50 million won (equivalent to NT\$1.4 million approximately) and asked to render discipline on the

relevant personnel independently. As the Company paid the fine by June 1, 2017, the total fine reduced by 20% accordingly. Therefore, the actual fine was 40 million won (equivalent to NT\$1.04 million approximately).

Improvement:

- (A) Already amended the agreement with KSFC per the competent authority's opinion.
 - (B) The basis for calculation of tax payable by the customer was adjusted per the requirement.
 - (C) Never engaged in the co-marketing activity referred to in the audit result.
- C. The FSC in Korea considered that the Company failed to render the notice about the status of pension fund within the prescribed time limit and, therefore, was fined 50 million won (NT\$1.4 million approximately).

Improvement: Establish the "Operating Procedure for Notification of Overdue Pension Payment".

- D. For the former employee's misappropriation of the stock in the customer's account, the customer filed a complaint with the FSC in Korea. As a result, the Company was ordered to pay the customer, Samsung Electronics, the compensation for stock and accumulated stock dividends of which the market value was about 1175,590,000 won (NT\$32.38 million approximately) on April 20, 2018.

Improvement:

- (A) The basic information required for the account opening must be completed by customers in person. After the original of the customers' ID cards are checked, take a picture of the cards and upload the same to the account opening operating system.
 - (B) Customers must complete the application form for changes of information, if any, in person, and the original of customers' ID card must be checked. After that, take a picture of the cards or record the photocopies thereof and then proceed with the changes.
 - (C) Traders or sales may accept the orders placed by customers, provided that customers may not order the transactions until they key in their password in person.
 - (D) Collect the withdrawal slip and check the ID card, and check whether the signature or seal on the withdrawal slip matches the specimen seal recorded by the customer; the withdrawal and remittance to be completed upon customers' entry of their password in person.
 - (E) The customer must complete the application form for the formal "statement of balance of cash and securities" and then the Company will grant the certificate affixed with seal.
- E. The 12th ABCP of Geumjeong bought by Yuanta Securities (Korea) suffered the potential risk about insolvency upon maturity. As a result, O O securities was default on buying back the residual positions, 1.605 billion won, in whole. It only bought back the positions valuing 1 billion won, while was unwilling to continue performing the contract to buy back the residual positions valuing 1.505 billion won (NT\$419 million approximately).

Improvement:

- (A) Reserve the sound recording of ABCP order placed via phone or K-bond messenger messages.

- (B) Add the new level of authority to have the holding of short-term overseas credit instruments subject to the approval by the department's senior management.
- (C) Amend Article 29 of the risk management requirements to strengthen the risk management about overseas credit instruments.

(3) Yuanta Securities (Thailand)

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

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

B. From March 1 to October 31, 2017, Yuanta Securities (Thailand) failed to complete the KYC/CDD strictly and was fined THB640,000 (NT\$600,000 approximately) by the SEC in Thailand accordingly on October 24, 2018.

Improvement:

- (A) Adjust and amend the KYC/CDD.
- (B) Enhance the CDD on customers who access email addresses other than their personal ones and the different customers who access the same email address.
- (C) Cancel the temporary credit limits from other securities firms' customers.
- (D) Record customers' information and keep monitoring customers' transactions in the KYC database.
- (E) Establish the legal compliance control system.

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

1. Shareholders' meeting resolutions and their implementation:

Year	Date	Motion	Resolution	Implementation status and Discussion
2018 General Shareholders' Meeting	June 15, 2018	To recognize the company's 2017 Business Report and Financial Statements. (Proposed by the Board of Directors)	The motion was ratified upon voting. The voting result is stated as following: 9,319,290,727 votes in favor of the motion (84.82%); 668,973 votes opposing the motion (0.01%); 0 vote invalid (0%); 1,667,095,410 votes waived/abstained (15.17%).	The related statements and records have been published pursuant to laws and reported to the competent authority for record.
		To recognize the company's 2017 earnings distribution plan. (Proposed by the Board of Directors)	The motion was ratified upon voting. The voting result is stated as following: 9,354,211,273 votes in favor of the motion (85.13%); 2,118,096 votes opposing the motion (0.01%); 0 vote invalid (0%); 1,630,725,741 votes waived/abstained (14.86%).	According to the general shareholders' meeting resolution, the cash dividend distribution of NT\$0.556315 per share of Company's stock was completed. The record date for distribution was set on July 10, 2018, and the dividend should be distributed on July 27, 2018.

Year	Date	Motion	Resolution	Implementation status and Discussion
		Request for approval of proposed amendment of certain articles of the company's Articles of Incorporation. (Proposed by the Board of Directors)	The motion was ratified upon voting. The voting result is stated as following: 9,355,497,023 votes in favor of the motion (85.15%); 736,230 votes opposing the motion (0.01%); 0 vote invalid (0%); 1,630,833,031 votes waived/abstained (14.84%).	The registration of change was approved by Ministry of Economic Affairs on September 18, 2018 and disclosed on the Company's website.

2. 23rd meeting of the 7th board of directors on January 31, 2018
 - (1) Approved the amendments to certain articles of the Company's "Yuanta Financial Holdings Corporate Governance Best-Practice Principles".
 - (2) Approved the amendments to the Company's "Personnel Management Rules".
 - (3) Approved the amendments to the Company's "Educational Training System and Operation Guidelines".
 - (4) The motion for the purchase by Yuanta Life, the Company's subsidiary, of the land at Land Nos. 769 and 769-1, Sub-section 2, Jiling Section, Zhongshan District, Taipei City and the building thereon in order to perform the new construction project for its own office buildings thereon.
3. 24th meeting of the 7th board of directors on March 7, 2018
 - (1) Approved the motion for the annulment of treasury stock from 17th buyback and completion of capital decrease
 - (2) Approved the motion for organization of the general shareholders' meeting 2018 at 9:00AM on June 15, 2018 (Friday).
 - (3) Approved the enactment of review criteria and operating procedures for shareholders' motions accepted by general shareholders' meeting in 2018.
4. 25th meeting of the 7th board of directors on March 28, 2018
 - (1) Approved the Company's 2017 business report.
 - (2) Approved the Company's consolidated financial statements 2017.
 - (3) Approved the Company's 2017 earnings appropriation.
 - (4) Approved the draft of amendments to the Company's Articles of Incorporation.
 - (5) Approved the 2017 Statement on Internal Control System.
 - (6) Approved the motion for allocation of remuneration to employees 2017.
 - (7) Approved the motion for allocation of remuneration to directors 2017.
5. 26th meeting of the 7th board of directors on April 25, 2018

Approved the important financial management affairs (the 18th buyback of the Company's stock)
6. 27th meeting of the 7th board of directors on May 23, 2018
 - (1) Approved the motion for amendments to the Company's "Capital Management Regulations" in part
 - (2) Approved the motion for issuance of the Company's "2018 unsecured common corporate bonds".
 - (3) Approved the amendments to the Company's risk limits in 2018.
 - (4) Approved the amendments to the "Yuanta Financial Holdings Implementation Guidelines for Compliance System".
 - (5) Approved the amendments to the Company's "Regulations Governing Directors"

- Continuing Education”.
- (6) (Approved the amendments to the Company’s “Regulations Governing Functions Held by Responsible Person and Performance Appraisal Thereof”).
 7. 28th meeting of the 7th board of directors on June 15, 2018
 - Approved the motion for setting the record date for the Company’s distribution of common stock, cash dividend and preferred stock dividend, and the record date for allocation of the same.
 8. 29th meeting of the 7th board of directors on June 27, 2018
 - (1) Approved the amendments to the Company’s “Work Rules”.
 - (2) Approved the amendments to the Company’s “Regulations Governing Functions Held by Responsible Person and Performance Appraisal Thereof”.
 9. 30th meeting of the 7th board of directors on July 25, 2018
 - (1) Approved the motion for the annulment of treasury stock from 18th buyback and completion of capital decrease.
 - (2) Approved the amendments to certain articles of the Company’s “Regulations Governing Evaluation on Consistent Asset Quality and Categorization”.
 10. 31st meeting of the 7th board of directors on August 29, 2018
 - (1) Approved the amendments to the Company’s consolidated financial statements Q2 of 2018.
 - (2) Approved the amendments to the Company’s Invested Enterprises Management Rules.
 - (3) Approved the establishment of the Company’s “Regulations Governing Implementation of Complaint System”.
 - (4) Approved the motion that in order to satisfy the need for spaces of the headquarters’ departments/offices, Yuanta Bank, a subsidiaries of the Company, submitted the tender for the superficies for the 10 lots of land situated at 114-1, Sub-section 2, Huaisheng Section, Daan District, Taipei City for construction of the self-owned office building.
 - (5) Approved the revocation of the Company’s “Regulations Governing Stakeholders’ Suggestions and Complaints Against Audit Committee”.
 11. 32nd meeting of the 7th board of directors on September 26, 2018
 - (1) Approved the amendments to the Company’s “Anti-Money Laundering and Countering of Terrorism Financing Policy” in part, and renaming into the “AML/CTF Policy”.
 - (2) Approved for amendments to the core values of Yuanta Financial Holdings.
 12. 34th meeting of the 7th board of directors on November 27, 2018
 - (1) Approved the transfer of the whole equity of Yuanta Securities Finance held by the Company to the stakeholder, Yuanta Securities.
 - (2) Approved the Company’s “Regulations Governing Establishment of Corporate Sustainability Committee”.
 - (3) Approved the name list of nominees for members of the Corporate Sustainability Committee of 7th term
 - (4) Approved the appointment of the Company’s corporate governance officers.
 13. 35th meeting of the 7th board of directors on December 26, 2018
 - (1) Approved the “Tax Governance Policy” established by the Company.

- (2) Approved the appointment of the responsible persons of “Ethical Corporate Management Promotion Center” and “Corporate Social Responsibility Promotion Center” subordinated to the Corporate Sustainability Committee.
14. 36th meeting of the 7th board of directors on January 23, 2019
- (1) Approved the Company’s financial plans 2019.
 - (2) Approved the company’s strategic direction and 2019 business plans.
 - (3) Approved the Company’s mid-term and long-term business strategies.
 - (4) Approved the amendments to the Company’s “Articles of Association”.
 - (5) Approved the enactment of the Company’s “Yuanta Financial Holdings Articles of Association for Nomination Committee”.
 - (6) Approved the name list of Nomination Committee of the Company’s Board of Directors of 7th term.
- (XV) The main contents of important resolutions passed by the Board of Directors regarding in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report: None.
- (XVI) Summary of resignation or dismissal of personnel (including the Chairman, president, financial manager, accounting manager and internal audit manager) who are involved with the Company’s financial statements during the most recent year and up to the date of publication of this annual report: None.

VI. Independent Auditor Fee Information

(I) Independent auditor fee information and fee table:

Accounting firm name	Name of accountant		Audit period	Remarks
Pricewaterhouse Coopers Certified Public Accountants	Kuo, Puo-Ju	Chen, Hsien-I	From January 2018 to December 2018	

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

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

The company paid a total of NT\$1,731,000 in non-audit fees to independent auditing firms, their subordinate offices, and their affiliates in 2018. This constituted 25.84% of audit fees, which attained 25%. See the following table for relevant non-audit services and fees:

Unit: NT\$1,000

Accounting firm name	Name of accountant	Audit Fee	Non-Audit Fees					Audit period	Remarks
			System Design	Business Registration	Human Resources	Others	Subtotal		
Pricewaterhouse Coopers Certified Public Accountants	Kuo, Puo-Ju	6,700	-	-	-	1,731	1,731	From January 2018 to December 2018	Dow Jones Sustainability Index (DJSI World) consulting service, review on annulment of treasury stock and capital decrease, and registration of changes, et al.
	Chen, Hsien-I								

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

(IV) Reduction in audit fees by more than 15% compared with the previous year: None.

VII. Information about replacement of CPAs:

(I) About the former CPA

Date of replacement	Approved by the Board of Directors on January 23, 2019		
Cause and Notes	To be in line with the work shift required by the CPA firm		
To specify whether the client or CPA terminates or rejects the appointment	Counterpart	Kuo, Puo-Ju, CPA,	Client
	Status		
	Terminate the appointment voluntarily	✓	
	No longer accept (continue) the appointment		
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None		
Disagree with the Company?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	None	✓	
	Notes		
Other disclosures (To be disclosed under the subparagraphs 6.1(4)-(7) of Article 10 of the Standards.)	None		

(II) About the successor CPA

Firm name	Pricewaterhouse Coopers Certified Public Accountants
Name of accountant	Chou, Chien Hung, CPA
Date of Appointment	Approved by the Board of Directors on January 23, 2019.
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	None
Written opinion from the successor CPA regarding the matters disagreed by the former CPA	None

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

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

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

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

Title	Name	2018		Ending January 31, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman (same person or same affiliated person)	Representative of Modern Investment: Rong Jou Wang				
Director (same person or same affiliated person)	Representative of Modern Investment: Tony Shen	—	—	—	—
Director (same person or same affiliated person)	Representative of Modern Investment: Tony Fan				
Director (same person or same affiliated person)	Representative of Tsun Chueh Investment: Michael Ma				
Director (same person or same affiliated person)	Representative of Tsun Chueh Investment: Jin Long Fang	9,000,000	—	—	—
Director (same person or same affiliated person)	Representative of Tsun Chueh Investment: Yueh Tsang Lee				
Director (same person or same affiliated person)	Representative of Hsu Tong Investment: Hsien Tao Chiu				
Director (same person or same affiliated person)	Representative of Hsu Tong Investment: Ming Hong Ho	—	—	—	—
Director (same person or same affiliated person)	Representative of Hsu Tong Investment: Chung Yuan Chen				
Independent Director	Sou Shan Wu	—	—	—	—
Independent Director	Ming Ling Hsueh	—	—	—	—
Independent Director	Yin Hua Yeh	—	—	—	—
Independent Director	Lai Ping Chi	—	—	—	—
President	Tony Shen	215,138	—	—	—
Executive Vice President	Vincent Chen	95,085	—	—	—
General Auditor	Ming Hsiu Tsai	60,433	—	—	—
Senior Vice President	Frank Kuo	170,746	—	—	—
Senior Vice President	Allen Wu	70,324	—	—	—
Senior Vice President	Lawrence Lee	—	—	—	—
Senior Vice President	Hsuan Min Kuo	76,850	—	—	—
Senior Vice President	Hsiu Mei Chen	92,170	—	—	—
Senior Vice President	Mei Ling Kuo (on board since 01/02/2019)	—	—	—	—
Vice President (Financial manager)	Hsu Shu Mai	304,510	—	—	—
Vice President	Wen Ching Chiu	78,187	—	—	—
Vice President	Cheng Hua Sun	—	—	—	—

Title	Name	2018		Ending January 31, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Vice President	Sophia Chang	17,299	—	—	—
Vice President	Robert C.S. Yang	3,066	—	—	—
Vice President	Ming Lang Liu	151,874	—	—	—
Vice President	Wen Chi Chou	29,076	—	—	—
Vice President	Tai Yung Hsiung	16,738	—	—	—
Vice President	Yi Wen Ma (on board since 05/01/2018)	67,209	—	—	—
Vice President	Chun Chao Lin (on board since 05/02/2018)	—	—	—	—
Vice President	Chen Hsiang Wu (on board since 09/16/2018)	51,576	—	—	—
Senior Assistant Vice President	Po Ching Li	58,790	—	—	—
Senior Assistant Vice President	Yung Hsien Chang	(7,000)	—	—	—
Professional Senior Assistant Vice President	Yi Liang Su	30,563	—	—	—
Professional Senior Assistant Vice President	Chun Liang Lin (on board since 07/01/2018)	21,788	—	—	—
Professional Senior Assistant Vice President	Shu Yen Tsai (on board since 10/01/2018)	—	—	—	—
Assistant Vice President	Chun Ching Chang	—	—	—	—
Assistant Vice President	Chen Chun Lin	16,108	—	—	—
Assistant Vice President	Hsin Tang Huang	—	—	—	—
Assistant Vice President	Hsien Chun Li	—	—	—	—
Assistant Vice President	Po Yi Wu	—	—	—	—
Assistant Vice President (Chief Accountant)	Wei Ning Chang	—	—	—	—
Professional Assistant Vice President	Li Yun Chen	24,737	—	—	—
Professional Assistant Vice President	Ho Hsing Pan	—	—	—	—
Professional Assistant Vice President	Li Hua Yang	13,672	—	—	—
Professional Assistant Vice President	Shih Chiang Li	47,002	—	—	—
Same person or same affiliated person	Yu Yang Investment	15,617,000	31,000,000	—	—
Same person or same affiliated person	Yuan Hung Investment	38,975,000	23,000,000	—	—
Same person or same affiliated person	Lian Ta Investment	—	45,000,000	—	—
Same person or same affiliated person	Yuan Hsiang Investment	49,069,000	44,000,000	—	—
Same person or same affiliated person	Teng Ta Investment	52,770,000	62,400,000	—	—
Same person or same affiliated person	Hsing Tsai Investment	23,950,000	27,000,000	—	—

Title	Name	2018		Ending January 31, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Same person or same affiliated person	Lien Heng Investment	46,462,000	38,000,000	—	—
Same person or same affiliated person	Richcorp International Limited	—	(8,700,000)	—	—
Same person or same affiliated person	Chiu Ta Investment	24,715,000	54,500,000	—	—
Same person or same affiliated person	Yuanta Construction and Development	—	—	—	—
Same person or same affiliated person	Ta Ta Investment	—	—	—	—
Same person or same affiliated person	Zhao Yuan Investment Co., Ltd.	—	—	—	—
Same person or same affiliated person	Hui Tung Investment	1,998	—	—	—
Same person or same affiliated person	Judy Tu	—	—	—	—
Same person or same affiliated person	Yuanta Foundation	—	—	—	—
Same person or same affiliated person	Trust property account at Cathay United Bank commissioned by Yuanta Foundation	—	—	—	—
Former Executive Vice President	Yu De Chuang (resigned on 02/01/2018)	—	—	—	—
Former Senior Vice President	Chieh Wu (resigned on 01/01/2019)	47,233	—	—	—
Former Assistant Vice President	Wen Ching Hsu (resigned on 04/01/2018)	—	—	—	—
Former Professional Assistant Vice President	Chia Hsiung Lu (resigned on 02/01/2018)	—	—	—	—

(II) Equity transfer information: None.

(III) Equity pledge information: None.

X. Information of the Top Ten Shareholders Being Related Parties

Data baseline date: 07/06/2018

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other's name		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and Name relationships		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Representative of Tsun Chueh Investment Co., Ltd.: Chen Kuo Huang	404,220,950	3.42%	—	—	—	—	Yu Yang Investment	1. Tsun Chueh Investment and Yu Yang Investment constitute a parent company and subsidiary respectively. 2. The same person serves as chairman of both companies.	—
Representative of Yuan Hung Investment: Ming Chiu Kao	352,374,319	2.98%	—	—	—	—	—	—	—
Representative of Yuan Hsiang Investment: Yung Tsang Lin	297,159,176	2.51%	—	—	—	—	Lian Ta Investment	1. Investor that accounts the company using the equity method. 2. Company director.	—
Representative of Yu Yang Investment: Chen Kuo Huang	290,578,457	2.46%	—	—	—	—	Tsun Chueh Investment	1. Tsun Chueh Investment and Yu Yang Investment constitute a parent company and subsidiary respectively. 2. The same person serves as chairman of both companies.	—
Mega International Commercial Bank Co., Ltd. Acting as Custodian for The Investment Account of Beevest Securities	288,310,441	2.44%	—	—	—	—	—	—	—
Representative of Bank of Taiwan: Chu Cheng Lu	262,712,206	2.22%	—	—	—	—	—	—	—
Representative of Lian Ta Investment: Hsin Chen Pao	237,459,822	2.01%	—	—	—	—	Yuan Hsiang Investment	Investor appraised by the equity method.	—
Representative of Cathay Life Insurance: Tiao Kuei Huang	224,836,837	1.90%	—	—	—	—	—	—	—
Dedicated trust property account managed by Yuanta Bank	221,811,441	1.88%	—	—	—	—	—	—	—
Representative of Richcorp International Limited: Chen Kuo Huang	191,416,727	1.62%	—	—	—	—	—	—	—

Note: 1. Data relating to the top ten shareholders are based on those as of the latest book closure date (07/06/2018).

2. The Company has a total of 11,820,232,456 shares outstanding (including common stock and preferred stock) on the data baseline date (07/06/2018).

XI. Total Shareholding Ratio in Each Invested Enterprise

Units: 1000 shares; %
Data baseline date: 01/31/2019

Invested enterprise	Investment made by the company		Investment by directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Yuanta Securities	5,405,644	100	–	–	5,405,644	100
Yuanta Bank	7,394,039	100	–	–	7,394,039	100
Yuanta Securities Finance	400,000	100	–	–	400,000	100
Yuanta Venture Capital	246,000	100	–	–	246,000	100
Yuanta Asset Management	100,000	100	–	–	100,000	100
Yuanta Futures	159,467	68.65	–	–	159,467	68.65
Yuanta Securities Investment Trust	163,828	72.20	–	–	163,828	72.20
Yuanta Securities Investment Consulting	10,000	100	–	–	10,000	100
Yuanta Life	962,405	100	–	–	962,405	100

Three. Financing Status

I. Corporate Capital and Shares

(I) Types of share

Unit: shares
Data baseline date: 01/31/2019

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	11,686,232,456	813,767,544	12,500,000,000	

Note: Common stock totaling 11,686,232,456 shares were issued on January 31, 2019. Minus the treasury stock totaling 15,621,000 shares, which were bought back from the dissenting shareholders in December 2015, the outstanding common stock totaled 11,670,611,456 shares.

(II) Equity Capital sources

Unit: shares, NTD

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

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

Date	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Equity Capital sources	Others
2012.03	\$10	12,500,000,000	125,000,000,000	10,016,210,506	100,162,105,060	Annulment of 100,000 shares of treasury stock from 15th buyback	Note 14
2013.03	\$10	12,500,000,000	125,000,000,000	9,897,335,506	98,973,335,060	Annulment of 118,875,000 shares of treasury stock from 16th buyback	Note 15
2013.04	\$10	12,500,000,000	125,000,000,000	9,893,723,506	98,937,235,060	Annulment of 3,612,000 shares of treasury stock from 14th buyback	Note 16
2014.09	\$10	12,500,000,000	125,000,000,000	10,141,066,594	101,410,665,940	Capital increase of 247,343,088 shares out of earnings	Note 17
2015.08	\$10	12,500,000,000	125,000,000,000	10,439,151,709	104,391,517,090	Application for conversion of 1st domestic unsecured convertible bonds application to 298,085,115 shares of common stock	Note 18
2015.09	\$10	12,500,000,000	125,000,000,000	10,712,960,508	107,129,605,080	Capital increase of 273,808,799 shares out of earnings	Note 19
2016.03	\$10	12,500,000,000	125,000,000,000	12,098,647,753	120,986,477,530	Capital increase through issue of 1,385,687,245 new shares and swap with all shares of Ta Chong Bank (including 100,000,000 shares of Preferred stock)	Note 20
2017.11	\$10	12,500,000,000	125,000,000,000	11,989,197,456	119,891,974,560	Annulment of 109,450,297 shares of treasury stock upon capital reduction	Note 21
2018.01	\$10	12,500,000,000	125,000,000,000	11,889,197,456	118,891,974,560	Annulment of 100,000,000 shares of Class A preferred stock upon capital reduction	Note 22
2018.03	\$10	12,500,000,000	125,000,000,000	11,820,232,456	118,202,324,560	Annulment of 68,965,000 shares from 17th buyback of treasury stock upon capital reduction	Note 23
2018.08	\$10	12,500,000,000	125,000,000,000	11,686,232,456	116,862,324,560	Annulment of 134,000,000 shares from 18th buyback of treasury stock upon capital reduction	Note 24

Note 1: (2001) Tai-Tsai-Cheng-(4)-Zi No. 175847, December 31, 2001.

Note 2: (2002) Tai-Tsai-Cheng-(4)-Zi No. 0910135271, July 2, 2002.

Note 3: (2002) Tai-Tsai-Cheng-(4)-Zi No. 0910004872, September 19, 2002.

Note 4: (2002) Tai-Tsai-Cheng-(4)-Zi No. 0910164534, December 6, 2002.

Note 5: (2003) Tai-Tsai-Cheng-(4)-Zi No. 0920129910, July 4, 2003.

Note 6: (2004) Tai-Tsai-Cheng-(4)-Zi No. 0930128919, June 30, 2004.
 Note 7: (2005) Jin-Guan-Cheng-(1)-Zi No. 0940130318, August 2, 2005.
 Note 8: (2007) Jin-Guan-Yin-(6)-Zi No. 09600022230, March 8, 2007.
 Note 9: Jing-Shou-Shang-Zi No. 09601321150, January 3, 2008.
 Note 10: Jing-Shou-Shang-Zi No. 09701313360, December 11, 2008.
 Note 11: Jing-Shou-Shang-Zi No. 10001094810, May 11, 2011.
 Note 12: Jing-Shou-Shang-Zi No. 10001213110, September 15, 2011.
 Note 13: Jing-Shou-Shang-Zi No. 10001213120, October 3, 2011.
 Note 14: Jing-Shou-Shang-Zi No. 10101064400, April 12, 2012.
 Note 15: Jing-Shou-Shang-Zi No. 10201064760, April 18, 2013.
 Note 16: Jing-Shou-Shang-Zi No. 10201087760, May 14, 2013.
 Note 17: Jing-Shou-Shang-Zi No. 10301189720, September 11, 2014.
 Note 18: Jing-Shou-Shang-Zi No. 10401171690, August 19, 2015.
 Note 19: Jing-Shou-Shang-Zi No. 10401192360, September 14, 2015.
 Note 20: Jing-Shou-Shang-Zi No. 10501039430, March 22, 2016.
 Note 21: Jing-Shou-Shang-Zi No. 10601154740, November 13, 2017.
 Note 22: Jing-Shou-Shang-Zi No. 10701001940, January 31, 2018.
 Note 23: Jing-Shou-Shang-Zi No. 10701032810, March 27, 2018.
 Note 24: Jing-Shou-Shang-Zi No. 10701102930, August 13, 2018.

(III) Shareholder structure

Face value \$10 per share

Data baseline date: 07/06/2018

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign Institute and others	Total
Persons	13	15	815	278,993	1,330	281,166
Shares held	286,786,918	958,095,154	3,422,130,005	2,749,549,328	4,403,671,051	11,820,232,456
Shareholding ratio (%)	2.43%	8.11%	28.95%	23.26%	37.25%	100%

Note1: The data were based on the latest book closure date (07/06/2018).

Note2: The Company has a total of 11,820,232,456 shares of common stock outstanding on the data baseline date (07/06/2018).

(IV) Distribution of equity

Face value \$10 per share
Data baseline date: 07/06/2018

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 999	116,711	26,830,024	0.23%
1,000 to 5,000	91,162	211,145,653	1.79%
5,001 to 10,000	29,197	203,660,657	1.72%
10,001 to 15,000	14,931	177,100,411	1.50%
15,001 to 20,000	6,425	112,558,175	0.95%
20,001 to 30,000	7,716	186,043,517	1.57%
30,001 to 50,000	5,997	230,225,092	1.95%
50,001 to 100,000	4,346	300,015,837	2.54%
100,001 to 200,000	2,252	308,679,539	2.61%
200,001 to 400,000	1,060	292,047,327	2.47%
400,001 to 600,000	384	188,614,463	1.59%
600,001 to 800,000	174	119,541,469	1.01%
800,001 to 1,000,000	118	106,034,663	0.90%
Over 1,000,001	693	9,357,735,629	79.17%
Total	281,166	11,820,232,456	100%

Note1: The data were based on the latest book closure date (07/06/2018).

Note2: The Company has a total of 11,820,232,456 shares of common stock outstanding on the data baseline date (07/06/2018).

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

Data baseline date: 07/06/2018

Major Shareholders	Shares	Shares held	Shareholding ratio (%)
Tsun Chueh Investment		404,220,950	3.42%
Yuan Hung Investment		352,374,319	2.98%
Yuan Hsiang Investment		297,159,176	2.51%
Yu Yang Investment		290,578,457	2.46%
Mega International Commercial Bank Co., Ltd. Acting as Custodian for The Investment Account of Beevest Securities		288,310,441	2.44%
Bank of Taiwan		262,712,206	2.22%
Lian Ta Investment		237,459,822	2.01%
Cathay Life Insurance		224,836,837	1.90%
Dedicated trust property account managed by Yuanta Bank		221,811,441	1.88%
Richcorp International Limited		191,416,727	1.62%

Note 1: Data relating to the top ten shareholders are based on those as of the latest book closure date (07/06/2018).

Note 2: The Company has a total of 11,820,232,456 shares of stock already issued on the data baseline date (07/06/2018).

Key shareholders of major institutional shareholders

Data baseline date: 01/31/2019

Institutional shareholder	Major shareholders of institutional shareholders	
Tsun Chueh Investment	Teng Ta Investment	19.69%
	Lian Ta Investment	19.84%
	Chiu Ta Investment	18.36%
	Lien Heng Investment	18.92%
	Hsing Tsai Investment	10.23%
	Victor Ma	8.27%
	Judy Tu	4.69%
Yuan Hung Investment	Mei Jia Li Investment Company Limited	45.88%
	Lien Heng Investment	33.74%
	Teng Ta Investment	15.38%
	Judy Tu	5.00%
Yuan Hsiang Investment	Lian Ta Investment	44.38%
	Lien Heng Investment	19.00%
	Teng Ta Investment	18.69%
	Chiu Ta Investment	9.96%
	Judy Tu	5.01%
	Hsing Tsai Investment	2.96%
Yu Yang Investment	Tsun Chueh Investment	100%
Mega International Commercial Bank Co., Ltd. Acting as Custodian for The Investment Account of Beevest Securities	Not applicable	
Bank of Taiwan	Taiwan Financial Holdings	100%
Lian Ta Investment	Chiao Hua International Investment	45.79%
	Lien Heng Investment	37.14%
	Chiu Ta Investment	14.02%
	Hsing Tsai Investment	2.58%
	Judy Tu	0.47%
Cathay Life Insurance	Cathay Financial Holdings	100%
Dedicated trust property account managed by Yuanta Bank	Not applicable	
Richcorp International Limited	Hsing Tsai Investment	26.11%
	Lien Heng Investment	19.22%
	Lian Ta Investment	19.00%
	Yuan Hsiang Investment	18.97%
	Chiu Ta Investment	7.91%
	Modern Investment	2.91%
	Teng Ta Investment	2.79%

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

Item		Year	2016	2017	Ending January 31, 2019
Market price per share [Note 1]	Highest		14.15	16.40	17.05
	Lowest		11.85	12.80	15.00
	Average		13.14	14.46	16.16
Net worth per share [Note 2]	Before distribution		17.89	18.76	18.99
	After distribution		17.34	[Note 6]	[Note 7]
EPS	Weighted average number of shares (1,000 shares)		11,864,341	11,722,452	11,670,611
	EPS	Before adjustment	1.37	1.59	0.15
		After adjustment	1.39	[Note 6]	[Note 7]
Dividends per share	Cash dividend		0.556315	[Note 6]	[Note 7]
	Stock dividends	Out of earnings	-	[Note 6]	[Note 7]
		Out of additional paid-in capital	-	[Note 6]	[Note 7]
	Accumulated, unpaid dividends		-	-	[Note 7]
ROI analysis	P/E ratio [Note 3]		9.59	9.09	[Note 7]
	P/D ratio [Note 4]		23.62	[Note 6]	[Note 7]
	Cash dividend yield [Note 5]		0.04	[Note 6]	[Note 7]

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

Note1: Please identify the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price.

Note2: Please apply the number of the outstanding issued shares at year-end as the basis and specify it based on the distribution resolved by the shareholders' meeting next year.

Note3: P/E ratio = Average closing price per share for the year/Earnings per share.

Note4: P/D ratio = Average closing price per share during the current fiscal year/Cash dividend per share.

Note5: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note6: Distribution of earnings in 2018 had not yet been resolved by the shareholders' meeting up to the date of publication of this annual report.

Note : Not applicable to 2019 reporting.

(VII) Dividend policy and implementation

1. Company dividend policy:

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

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

2. Implementation: The Company's allocated earnings 2018 about 56% of the earnings after tax for the then year. The Company proposed a cash dividend distribution of NT\$0.90 per share of Company stock. The total cash dividend allocated to shareholders was about NT\$10.504 billion, while the total stock dividend was 0 share. The motion for allocation of earnings is pending resolution by the shareholders' meeting.

(VIII) The effects of stock grants proposed at this shareholders' meeting on business performance and EPS: N/A, as the Company did not publish 2019 financial forecast.

(IX) Employee and directors' remuneration

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

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

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

2. The basis for estimating the amount of remuneration to employees and directors, for calculating the number of shares to be distributed as the remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

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

3. The motion for allocation of remuneration passed by the Board of Directors:
 - (1) Remuneration to employees and directors allocated in cash or in the form of stock bonus:

The Company's Board of Directors resolved to allocate the remuneration to employees, NT\$2,872,475, and the remuneration to directors, NT\$151,207,792, both in cash in 2018.

- (2) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration to employees in the entity financial statement for the current period: not applicable.
4. Actual allocation of remuneration to employees and directors in the previous year:

The Company's allocation of earnings as the remuneration to employees and directors for 2017 as approved by the Board of Directors and reported to the shareholders' meeting did not differ from the allocation proposed by the Board of Directors. Specifically, NT\$2,977,038 was allocated as the remuneration to employees and NT\$132,223,210 as the remuneration to directors.

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

Data baseline date: 01/31/2019

Time of buyback	17th	18th
Purpose of buyback	Maintain company's credit standing and shareholders' equity	Maintain company's credit standing and shareholders' equity
Buyback period	10/26/2017 ~ 12/04/2017	04/27/2018~06/15/2018
Buyback price range	NT\$ 12-14.50	NT\$ 12.00-17.00
Types and numbers of bought-back shares	68,965,000 common stock	134,000,000 common stock
Value of shares bought back	NT\$ 939,347,306	NT\$ 1,919,001,240
Group's capital adequacy ratio before buyback	Record date: 09/30/2017 Ratio: 128.73%	Baseline date: 03/31/2018 Ratio: 134.25%
Number of annulled and transferred share	Record date: 09/30/2017 Ratio: 127.89%	Baseline date: 03/31/2018 Ratio: 132.33%
Number of annuled and transferred shares	68,965,000 shares	134,000,000 shares
Cumulative number of company shares held	15,621,000 shares	15,621,000 shares
Ratio of cumulative number of company shares held to total outstanding shares (%)	0.13%	0.13%
State of transfer to employees of bought-back shares	-	
Adoption of restrictive measures by the Board due to failure to complete transfer of bought-back shares within three (3) years of buyback	-	

II. Corporate Bonds

(I) Corporate bonds issued and outstanding

Data baseline date: 01/31/2018

Bond type	2015 1 st unsecured bonds	2016 1 st unsecured bonds	2016 2 nd unsecured bonds	2018 1 st unsecured bonds
Date issued	24 July 2015	27 May 2016	1 August 2016	20 July 2018
Face value	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million
Place of issuance and exchange [Note]	Not applicable	Not applicable	Not applicable	Not applicable
Issue price	The bond is issued at full face value	The bond is issued at full face value	The bond is issued at full face value	The bond is issued at full face value
Total amount	NT\$1.3 billion.	NT\$15 billion. Of which: Class A bonds: NT\$3 billion. Class B bonds: NT\$4 billion. Class C bonds: NT\$8 billion.	NT\$3.45 billion. Of which: Class A bonds: NT\$1.85 billion. Class B bonds: NT\$1.6 billion.	NT\$10 billion. Of which: Class A bonds: NT\$1.5 billion. Class B bonds: NT\$8.5 billion.
Interest rate	Annual coupon rate of 1.67%.	Class A bonds: Annual coupon rate of 0.6%. Class B bonds: Annual coupon rate of 0.8%. Class C bonds: Annual coupon rate of 1.0%.	Class A bonds: Annual coupon rate of 0.63%. Class B bonds: Annual coupon rate of 0.85%.	Class A bonds: Annual coupon rate of 0.86%. Class B bonds: Annual coupon rate of 0.96%.
Duration	Term: 7 years	Class A bonds: Term: 2 years Class B bonds: Term: 5 years Class C bonds: Term: 7 years	Class A bonds: Term: 3 years Class B bonds: Term: 6 years	Class A bonds: Term: 5 years Class B bonds: Term: 7 years
Priority of repayment	Not applicable	Not applicable	Not applicable	Not applicable
Guaranteeing institution	None	None	None	None
Trustee	Bank Sino Pac	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank	Cathay United Bank Company Limited
Underwriting institution	Not applicable	Yuanta Securities is the leading underwriter.	Yuanta Securities is the leading underwriter.	Yuanta Securities is the leading underwriter.
Certifying attorney	Yi Cheng Law Firm	Yi Cheng Law Firm	Yi Cheng Law Firm	Yi Cheng Law Firm
Independent auditing firm	Pricewaterhouse Coopers Certified Public Accountants	Pricewaterhouse Coopers Certified Public Accountants	Pricewaterhouse Coopers Certified Public Accountants	Pricewaterhouse Coopers Certified Public Accountants

Repayment method	<p>1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on the next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity.</p> <p>2. Principal repayment method: Principal for the corporate bonds shall be repaid once at maturity.</p>	<p>1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of the corporate bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on the next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity.</p> <p>2. Principal repayment method: Principal for the corporate bonds shall be repaid in full at maturity.</p>	<p>1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of the corporate bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on the next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity.</p> <p>2. Principal repayment method: Principal for the corporate bonds shall be repaid in full at maturity.</p>	<p>1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of the corporate bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on the next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity.</p> <p>2. Principal repayment method: Principal for the Type-A bonds shall be repaid in full at maturity since the date of issuance; principle for the Type-B bonds shall be repaid by 50% in 6th and 7th years respectively since the date of issuance.</p>
Outstanding principal balance	NT\$1.3 billion.	NT\$15 billion.	NT\$3.45 billion.	NT\$10 billion.
Terms for redemption or early repayment	None	None	None	None
Restrictive terms	None	None	None	None
Whether included in qualifying capital	No	No	No	No

Name of credit rating organization, rating date, bond rating results		None	None	None	None
Other rights	Amount of the bonds already converted into (exchanged into or subscribed for) common shares, overseas depository receipts, or any other securities until the date of publication of the annual report	None	None	None	None
	Issuance and conversion (traded or subscribed) regulations	None	None	None	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms		None	None	None	None
Name of commissioned custodial institution for objects exchanged		None	None	None	None

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

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

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Issuance of Employee Stock Option Certificates: None.

VI. Information about new restricted employee shares: None.

VII. Mergers or Acquisitions

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

1. Consolidation of Yuanta Bank and Ta Chong Bank:

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

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

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

1. Yuanta Financial Holdings:

(1) New York Life Insurance (TW)

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

(2) Ta Chong Bank

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

2. Subsidiaries of Yuanta Financial Holdings:

(1) Yuanta Securities

A. TONGYANG Securities Inc.

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

B. PT AmCapital Indonesia

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

C. KKTrade Securities (Thailand)

Yuanta Securities' Board of Directors resolved on April 27, 2016 to acquire 99.99% of the equity of KKTrade Securities Company Limited in Thailand via its subsidiary, Yuanta Securities Asia Financial Services. Meanwhile, pursuant to FSC's letter under Jin-Guan-Cheng-Chuan-Zi No. 1050020901 dated June 14, 2016 and upon approval of the competent authority in Thailand, SEC, via its letter No. 1118/2559 dated June 23, 2016, the settlement was completed pursuant to the agreement signed on July 8, 2016 and KKTrade's capital increase in cash by BHT1 billion was completed on August 30, 2016. The common stock as acquired therefor totaled 149,999,998 shares, i.e. 99.99% of KKTrade's common stock. The total investment amount was BHT1.691 billion, approximately equivalent to NT\$1.554 billion. KKTrade was renamed into Yuanta Securities (Thailand) Company Limited on September 1, 2016.

D. The First Securities Joint Stock Company

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

Joint Stock Company in Vietnam. First Securities Joint Stock Company in Vietnam was renamed Yuanta Securities Vietnam Joint Stock Company on February 13, 2018 officially.

(2) Yuanta Bank

A. TONGYANG Savings Bank Inc.

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

B. HanShin Savings Bank

With reference to the acquisition of 100% of equity of HanShin Savings Bank by the Company's subsidiary, Yuanta Bank, from AON BGN Limited Liability Company, both parties signed the equity purchase agreement on February 3, 2016, and received approval from Taiwan's FSC (Jin-Guan-Ying-Kong-Zi No. 10500026760) and the financial supervisory commission of Korea on March 17, 2016 and April 14, 2016 respectively. The settlement was completed on April 25, 2016 at the total price of KRW\$143.426 billion, equivalent to approximately NT\$4.082 billion. Meanwhile, HanShin Savings Bank was renamed Yuanta Savings Bank Korea Co., Ltd., Yuanta Savings Bank (Korea) in short, on February 13, 2017.

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

1. Yuanta Financial Holdings: None.
2. Subsidiaries of Yuanta Bank:

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

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

canceled the conversion of preferred stock at the time of consolidation.

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

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

Name of Financial Institute		Ta Chong Commercial Bank Co., Ltd.
Address of Financial Institute		6F-9F, No. 66 and 2F, 2F-1, 7F and 9F, No. 68, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City 10557, Taiwan (R.O.C.)
Responsible Person		Chien Ping Chen
Paid-in capital (NT\$)		36,372,406,880
Main Business/Product Items		Commercial Bank
Financial Information for 2017 (Unit: NT\$1,000)	Total Assets	431,681,325
	Total Liabilities	389,198,334
	Total Shareholders' Equity	42,482,991
	Operating Income [Note]	5,744,571
	Gross Profit	Not applicable
	Operating Gains and Losses [Note]	5,744,571
	Current Profit and Losses	(761,512)
	Earnings Per Share	(0.18)

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

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

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

VIII. Implementation of Capital Utilization Plan

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

Four. Overview of Operations

I. Operations

(I) Yuanta Financial Holdings

1. Scope of business

(1) Main business services

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

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Investment income recognized under the equity method	17,800,029	99.71%	19,979,027	99.25%
Others	51,754	0.29%	151,721	0.75%
Total	17,851,783	100%	20,130,748	100%

2. Business plan for the year

Looking forward to 2019, the Company will continue progressively solidifying its core competitiveness, comprehensively driving its growth, and enhancing overseas business income with its excellent asset quality and risk management ability as a backup. The development strategies of the Company for 2019 are summarized as follows:

- (1) Yuanta Securities: Enhance the brokerage channel's co-marketing mechanism; practice customers' resources transfer and management; promote the high-asset customers' family transfer with respect to the wealth management operations; actively develop such new business types as foreign exchange securities firm and ETN to satisfy customers' diversified needs for investment. The overseas subsidiaries keep expanding business stably to upgrade their operating performance.
- (2) Yuanta Bank: Promote the growth of core deposits, increase the underwriting of applications for loans denominated in foreign currency, and under the circumstance that risk is controllable, choose to underwrite high-yield loan operations to increase the yield rate on loans and related revenue from commission; also, integrate the sources throughout the Bank to engage in the management of customers, and improving customers' satisfaction with transactions and contribution under the customer group project and cross-selling policy applicable to all clerks throughout the Bank.
- (3) Yuanta Life: The Company will establish its product plan subject to various sale

channels' characteristics and target customer groups' need. The Company will construct complete wealth management product lines and continue to develop the protection-type and long-term products. To deal with the changeable financial environment, the Company will continue to enhance the risk control, and conduct asset and liability management and investment according to the cautious and stable policy.

- (4) Yuanta Securities Investment Trust: Improve the performance of active funds; continue to well-found the bond ETF products to be in line with the needs from institutional investors and retail investors to expand the range of participation by customers; develop the TAIEX ETF feeder funds, promote and deepen the application of the "ETF-AI smart investment platform".
- (5) Yuanta Futures: Use the best efforts to promote the sub-brokerage services, expand the business scope of leverage transaction merchants, improve the performance of proprietary trading, and optimize the performance of risk controls and trading systems to build an international trading platform.

3. Industry overview

The FED activated the interest escalation cycle in December 2015 and the runoff plan in October 2017. It took the initiative to exit from the non-traditional QE policy in a slow but organized manner. Until the end of 2018, the target range of Federal Funds Rate was adjusted upward cumulatively by 9 quarters of a percentage point and attained 2.25%~2.50%, scheduled to result in the balance sheet reduction by US\$450 billion. As a result, the USD tended to be stronger than the other countries' currency. The first to be affected therefor was the emerging market with poor economic and financial constitutions. Meanwhile, the China-US Trade War was getting more and more intensive, as it extended from the tariff war concerning trade deficit issues to such issues as protection of intellectual property rights and expansion of market access and thereby affected the global supply chains of Taiwanese businesspersons directly. Most of research institutions believed that the US-Sino Trade War would last for a while and disturb the global economic therefor. According to the Economic Outlook released by the Organization for Economic Cooperation and Development (OECD) in March 2019, the global economy has hit the marketing topping. The economic growth rate was estimated as 3.6% in 2018, and the estimated economic growth rate for 2019 was adjusted downward from the previous estimate 3.5% (in November 2018) to 3.3%.

Recalling 2018, benefiting from the stable global economic recovery in the first half of the year, trading and production activities developed strongly, the economic growth rate remained at about 3% and TWSE stock index continued to hit 10,000 points, given the increasing demand for application of emerging technologies and machine. Notwithstanding, the conflict caused by the China-US Trade War kept expanding as of Q3, and the interest escalation by the U.S.A. contributed to appreciation of USD, causing the global capital mobility and drastic fluctuation in the global financial market, and even causing the global leading economies' growth speed to become sluggish. The economy in Taiwan became sluggish in the second half of the year accordingly. The outlook turned to be conservative. In terms of the performance generated by the three major businesses engaged in finance domestically in 2018, the contribution made by the brokerage services of securities

increased due to the booming transactions and investments in the stock market. Notwithstanding, given the loss suffered by the proprietary services the whole securities firms' earnings before tax declined accordingly. The assets of Banks grew, and its earnings were stable and even increasing. Under the adequate credit cost control, the local banks' earnings before tax hit the record. The money from new policies continued to cause the cost of liabilities to decline. Notwithstanding, given the interest escalation in the U.S.A., increasing hedging costs and global stock market collapse, its earnings before tax dropped and were less than NT\$100 billion.

Looking forward to 2019, if the Sino-US Trade continues to expand, the demand might become sluggish in Mainland China. All international forecast organizations believed that the global trading growth in 2019 should be less than that in 2018. Meanwhile, the wavering monetary policy adopted by the central banks of some leading countries raised the uncertainty in the financial condition and, therefore, somehow plagued the global economic prospective. Given the exposure to trade and financial risks, the export and growth in private consumption became sluggish relatively. Notwithstanding, the investment growth rate is expected to be upgraded as the Taiwanese entrepreneurs move back to Taiwan. Meanwhile, the Government continues to promote the Forward-Looking Infrastructure Development Program. The Directorate-General of Budget, Accounting and Statistics forecast in February 2019 that the global economic growth rate in Taiwan should be 2.27% in 2019, lower than that, 2.63%, in 2018. In 2019, the entire economic growth was getting weakening. Notwithstanding, given the plentiful market liquidity of the domestic market, the revenue from the securities brokerage commission will still play the important role dedicated to seeking profit. Notwithstanding, the difficulty in operating the proprietary service will increase relatively. Banks will keep working hard to develop foreign currency loan operations and facilitate increase in the net interest income. Nevertheless, the changes in quality of related assets should be noted. Benefiting from the strong motive for personal investment and savings, life insurers still sought considerable premium revenue, but the hedging cost for the large overseas investment position is likely to constrain its operating performance.

4. Research and development

(1) Project completed in 2018

A. Yuanta Group

(A) Group financial accounting system

- a. Group e-invoice project - Yuanta Securities implementation
- b. Yuanta Securities (Vietnam) SAP general ledger implementation

(B) Human Resources Information system (HRIS)

- a. Amendments to Labor Standards Law 2018
- b. Notification of update in job responsibilities and salary

(C) Group infrastructure and information security

- a. AD Health check project
- b. Network traffic analysis system upgrading
- c. Group mail APT implementation project
- d. Group information systems security professional training project

e. Yuanta Financial Holdings, Yuanta Bank, Yuanta Securities and Yuanta Life ISMS (ISO27001:2013) re-assessment

B. Yuanta Securities

- (A) Rapid OMS performance upgrading
- (B) TW stock price column expansion - 1st stage
- (C) Mr. Yuanta APP: Securities/sub-brokerage
- (D) Strategic stock selection cloud platform: intraday and open stock selection
- (E) Yuanta Securities' official website/overseas transaction/warrant website/wealth management center identity revision
- (F) Futures & warrants system
- (G) National payment function added into the derivatives system
- (H) Thailand warrant market-making system
- (I) Securities loans for indefinite purpose for pledge by insiders
- (J) Bond inquiry and trading platform
- (K) Platform for sale of structure notes on a consignment basis
- (L) OSU integration platform
- (M) One Account opening system
- (N) CRS project - 1st stage
- (O) Business intelligence-related software/hardware upgrading and application
- (P) Integrated statement of account optimization project
- (Q) EC dual data center construction project
- (R) Mobile trading APP (Mr. Yuanta) host hardware device construction project
- (S) E-file update monitoring mechanism construction project

C. Yuanta Bank

- (A) CTI system construction project - 2nd stage
- (B) Foreign exchange system upgrading project -1st stage
- (C) HK Branch network banking system project
- (D) Credit card issuance accounting and authorization system upgrading project
- (E) Wealth management system upgrading project
- (F) New financial trading system construction project
- (G) ALM/FTP system upgrading and liquidity risk management construction project
- (H) Tapeless data backup management system construction project
- (I) Computer system information security assessment project (Class I)
- (J) E-payment system security management assessment project
- (K) GSLB network architecture
- (L) Cyber APT defense system construction

D. Yuanta Life

- (A) Continuous Yuanta Life e-commerce system new product development

- (B) Yuanta Life investment-type and traditional-type new product development
 - (C) Foreign exchange financial derivatives investment system construction
 - (D) Mobile insurance system construction
 - (E) Video survival investigation and video recording system construction
 - (F) Group insurance customer relationship web system construction
 - (G) Yuanta Life's official website system revision and update
 - (H) Yuanta Life proposal system revision and update
 - (I) Insurance customer relationship web 2nd stage - functional optimization
 - (J) Channel service platform system 2nd stage - functional upgrading
 - (K) Group insurance and Group Annuity insurance system integration and conversion
- E. Yuanta Futures
- (A) Manage TAIEX 2018 project
 - (B) Banqiao new data center construction project
 - (C) Smart order sending system in cloud environment project
 - (D) EasyWin platform performance upgrading project
 - (E) Program development for foreign market with Options products and TAIEX Futures & Options products in Yuanta Futures Genius system
 - (F) Yuanta Futures (HK) trading system construction project
 - (G) Leverage transaction merchant trading system construction project
 - (H) Information security enhancement: Complete the host weakness scanning and penetration test, stimulate email social engineering, and construct intrusion prevention system
 - (I) Foreign information sourcing cost-saving project: Consolidation of Eikon saved the cost by about NT\$1.3 million a year
- F. Yuanta Securities Investment Trust
- (A) Yuanta Securities Investment Trust ETF-AI smart investment platform construction project-2nd stage
 - (B) Yuanta Securities Investment Trust storage equipment upgrading project
 - (C) Yuanta Securities Investment Trust automated order placing for domestic stock project
- (2) Future development plans
- A. Yuanta Securities
- (A) Market quotation/feedback host upgrading

To be in line with the policy for continuous matching of stock adopted by TWSE in 2020, the trading mechanism is changed to make the disclosure of market quotation more transparent. It is expected that the information about market quotation will be changeable more than ever and data transmission will increase by multiple times to upgrade the equipment performance, adjust the market quotation/feedback app and satisfy the need for continuous trading.
 - (B) OBU Dept. and International Institutional Business Dept. trading platform equipment replacement project

To be in line with the booming international business development, link the domestic and offshore corporate banking customers to trade TW

stock or sub-brokerage of foreign stock, and also satisfy customers' need for trading and develop business. Upgrade apps and software/hardware device and database comprehensively.

- (C) e-Trading hardware device replacement and upgrading
The current e-trading operation accounts for 60% of the Company's whole operations. The system may serve the functions as channels and order placement. In response to the transaction volume growth and order placement speed required by the future policy for continuous trading, the Company plans to upgrade the software and hardware devices to satisfy the need for trading efficiency.
- (D) To be in line with the continuing business development and strengthen KYC, the Company plans to implement big data and engage in R&D of such analysis model optimization as statistics, machine learning and deep learning, so as to analyze and forecast customers' behavior and attributes.
- (E) Implement the AI service idea to help the enterprise engage in the information management internally, develop the intelligent robots exclusive for various enterprises, and upgrade the quality of policy, improve products and services, and build the strength in long-term competition.
- (F) Yuanta Securities expanded the Data Domain for 30TB in Taipei Xinyi and Banqiao data centers to satisfy the need for backup.
- (G) Construct the Endpoint APT defense mechanism to intercept known and unknown threats, crosscheck risks, prioritize suspicious activities automatically, and provide information about the source, scope, scale, and severity of attacks.

B. Yuanta Bank

- (A) NTD system upgrades its processing efficiency, strengthens the notification of control to peripheral systems, and increase the step of reposting mechanism and shorten the time for reposting.
- (B) In order to meet the needs of flexibilities of business development, Yuanta Bank's foreign exchange system's database structure is reformed to reserve the 24-hour service framework, and continues to develop new functions as per business needs.
- (C) In order to deal with the drastic increase in trust and wealth management business volume upon the consolidation, the Company executes the trust host (AS/400) and wealth management host hardware upgrading project to upgrade the system's efficiency and trading response speed.
- (D) In order to increase the stop-loss monitoring for conversion of sub-fund back to the parent fund, the Company constructs a new efficient investment module (Fund+ 3.0) to facilitate the frontline specialists' servicing to the customers and increase the Bank's income from wealth management.
- (E) To follow the evolution of the competent authority to be in line with the digital financial age and the amendments to related laws and progressive lifting of the regulations governing the electronic signature, mobile insurance and paperless operations of the insurance business, the Company plans the various insurance agency operations, makes use of digital tools, simplifies the sales burden of front-line sale representatives, and improves efficiency of the back-office administrative operations.

- (F) In order to increase the e-trading proportions, reduce the branches' personnel, and revise the online banking system to provide customers with a more successful and safer trading platform, the Company supports diversified mobile devices and browsers, increase customers' loyalty, and increase the revenue from commission.
- (G) In order to upgrade the satisfaction and digital experience of banking digital channels, the Company responds to the government's policy aiming to "reach 90% mobile payment penetration rate in 2025" and introduce Taiwan Pay QR Code service to the mobile bank app.
- (H) Strengthen the image platform functions, provide multi-model channels dedicated to accepting cases, which can be integrated into the bank's image platform rapidly, and increase the flexibility of customization by providing such components as image scanning, processing and retrieval.
- (I) In order to attune to the market's trend and take the information security into consideration, Yuanta Bank provides the system which integrates front-end, middle-end and back-end operating procedures for financial instruments to control the real-time positions and income, simplify the accounting operations, shorten the time for closing accounts at the end of a trading day, and increase the entire efficiency.
- (J) Per the regulations promulgated by BCBS, Yuanta Bank revises various risk capital requirements, introduces Basel IV to calculate the Bank's related value at risk (VaR) and solve the EOS problem about the current system hardware and software to satisfy the international standards.
- (K) Yuanta Bank utilizes the merchant acquiring service to maintain the branches' existing customers, bring in cash inflow and develop other products for the customers to increase the Bank's income.
- (L) Replace the Bank's existing tape data backup management system to mitigate the risk over damage to the tapes and past-due tapes and cut the related software and hardware maintenance and operation costs.
- (M) In order to mitigate the information security risk over the existing units' sharing file resources, Yuanta Bank utilizes content management, document management and process management functions provided by SharePoint to enhance the synergy within the units.
- (N) In order to strengthen the information system's defensive capabilities and performance, Yuanta Bank executes the branch Automated Teller Machine (ATM) firewall construction project and expands the firewall audit Software License and Hardware project to improve the equipment security and firewall management performance.
- (O) In order to strengthen the real-time analysis and detection of abnormal behaviors, Yuanta Bank implements a new-generation security information and event management (SIEM) project to enhance the Bank's information system security defense capabilities and provide customers with safe and stable banking services.
- (P) In order to check the integrity and adequacy of the Bank's entire computer information security control policies, Yuanta Bank has a third-party organization to execute the computer system information security assessment project (Class I and Class II) and e-payment platform security assessment to verify the threats and weakness of information security via various information security assessment operations and to upgrade the network and information systems' security defensive capabilities.

C. Yuanta Futures

(A) Solace notification pushing system project

In order to upgrade the grand unification market quotation performance and respond to the policies for continuous matching of spot goods, Yuanta Futures will follow the policy for real-time disclosure of market quotation by integrating and constructing the grand unification market quotation system under Solace solution hardware framework.

(B) TAIFEX 2019 IT project

More new systems will be released this year to be in line with the amendments to the internal system of TAIFEX IT project.

(C) Yuanta Futures' New-generation futures trading platform project

Yuanta Futures will continue the planning of last year and keep in line with the futures business development to plan and integrate the various e-platforms' functions and develop the new-generation e-platforms.

(D) Yuanta Futures' enhancement of information security:

- a. Head Office's portal webpages filtering control operation
- b. Construct the online intrusion prevention system
- c. Construct the advanced persistent threat protection system
- d. Construct the information security threat events integration and analysis platform

D. Yuanta Life

(A) Construct the mobile insurance system to provide the direct-selling, banking and insurance brokerage channels with the mobile operating sale system to be in line with the digitalization and business promotion.

(B) The proposal system is revised and upgraded to provide the multi-platform device and also integrate direct-selling, banking and insurance brokerage channels and back-office administrative management development procedures to facilitate business promotion.

(C) Yuanta Life's official website is revised and updated to provide diversified and new thinking, and to provide customers with the experience in accessing a brand new insurance knowledge platform experience in response to the transformation of network technology application.

(D) Yuanta Life continues to construct the channel service platform at 2nd stage, continues to optimize and integrate the direct-selling, banking, insurance brokerage and telemarketing channels to upgrade the mobile and digitalized services provided by the sale representatives.

E. Yuanta Securities Investment Trust

(A) Continues to engage in such projects as issuance of new funds and internal data management platform to increase its market competitiveness.

(B) Continues to engage in replacement of the intrusion prevention system and network equipment to strengthen its information security defense capabilities.

(3) Expected R&D expenditures, and R&D progress

Unit: NT\$1,000

R&D project	Estimated expenditure	Scheduled completion date	Expenditures spent in the most recent two years	Results generated in the most recent two years
Yuanta Securities' market quotation/trade report host upgrading	7,050	September 2019 ~ December 2019		
Yuanta Securities' OBU Dept. and International Institutional Business Dept. trading platform equipment replacement project	12,000	April 2019 ~ December 2019		
Yuanta Securities' e-Trading hardware upgrade	76,500	April 2019 ~ March 2020		
Yuanta Securities' Networker backup system storage space expansion	7,000	June 2019 ~ August 2019		
Yuanta Securities' Endpoint APT construction	20,000	January 2019 ~ September 2019		
Yuanta Bank's Bancs system core platform upgrading project	23,900	January 2019 ~ March 2020		
Yuanta Bank's foreign exchange system upgrading project	18,000	July 2017 ~ June 2019	7,504	1. The project has two stages. 2. The host hardware replacement and operating system upgrading (1 st stage) have been completed in November 2017. 3. The database structure is upgrading (2 nd stage) now.
Yuanta Bank's trust host (AS/400) hardware upgrading project	20,900	December 2018 ~ August 2019		
Yuanta Bank's wealth management host hardware upgrading project	8,000	January 2019 ~ August 2019		
Yuanta Life Insurance Agent system - mobile insurance construction project (including electronic signature)	12,000	January 2019 ~ December 2019		
Personal network bank revision project (including English version)	15,000	January 2019 ~ June 2020		
Taiwan Pay QR Code system construction project	12,100	February 2019 ~ February 2020		
Yuanta Bank's new image system construction project	14,150	January 2019 ~ December 2020		
Yuanta Bank's new financial system construction project	149,760	March 2018 ~ January 2020	58,924	1. The project has two stages. 2. The interview, analysis and development of demand have been completed at the first stage. Now is running integration test.

R&D project	Estimated expenditure	Scheduled completion date	Expenditures spent in the most recent two years	Results generated in the most recent two years
Yuanta Bank's BASEL IV capital requirement system construction project	60,000	January 2019 ~ December 2019		
Yuanta Bank's merchant acquiring system construction project	35,000	March 2019 ~ March 2021		
Yuanta Bank's tapeless backup system expansion project	9,000	January 2019 ~ October 2019		
Yuanta Bank's SharePoint construction project	4,000	January 2019 ~ March 2019		
Yuanta Bank's new-generation security information and event management (SIEM) project	11,000	January 2019 ~ December 2020		
Yuanta Futures' Solace notification pushing system project	32,000	February 2019 ~ December 2019		
TAIFEX 2019 IT project	2,000	January 2019 ~ December 2019		
Yuanta Futures' new-generation futures trading platform project	10,000	January 2019 ~ December 2019		
Yuanta Futures' enhancement of information security	12,000	January 2019 ~ December 2019		
Yuanta Futures' domestic transaction accounting system replacement project	120,000	October 2018 ~ December 2019		
Yuanta Life's mobile insurance system	20,000	March 2019 ~ March 2020		
Yuanta Life's proposal system	12,000	April 2019 ~ April 2020		
Yuanta Life's official website system revision and update	5,000	March 2019 ~ December 2019		
Yuanta Life's channel service platform system 2nd stage	2,500	April 2019 ~ October 2019	1,197	The 1 st -stage system has gone live in October 2018.
Yuanta Securities Investment Trust's intrusion prevention system construction	2,000	June 2018 ~ June 2019		Complete the assessment on suppliers
Yuanta Securities Investment Trust's network equipment replacement	5,460	January 2019 ~ December 2019		

5. Long and short-term business development plans

The Company's long-term and mid-term development strategy will continue to maintain the overall growth development strategy valuing "solidification of cores and driving of growth". The Company will solidify the core businesses, continue developing its competitiveness, and also focus on the layout and management of growing businesses, markets and customers, as well as the effect of the Group's cross-industry or cross-border growth to stabilize and upgrade its profitability effectively, in hopes of moving forward toward the objective for the "Best Financial Services Provider in the Asia Pacific Region". The focus on the Company's future business development is stated as following:

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

Continue maintaining the competitive strengthen in the market in Taiwan; engage in the business key to enhancing the regional integration and innovation

of products/services to focus on deepening the relations with customers, accurate marketing and brand; extensively develop diversified and differentiated products and services to create a higher service value.

In terms of overseas business, the Company will continue deepening the development in such matured markets as Hong Kong and Korea and focus on cross-border integration and exchange, while in the growing markets, such as Thailand, Indonesia and Vietnam, the Company will upgrade the stable income from such core businesses as brokerage and financing, and then introduce investment banking and new financial product operations to build the diversified profit-seeking channels and integrate the same with the Group's operations to create a consolidated effect.

(2) Yuanta Bank: Balancing Business Structure, Development of Consolidated Effects

The Bank will continue “balancing its business structure, dispersing its profit-making sources and increasing the efficiency of its capital utilization” as its primary business philosophy to upgrade the consolidated effects. For loan operations, insofar as the loan quality is maintained, the Bank will increase the underwriting of applications for loans denominated in foreign currency and expand the entire scale of loan, and strive for domestic/foreign syndicated loan projects as a leading bank. In terms of channels, the Bank will keep promoting the growth of core deposits to deal with the growth of deposits stably and increase the sources for developing wealth management business to deepen the development of asset management value.

(3) Yuanta Life: Stable Accumulation of Assets, Contribution of Profit

Yuanta Life will maintain its development strategy focusing on stable growth, financial control and balancing of business. It keeps upholding the product strategy to develop the “protection-type and long-term” and “wealth management” products as the two major products, and offers wealth management products in a timely manner to satisfy the needs from the Group's customers. It aims to seek stable profit as its mid-term financial goal to support its self-development with the earnings sought by itself.

(4) Yuanta Securities Investment Trust: Stable Growth of Managed Asset Scale

The Company will aim to make its managed asset scale and profitability grow stable as its business goal. Its business growth will be driven by the business opportunities about the aged and low-interest retirement and senior nursing asset management, market movements and trends, enhanced diversified product lines, and differentiation products to distinguish the price competition with the others adopted in the same trade. Meanwhile, it will weed out the weak funds and retain the strong ones to upgrade its investment performance.

(5) Yuanta Futures: Building International Trading Platform

Yuanta Futures will focus its management on securing market share and upgrading profit margin in the brokerage business, and optimizing performance of risk control and trading system to upgrade its proprietary trading performance, and also aim to become a regional futures firm as its mid-term and long-term

strategic goal. It will continue to apply for the membership for trading in multiple markets in the world and construct Yuanta Securities (HK) to be an international trading platform.

For the short-term business development plan, please see the business plan for Yuanta Financial Holdings and its subsidiaries referred to in “Four. Overview of Operations/1. Operations”.

(II) Business services of subsidiaries

1. Yuanta Securities

(1) Main business services

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

(2) Revenue breakdown

Unit: NT\$1,000; %

Business	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Brokerage	11,378,796	60.32	12,606,324	61.95
Proprietary	6,126,793	32.47	6,815,360	33.50
Underwriting	1,360,949	7.21	925,631	4.55
Total	18,866,538	100.00	20,347,315	100.00

(3) New financial products and services in development

Yuanta Securities will be in line with the relevant business lines allowed by the competent authority and continue developing new option instruments. Meanwhile, the Company plans to engage in the spot foreign exchange transactions and issue foreign exchange derivatives after securing the qualification as foreign exchange securities firm with the Central Bank in 2019, and to release the Exchange Traded Notes (ETN) service as the first company to provide customers with more services and options and to increase the Company’s benefits at the same time.

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

(4) Business plan for the year

A. Balanced business development

(A) Brokerage services:

To be in line with the transformation of all brokerage channels into wealth management channels, the Company will continue to maintain its traditional core brokerage services and further develop its wealth management services to create the double profit-seeking engines for the securities and brokerage services. Identify the customer group structure subject to the customer's investment attributes to achieve the group management; analyze data to drive the policy for business promotion to fulfill the wealth management business and commodity KYC and satisfy customers' needs.

Continue to promote the "loans for indefinite purpose" and expand the "day trade" customer scale; plan the related trading platform actively and strengthen internal risk control mechanisms. Adjust the related customer structure, including continuous promotion of the "systematic investment plan for stock" as the primary tool to "solicit new customers, activate dormant accounts and strengthen customer structure", and organization of promotional events to further develop the young and retail investors.

Meanwhile, evaluate the relocation of the existing old and unusable business locations to upgrade the trading service environment and promote the business locations which may satisfy the purpose of energy saving and carbon reduction. Continue to further develop the corporate banking customers in the territories of Asia, and also develop markets in the U.S.A. and ASEAN. Develop strategic trading services, introduce programmatic trading customer groups, and set up the high-speed trading portal to increase the revenue from brokerage services.

In response to the policy for continuous trading will be activated in the second half of March 2020, the internal multi-departmental integration taskforce has been activated internally, which will continue to engage in the related software and hardware update and wiring upgrading to ensure the supply of stable, real-time and correct trading information. Further, the continuous trading platform is expected to go live in March this year. The Company will engage in the related training and propagation toward agents and customers. Continue to promote paperless projects, and establish e-monthly statement of account to upgrade the percentage of subscription for e-statement.

(B) Wealth management services:

Continue to promote the wealth management activities, fulfill wealth legacy and valid cash flow allocation. Provide professional investors (PI)

with customized wealth management allocation services; develop customers with high contribution and have the dedicated taskforce provide high-asset customers with related assets allocation and customization services.

Meanwhile, continue to promote the “wealth management excellence engineering” plan to develop more PIs and new customer group; optimize Yuanta Securities’ CRM to provide the sale representatives with the most complete tooling for arranging the asset allocation for customers. Also includes various wealth management products into the wealth management product platform, and work with the other related departments to design and develop the self-made financial instruments.

Meanwhile, Yuanta Securities has received the permit for “underwriting the employee benefit trust by securities firms” in March 2018, and offered the same service on September 4, 2018. The Company will work hard to develop related corporate banking accounts and launch the new business about employee benefit trust.

(C) International Financial Business:

Continue to add the trading markets and overseas instruments that comply with laws and regulations, and upgrade the number of active sub-brokerage customers. Provide the customers who are professional institutional investors with more complete DSU and OSU trading platforms, and integrate the related investment research resources to solidify the related corporate banking customer group. Focus on the operation of B2B fixed-income product transactions, optimize the e-trading system with banks, and add the models related to the function of order placement.

Further develop the private wealth management customers, and develop the private bank and corporate banking in Asia, develop the private wealth management services for exclusive clientele, help the management of major accounts engaged in exchange of equity in the Branch, and activate the Branch’s high-potential and low-active accounts.

(D) Securities borrowing and lending:

In addition to the foreign capital lending market that is becoming increasingly mature, the Company will also uses its best efforts to develop the resources for supply of the sources of securities aided by the introduction of the securities in stock from natural persons and inter-broker lending. Further, considering that the lending of securities in stock from natural persons is becoming the mainstream tool, Yuanta Securities plans the business development incentive program based on respect for natural persons, in hopes of introducing related resources effectively to upgrade the revenue from securities borrowing and lending services.

(E) Proprietary trading:

Maintain the market making profit and also control any emergent market quotation to seek profit. Continue to invest related resources for after-hour market making, and optimize the information sourcing and trading model system in steps, upgrade the quotation quality and provide traders with more sufficient liquidity of products. Meanwhile, to be in line with the extension of the day trading transaction tax cutting, the Company

will continue to amend the mid-office and back-office systems, and align with the accounting operations to start the research and development of new strategies for spot goods-related products and fulfill the risk control mechanism.

To deal with the increase in after-hour trading products, the Company will also work hard to develop the various strategic transactions of overseas products and exert the synergy of cross-market transactions; subject to the market condition, expand the scope of transactions to the other night trading sessions to achieve its goal as an omnibus international market maker.

(F) Investment banking business:

To continue implementing the large-sized investment bank's operating model, enhance the cooperation of the cross-border platforms, recommend the opportunities for business cooperation between the Group and affiliates, integrate related business resources. Develop the customers of the Group's existing overseas operations, conduct the business by weighing quality and quantity equivalently, and provide customers with the omnibus banking services as a Sector Banker. Use best efforts to find various types of financial consulting business opportunities, maintain the leading position in the underwriting market and maintain the leadership for the transactions in the emerging stock market; the related core business will also link with cross-selling and cross-border corporate banking business, in hopes of further deepening and broadening the investment banking business.

To deepen the core business, the Company focuses on industries and underwrites cases with care, links the Group's related resources and expand the campaign, stabilize the management of related positions, provide diversified services and upgrade related added value. To expand the cross-border operations, including expansion of partnership, the Company develops overseas customers rapidly, verifies the industrial characteristics and strength and weakness in related regions, expands related activities to upgrade the international awareness toward Yuanta Securities' brand, and adjusts the allocation of personnel and structured KPI to deepen the omnibus capital strategic planning for customers.

(G) Bond business:

Continue to develop the relevant NTD/foreign currency bond underwriting, matching in the secondary market and spot foreign exchange and related derivatives, and also increase the proportion of relevant foreign currency bonds subject to the market conditions. Meanwhile, in order to prevent regressive economy from resulting in the expansion of credit interest spread and increase in liquidity, the related portfolio will be the US high-rated bonds or government bonds. Further, Mainland China bonds will be only limited to the policy-oriented bank bonds. In consideration of the restriction on investment limit in international bonds imposed by the competent authority on the life insurance business, the Company will use its best efforts to strive for issuance of long-term corporate bonds to satisfy the need for life insurance investment. Meanwhile, it will develop the Group's foreign currency bond trading platform and work with overseas subsidiaries for business.

Moreover, Yuanta Securities has submitted the application for the qualification as foreign exchange securities firm with the Central Bank in Q4 of 2018. It will continue to strive for joining the foreign currency settlement platform of Mega Bank to cut its cost for foreign currency fund allocation and also provide its channel customers with the one-stop overseas wealth management service to enhance the customers' loyalty. The Company will also work hard to request the competent authority to allow securities firms to trade in Taipei Foreign Exchange Market, to reduce the foreign currency funding cost and create more benefits for the development of foreign exchange business.

(H) Derivatives service:

Continue to solidify the market share and market making quality related to the Company's warrants; strengthen the issuance and market making of the put to satisfy the investors' bilateral needs for bulls and bears under the market's volatility and solidify the Company's market leadership for warrants. The Company will also invest related resources to organize various marketing campaigns aiming at raising customers' brand recognition toward Yuanta Securities. The Company will also develop the business about warrants overseas and take the Hong Kong market as the first priority, help construct the warrant database in Hong Kong and research the strategies related to arbitrage transactions.

Meanwhile, Yuanta Securities will actively participate in the management of new types of commodities and business. The competent authority has approved the futures warrants in May 2018. Yuanta Securities will be the first securities firm offering such warrants. Besides, the new financial instrument under planning, namely Exchange Traded Notes (ETN), is similar to ETF and identified as an inventory-income commodity, which is less affected by short-term fluctuations in the stock market. Such commodity is expected to mitigate the fluctuation of profit and loss of Yuanta Securities, upgrade the stability of earnings and develop different customer groups. Meanwhile, Yuanta Securities will continue to develop the ELN commodities accessible to the channels.

(I) Development of e-commerce:

Use the best efforts to upgrade the innovation and application of related financial APP services and FinTech of Yuanta Securities, including continuing to increase Yuanta Securities' "Mr. Yuanta" app services, and strengthen the related training and business promotion, in hopes of upgrading the customers' loyalty through their experiences on the differentiated platforms. Meanwhile, in order to deal with the increasing proportion of e-trading, Yuanta Securities will continue to plan and build new e-trading platforms dedicated to providing the customers with more rapid and well-founded trading services.

The Company will also continue to upgrading the proportion of e-counter services of Yuanta Securities, and transform such manual service as update of basic information, which costs considerable time over the counter, into online service. Work with relevant universities and colleges locally to hold campus investment seminars, investment platform teaching and campus simulated investment competitions, etc., to further develop the young investor groups, etc..

B. Promote the effect of layout in Asia

(A) Korea:

In order to reduce the fluctuation of market trading volume and the price cutting competition in the same trade, Yuanta Securities (Korea) will continue to adopt such diversified policies as improvement of improve the sale representatives' training and enhancement of financial products. Meanwhile, the Company will utilize the image of investment professionals in Asia, "We Know China" and "We Know Asia", and the other related networks of the parent company, Yuanta Securities, in Asia, to enhance regional commodity investment platforms and services, and strengthen the sales of property management products to upgrade the earnings contributed by the wealth management operations. The Company will also release tRadar 3.0 online to upgrade the existing AI stock selection, and also add such functions as note taking and Big Radar. The Company will continue to upgrade tRadar to strengthen the differentiation in online services.

Furthermore, the Company will adjust the strategy in underwriting the Corporate Finance cases and look for high-quality fund-raising projects for SMEs, and plan to establish a corporate banking business integration platform with the other members within the Group to connect the ECM and DCM in Taiwan, Hong Kong and Korea more closely through cross-border case integration and corporate banking allotment networks.

(B) Hong Kong:

The operating revenue structure of Yuanta Securities (Hong Kong) transformed from the pure revenue from brokerage commission into the five major sources of revenue, namely brokerage commission, asset management fees, financing interest, allotment commission and underwriting revenue. The Company also oriented its development toward high-asset customers by providing a series of solutions for asset management, cross-regional transfer of assets and wealth legacy to upgrade the related operating revenue of Yuanta Securities (Hong Kong).

Continue to promote Yuanta Securities (HK) to be the major platform for offering of bonds in Asia and the international trading platform center of Yuanta Securities and the Group; connect such regional markets as Taiwan, Hong Kong, Korea, Thailand, Indonesia and Vietnam; utilize the strength and characteristics of the cross-border financial trading to provide customers with more diversified financial products and financing services to develop the new global domain of Yuanta Securities in Asia.

(C) Thailand:

In addition to the traditional brokerage and financing operations, the Company also engages in such operations as derivatives, investment banking and fixed-income products in Thailand. Therefore, upon completion of the acquisition project, the Company has been engaged in the related business development plans, implemented the successful experience about Taiwan, and actively developed diversified businesses based on the brokerage as the core business. Since the Company received the license, the number of issued warrants has secured the market share more than 14%, in the 3rd place in the market. The Company will continue to expand its business in response to the needs in Thailand to become the leader in the market. Meanwhile, the Company will work with the channels to engage in internal and external marketing, in hopes

of increasing the publicity of the warrants and market share of the inventory thereof. The Company will continue to plan the development of various types of warrants and index warrants, and expand the product lines for securities business to increase the customers' loyalty to the Company's brand. The parent company will also help the Company implement the SAP accounting system to strengthen the integration of related accounts.

(D) Vietnam:

Yuanta Securities (Vietnam) completed the cash capital increase in September 2018. The Company will use its best efforts to develop such operations as brokerage and financing to upgrade its market share and publicity of brand. Subject to the business growth, the Company might consider continuing to increase capital to help its investment of capital to be in line with the growth momentum. The parent company will help the Company implement the Mr. Yuanta APP and help the Company with its development of investment banking, bonds and new financial holdings to strengthen the overseas subsidiary's competitiveness.

(E) Indonesia:

Continue the referral and development of related businesses; focus on optimization and expansion of the existing businesses, while no large-scale business expansion plan is pending. Meanwhile, the Company will continue to enhance the consolidated effect of the inter-group overseas trading platforms' cooperation.

(F) Mainland China:

Mainland China has promulgated the "Regulations Governing Foreign-Funded Securities Companies", which provide that the shareholdings of foreign investment in any securities company, fund management company, futures company and life insurance company may be increased until 51% and such limit on investment capital may be exempted after 3 years. Notwithstanding, according to the existing "Regulations Governing Permission and Administration of Securities and Futures Business Dealings and Investment Between the Taiwan Area and the Mainland Area", the shareholdings of any Taiwanese businessman's participation in investment in Mainland China shall still be no more than 50%.

Additionally, Yuanta Securities has set up three offices in Beijing, Shanghai and Shenzhen, respectively, and Yuanta Investment Consulting (Beijing) Co., Ltd. and its Shanghai Branch so far, primarily engaged in related business and collection of information. In the future, Yuanta Securities will keep watching the environment of laws & regulations for the entire capital market and the development in the same trade in Mainland China, and following up the schedule adopted by the cross-strait securities competent authorities to lift certain policies, and continue the assessment and find the best moment to access the market in Mainland China.

Yuanta Securities will keep watching the opportunities for layout of investment in the territories of Asia. Above all, the layout of overseas subsidiaries' channels becomes more and more matured. Among the other things, Yuanta Securities (Korea) and Yuanta Securities (HK) have become Yuanta Securities' double engines dedicated to seeking profit overseas. Yuanta Securities (Vietnam),

Yuanta Securities (Thailand) and Yuanta Securities (Indonesia) will also extend and transplant the Head Office's successful experience to help them develop new business growth momentum.

(5) Industry overview

A. Industry status and development

Recalling 2018, given the sluggish global demands, China-US Trade War, global tightening trade relations, the interest escalation in the U.S.A., and cash outflow from the emerging markets to the developed countries which adopted the normalization of monetary policy, the global economic growth momentum became sluggish, although the global economy did grow. OECD and IHS Global Insight (IHS) predicted that the global economic growth rate would be 3.7% (November 21, 2018) and 3.2% (December 18, 2018), respectively, in 2018. Domestically, in consideration of such international uncertainty as the Sino-US trade conflict potentially resulting in the declination of external demands and economic growth momentum, the Directorate-General of Budget, Accounting and Statistics preliminarily forecast that the annual economic growth rate was expected to be 2.27% in Q3 of 2018 and 2.02% in Q4 of 2018, both lower than that forecast in August. For the stock market, TWSE weighted index hit the history by reaching 10,000 points in 2017, the historical record for TWSE's finishing above 10,000 points on the closing day of the year. From January to September 2018, it stayed at above 10,000 points. Since October, the index has dropped and reached 9,727 points, dropping by 915 points in total throughout the year. The range of a price drop was 8.60%. The daily turnover of NT\$166 billion in 2018, an increase by NT\$28 billion, the increase range 20.29%, from NT\$138 billion in 2017. The averaged margin trade balance in the market serving as the private investors' indicator was increased from NT\$215.3 billion in 2017 to NT\$227.9 billion in 2018, i.e. an increase by NT\$12.6 billion, the increase range 5.85%. According to the statistics gathered by TWSE, the profit sought by the whole securities firms was NT\$29.5 billion in 2018, i.e. a yearly decrease rate of 28.4%, from NT\$41.2 billion in 2017. Yuanta Securities sought the profit amounting to NT\$8.888 billion, i.e. 30.13% of the whole securities industry.

Looking forward to 2019, given the continuing trade dispute and sluggish demand in Mainland China, as well as the progressively decreasing effect of the tax reduction policy adopted in the U.S.A., and tightening financial condition, the global economic growth momentum becomes sluggish. OECD and IHS forecast that the global economic growth rates would be 3.5% and 3.0%, respectively, in 2019. Affected by the sluggish global economic expansion and declining growth momentum, Taiwan's entire economic growth momentum becomes sluggish accordingly. The Directorate-General of Budget, Accounting and Statistics forecast that the global economic growth rate in Taiwan should be 2.41% (November 30, 2018) in 2019, lower than 2.66% in 2018. In order to develop the securities market in 2019, the Government continues to implement multiple new policies and open new business lines, including reduction of the exchange tax for day trade of stock to be 1.5/1000 until the end of 2021, and inclusion of the proprietary traders into the applicable scope, continued implementation of the tax reform policy, reduction of the tax imposed on hedging transactions for warrants and clarification of the tax imposition on ETN issuers, diversification and boosting development of new financial products, active assistance provided to the

service providers to fulfill anti-money laundering and countering of terrorism financing, implementation of the FinTech Development and Innovative Experiment Act, boosting of the policy for continuous trading of stock and ETF, and admission to co-organization of large-scale investment presentations by TWSE and TPEx with securities firms to solicit for domestic/foreign investment to boost the liquidity of the entire capital market.

In the future, Yuanta Securities will continue to uphold the philosophy, “Seize Opportunities, Create Wealth, Ethical Service and Protection of Equity” and aim to “Deepen Development in Taiwan, Aim at International Markets, Live Locally and Invest Globally” for sustainability to deepen the development of related business and expand the overseas markets, develop innovative business lines with FinTech to facilitate satisfaction with the customers’ needs, and provide diversified wealth management products. Meanwhile, the Company will take advantage of the strength residing in that all of its brokerage channels have been transformed into wealth management channel to continue to maintain traditional brokerage services, develop domestic and overseas brokerage services, wealth management and domestic/overseas futures thoroughly in the spirit of innovation and cross-industry development, and develop the private bank’s wealth management services, in order to transform it into a regional securities firm in the territories of Asia.

B. Business development trends and competitiveness

(A) Brokerage services

Given the extension of the day trading transaction tax cutting by the competent authority in 2018, the day trading volume kept upgrading. TWSE weighted index continued to stay at above 10,000 points. The daily turnover of NT\$166 billion in 2018 increased by 20% from 2017. Yuanta Securities continued to solidify its development of brokerage services, effectively controlled the customers engaged in TWSE stock exchange, concerned the overview of transactions by accredited investors and medium-sized investors, provided adequate products and services, and continued to develop external new securities accounts. To be in line with the extension of the day trading transaction tax cutting by the competent authority, Yuanta Securities planned the related trading platforms, developed strategic transactions, fulfilled the risk control mechanisms, and paid attention to the overview of customers’ earnings. Yuanta Securities owns the diversified customer structure and considerable managed assets in the market, which serves to be its solid base for development of various channel businesses and well-founded business development. Yuanta Securities identifies the customer group structure subject to the customer’s investment attributes to achieve the group management, and has the data analysis drive the policy for business promotion. Yuanta Securities also provides the customers with tailored securities loans for indefinite purpose, wealth management trust and insurance, trust and two-way securities lending with natural persons, overseas sub-brokerage and futures & options trading, and adequate products and well-founded services. In addition to the securities brokerage, Yuanta Securities also satisfies the customers’ need for wealth management to activate the customers’ assets and create diversified revenues.

Meanwhile, Yuanta Securities continues to recruit the new generation sales representatives dedicated to wealth management service, train their competency for various businesses, optimize the entire sales representatives' structure, make the entire corporate identity younger, and develop diversified customer groups. Following the FinTech wave, Yuanta Securities also uses its best efforts to seek the transformation to digital banking and develops the new mobile order placement app, Mr. Yuanta, independently. With the user-friendly interface design and AI technology, the app provides customers with the mobile tool for placing orders that may be operated easily and instinctively and provides complete and plentiful information. This strengthens business marketing activities, tie in with various projects and operation of social media. The Company also accesses the campus to solicit for the young investor groups. Integration of tangible and virtual functions to provide the value-added services and differentiated functions, deepen the development of young investor groups and strengthen Yuanta Securities' brand identity. Yuanta Securities supports the development of innovative business and practices the brokerage and wealth management double engines evenly. In the future, Yuanta Securities will integrate the Group's domestic and overseas resources and various product business activities to provide different customers with diversified wealth management planning, adopt the grouping management, continue to broaden and deepen the banking service extensively, exert the complimentary effect of brokerage and wealth management, and become a leading securities firm with strength in channels.

(B) Proprietary Trading business

The year of 2018 was a year full of disasters for TW stock. Though the TAIEX hit the record by reaching 10,000 points for the longest period, it fluctuated drastically later and dropped less than 10,000 points again, due to multiple international economic and political incidents, like such disadvantageous news as China-US Trade War (ZTE and Huawei events), poor sales of new iPhones, and interest escalation by the Fed.

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

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

(C) Quantitative trading services

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

The TAIEX stayed high in the first three quarters of 2018, and only dropped or fluctuated shortly as affected by the international stock markets for few times in the same period. The implied volatility of TAIEX dropped from 20% in Q1 to 13% in Q3. Notwithstanding, given the China-US Trade War causing the uncertainty in the market in Q4, the implied volatility of TAIEX increased to 20% or above again. Under this circumstance, Quantitative Trading Dept. gives its experience and expertise accumulated for many years and engaged in transactions actively to earn profit when the index fluctuated drastically. As a result, Quantitative Trading Dept. could maintain the earnings from transactions to be kept throughout the whole year.

For the market competition, Quantitative Trading Dept. is the leading market maker in the futures, options and ETF markets, and secured the market shares of 3.4%, 5.8% and 8.6% respectively. In 2018, Quantitative Trading Dept. continued to adjust the strategies and optimized trading systems actively. It expects to further develop the scale of various transactions to secure market shares in 2019.

The trading turnover of the after hours trading offered by TAIEX grew stably through one and a half years. Quantitative Trading Dept. has earned the return from the resources invested to the after hours trading successively. Thus the profit from the after hours trading business accounted for 10% of the total revenue, while it accounted for 3% at the beginning stage. The after hours trading has become a stable source of profit. Looking forward to 2019, the bond between Taiwan and the international markets is getting close increasingly. The fluctuations in the international markets are expected to increase drastically, due to such uncertainty politics and economy factors. Therefore, the after hours trading volume is expected to increase. Given this, Quantitative Trading Dept. will continue to deepen the development of after hours trading business, provide sufficient liquidity of products in the after hours trading session, and upgrade the utilization of equipment of the Department. It will control the fluctuations of the international stock markets, foreign exchange markets, and commodities such as crude oil and gold in the after hours session. Furthermore, it will widen the product lines and trading strategies to diversify the sources of income, reduce the dependence on a single market and upgrade the stability of entire earnings.

(D) Investment banking business

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

During 2018, Domestic IPO/SPO market totaled 190 cases of underwriting, and the total underwriting amount was NT\$96.8 billion. Among them, Yuanta Securities has participated in the bookrunner and joint bookrunner with a total of 47 cases, with a market share of 18.52%

and a total underwriting amount of NT\$17.9 billion, the 1st place in the domestic underwriting market. In 2018, Yuanta Securities Investment Banking Department assisted with multiple IPO and SPO cases, including acting as the leading securities firm engaged in TWSE/TPEX listing of CHIEF (6561), LCY TECHNOLOGY CORP. (4989) and JMO (6668), and the underwriter engaged in offering of CB of Shin Kong Financial Holding (2888), Giga Solar Materials Corp (3691), Walton Advanced Engineering, Inc. (8110) and Fleur de Chine (2748), capital increase by CSRC (2104), Mosel Vitelic Inc. (2342) and Taisun Enterprise Co., Ltd. (1218), offering of CB and capital increase of APAQ TECHNOLOGY CO., LTD. (6449), capital increase and domestic/overseas allotment of ECB of BizLink-KY (3665), and completed the offering of preferred stock of CTBC Financial Holding (2891), Fubon Financial Holdings (2881), Cathay Financial Holding (2882) and O-Bank (2897).

As the leading brand in the IPO market, Yuanta Securities have led the others in the same trade with its innovative idea and hit indicative records successively. In the pre-IPO market, there were 256 companies listing on Emerging Stock Board in Taiwan until December 31, 2018. There have been a total of 54 companies registered to TPEX this year. In the pre-IPO market, Yuanta Securities integrates resources such as securities channels, foreign-funded legal persons, and venture capital, plus powerful trading assistance system and trading personnel with analysis capabilities, to create Yuanta Securities as a leader in Taiwan pre-IPO market. In 2018, with 32.83% transaction market share in pre-IPO market, we continue the glory of the top ranking in 2017.

CHIEF owns the technology in integration of the external bandwidth and professional communication in the world, dedicated to providing the best choice for solution of ICT applications in the cross-strait and tri-regions and for the global multi-national enterprises' operation. Yuanta Securities Investment Banking Department assisted CHIEF complete the TPEX-listing in June 2018. The offering brought about 4 times overbooking and attracted about 170,000 subscriptions, while the winning rate was only 1.27%. Further, Yuanta Securities also helped the largest professional mold supplier for lens of mobile phones of the Foxconn Technology Group, JMO, completed the TWSE-listing in December 2018. JMO's customers include multiple domestic and foreign well-known optical lens suppliers. Therefore, its listing attracted high attention from the market and the highest stock price attained by it within the first five days after the offering was NT\$110.50, an increase range by 90.52% from the subscription price, NT\$58. Therefore, it appears to blow up the market.

With Yuanta Securities' strength in domestic/foreign corporate banking allotment channels, and by integrating Yuanta Group's resources and overseas channels, Yuanta Securities Investment Banking Department and Yuanta Securities (Hong Kong) assisted in offering US\$100 million aggregate principal amount of Euro-Convertible Bond (ECB) of BizLink-KY exclusively. The offering was priced at 20.85% premium, and this ECB allotment framework attracted multiple institutional investors and brought several times overbooking. Finally, all of the ECB were allotted to international professional institutional investors, and the

allotment rate exceeded 2/3, the Long Fund. This reflects the consolidated effect by integration of Yuanta Securities' investment banking platforms, international channels and allotment capacity, which are comparable with international large-scale investment banks.

Upon underwriting the offering of Class-A Preferred Stock of Cathay Financial Holding and Class-A Preferred Stock of United Bank in 2017, Yuanta Securities Investment Banking Department integrated the "loan operations" and continued to complete the offering of Class-B Preferred Stock of CTBC Financial Holding, Class-B Preferred Stock of Fubon Financial Holdings, Class-B Preferred Stock of Cathay Financial Holding and Class-A Preferred Stock of O-Bank in 2018. The total fund raised therefor amounted to NT\$105 billion, making the Company the leading underwriter of preferred stock domestically. Meanwhile, Yuanta Securities Investment Banking Department also worked with the Group's powerful allotment channels to act as the leading securities firm engaged in offering NT\$5.005 billion aggregate principal amount of ECB of Shin Kong Financial Holding (2888). The counterparts of the allotment were primarily domestic and foreign institutional investors, and a majority of the subscription line was allotted to the foreign institutional investors. The allotment strategy took the stability and liquidity of chips into consideration. Despite the disturbance between the Mainland China and U.S.A., Yuanta still raised the sufficient fund for Shin Kong Financial Holding rapidly and achieved the allotment structure expected by Shin Kong Financial Holding.

In financial advisory business, Yuanta Securities has accumulated the experience in the financial advisory business for cross-border mergers and acquisitions for tens of years. Yuanta Securities assisted Chaun-Choung Technology Corp. (CCI) and its shareholders to raise the strategic investment fund, NT\$4.5 billion, from the global largest micro precision motor supplier, Nidec Corporation (6594 JP), successfully, and Nidec Corporation acquired 48% of CCI's equity. Both companies could complement with each other in the product layout and core R&D competency. The project was identified as one of the three largest projects for raising fund from Japan-based companies in 2018. Yuanta Securities acted as the exclusive financial advisor for the parties from Taiwan and Japan, and participated in the negotiation for the trading framework and conditions throughout the project. The equity transaction was concluded amicably in November 2018. Both parties formed their new management team together and also completed the reelection of directors in January 2019. The project reflected Yuanta Securities' strength in multi-national investment banking business.

In consideration of Yuanta Securities' innovation and diversity in investment banking business, Yuanta Securities has received multiple international professional financial and domestic competent authority's awards and honors in 2018. Yuanta Securities was honored as the "Best Corporate and Investment Bank in Taiwan" by Asiamoney and the "Best Corporate and Institutional Adviser-Domestic) by The Asset, and also won the first place in the "TPEX Pre-listing Tutorship Performance Award" and the first place in the "Emerging Stock Market Pre-listing Tutorship Performance Award" from TPEX and the first place in the

“Marketable Securities Award-Listed Securities Underwriter” from TWSE.

Whether Yuanta partook in IPO, SPO or FA cases, we upheld the principles of risk control, carefully selected cases, and deepened the integration of resources within as well as our competitive advantage. Through our integration platform of Taiwan, Shanghai, Beijing, Hong Kong, South Korea, Vietnam, Indonesia and Thailand investors from various locations have access and increases participation and scope of the market. By cultivating overseas markets and expanding synergies, Yuanta is providing customers with a full range of capital resources and strategic planning options. Yuanta Securities Investment Banking Dept. will maintain the leading position in the underwriting market and link the core business with cross-selling and cross-border corporate banking business, in hopes of further deepening and broadening the investment banking products. The Company expects to deepen the development in Taiwan’s capital market and, therefore, extend the business overseas as a pioneer on the global investment banking product platform.

(E) Bond business

In 2018, the global financial market fluctuated sharply upon outbreak of the China-US Trade War. Though the U.S.A. maintained stable economic growth throughout the year and the Fed escalated the federal benchmark interest rate increasingly, the effect of the China-US Trade War and the economic de-leverage trend in the Mainland China caused the doubt about weakening global demand in the market. As a result, the outlook for future economic growth was adjusted downward. The market also expected that the Fed would suspend escalation of interest rate and even cut the interest rate. In Eurozone, despite the economic performance poorer than that in 2017 and the two major geopolitical factors, Draft Budgetary Plan of Italy and BREXIT, the European ECB ends the asset acquisition plan at the end of 2018, and the interest rate of government bond stayed low in Germany. Globally, the price of financial assets was adjusted widely. Yuanta Securities Bond Division has diversified the investment in bonds and currencies by adjusting the positions of bonds in NTD and foreign currencies, in order to maintain its stable profitability under the market turmoil.

In terms of offering, Yuanta Securities Bond Division continued to play the role as a leader in the domestic NTD bond market, maintained the gap between it and the underwriter ranking 2nd place in the market share by 7%, and underwrote a total of 75 cases. Yuanta Securities Bond Division was in the first place in the market. This fully demonstrates the depth and width of Yuanta Securities Bond Division’s participation in Taiwan’s primary securities market. Meanwhile, to be in line with the competent authority’s lifting of the laws and regulations governing the NTD-denominated green bonds issued by any foreign bank’s branch in Taipei, the Bond Division participated in the first case (Société Générale Taipei Branch 1st-term financial bonds of 2018) and acted as the leading securities firm for the case. Meanwhile, the Bond Division also engaged in matching business for foreign currency bonds in the secondary market to deepen the development of domestic institutional investors and control the needs for investment in the market. The market share of the NTD bonds offered by it was about 20%, ranking 1st place, in 2018. The

Bond Division has participated in 34% of the foreign currency cases in 2018. Apparently, the Bond Division did participate in both of the NTD and foreign currency securities markets.

Looking forward to 2019, given the increasing concern about the future economic outlook in the market, the Fed might slow down its pace of interest rate escalation. Meanwhile, the European economy is expected to have difficulty in bringing any surprises, and the political factors still exist. Therefore, European ECB is unlikely to adopt the monetary policy. As a whole, the market will continue to adjust the uncertainty and thereby increase the difficulty in managing foreign bonds this year. Therefore, given the increasingly declining yielding income, Yuanta Securities shall aim to earn the capital gains as its target this year. Meanwhile, it will seek to increase the proportion of short-swing trades and develop such new business as high-income bonds and real property investment trust to increase income. Given this, the Bond Division will continue to arrange the layout from the global point of view and look for the markets which are more likely to gain profit (bond, commodity, foreign exchange and ETF, etc.) and trading strategies.

(F) Derivatives service

Yuanta Securities is a leading securities firm in the warrant market of Taiwan. With its plentiful experience in the warrant market, it uses the best efforts to provide more diversified warrant products and better market making quality, and organizes warrant marketing activities and makes investors impressed about its brand identity. Therefore, it has received various awards and honors domestically and overseas. In 2018, the Company was honored as the “Best Equity Derivatives House in Taiwan” by the internationally renowned financial magazine, “The Asset”, for three years consecutively, and the “Best Warrant Prize” by the “Excellence” Magazine, as well as the first place in the “Warrant Issuance Volume Award” and “Warrant Trading Volume Award” by TWSE, and the second place in the “Warrant Value Excellent Award” by TWSE, and the first place in the “Warrant Blow Award” for the number of issued warrants and warrant trading volume by TPEx.

In 2018, there were a total of 7,766 warrants issued by Yuanta Securities accumulatively, and the issuing value attained NT\$87.7 billion, ranking the first place in the market. Under the economy of scale, Yuanta Securities kept pursuing improvement on its operations in the warrant market, upgrade the market share and operating performance of warrants, and solidify its competitive strength. In terms of marketing efforts, Yuanta Securities will continue organizing seminars and extend to campus, root the investors’ education, provide more well-founded order interface and site information, help investors understand warrant products, and enhance recognition of Yuanta Securities’ brand, thereby securing market leadership.

In 2018, under the circumstance that Yuanta Securities continued to promote the business of structured notes, the trading volume of the structured notes other than PGN still led that of the others in the same trade in the whole year. In 2018, in order to deal with the changes in the market in the second half of the year, Yuanta Securities continued to research and develop the new structured notes that met the market condition. It is expected that the market will still fluctuate drastically in

2019 and, therefore, may bring the chance of development for the structured notes market.

Asset swap services derive from convertible bonds. In 2018, Yuanta Securities was in the first place in the market share of outstanding balance of asset swap services. Considering that the issuance market tended to recover in 2018 and walked out of the depression in 2016 and 2017 gradually, the number of issued convertible bonds grew by 27% from 2017, and the balance of the entire asset swap market also grew by 9%. Looking forward to 2019, the number of issuance is expected to stay booming in the asset swap market. Notwithstanding, considering that the turmoil in the market is expected to get drastic increasingly, the business will be full of challenges and also opportunities. Yuanta Securities will continue to maintain its market position with its strength in brand, capital cost and capital scale, and strictly uphold the asset quality control policy to pursue growing profit.

(G) Wealth management services

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

Yuanta Securities' wealth management business has matured after several years of development. The customers' needs became more and more diversified, while the depth and width of services needed by the clientele were high. In order to deal with more and more special and professional customers' needs, Wealth Management Dept. continued to include various wealth management products. Meanwhile, in order to meet customers' need more and serve high-asset customers, enable different customers to enjoy financial services and cooperate with related departments, Yuanta Securities designed and developed the self-made products, and its AUM grew from NT\$902 million at the end of 2016 to NT\$9.3 billion at the end of 2018. FSC permitted securities firms to underwrite the employee benefit trust in December 2016. Yuanta Securities applied for the license of "Employee Benefit Trust" with the competent authority in 2017. Upon receipt of the license and reporting of the offering, Yuanta Securities will move forward toward a new age for asset management as a securities firm and will fulfill its corporate social responsibilities with due diligence.

Since Yuanta Securities offered the securities wealth management trust business, it has led the others in sale and management of funds. Therefore, since 2012, the total assets of customers under its non-discretionary money trust business has ranked 1st place in the market, far ahead of the others in the same trade. This primarily resulted from mass business locations of Yuanta Securities' subsidiaries and intensive relationship between it and customers, as well as the quality of its study report ranking 1st place in the same trade. Meanwhile, its fund platform has selected 25 domestic trust investment companies and 22 overseas fund companies so far, offered more than 2,000 products, and owned the most complete network interface and order placing system in the same trade. For customers, they may deserve such strengths as

professionalism, completeness of portfolio and convenience, if they choose Yuanta Securities to manage wealth on behalf of them.

Statistics of the money trust balance managed by the wealth management department until the end of December 2018 (NT\$ million)

AUM	2016	2017	2018
Yuanta	36,805	42,608	37,211
KGI	10,319	12,773	12,491
Mega	19,100	12,730	10,340
Capital Securities Corp	8,275	11,626	12,803
Sino Pac Securities	3,788	10,181	13,654
Total Amount	94,090	105,692	104,304

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

Statistics of the accumulated accounts opened for money trust managed by the wealth management department until the end of December 2018

Number of opened accounts	2016	2017	2018
Yuanta	105,043	116,105	124,926
Sino Pac Securities	30,380	45,994	57,261
KGI	28,655	35,655	39,812
Capital Securities Corp	27,257	35,650	41,322
Master Link	13,881	17,226	18,664
Total	245,813	298,734	339,146

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

Though Yuanta Securities launched into the securities trust market late, founding the largest asset pool for Taiwan stock should not be a hard work for it. Notwithstanding, in consideration of the efficiency of discretionary management of assets, Yuanta Securities built the asset pool for the stock which was most likely to be lent and pursued the efficiency of lending as its business development policy. Until December 2018, the market share of the total assets managed by Yuanta Securities on behalf of securities trust customers has reached 23%, and the lending rate about 47%, higher than the average in the market and outperforming the others in the same trade.

Statistics of the securities trust balance managed by the wealth management department until the end of December 2018 (NT\$ million)

AUM	2016	2017	2018
KGI	14,767	14,281	11,361
Yuanta	10,046	7,529	7,751
Fubon	6,522	6,113	5,642
Mega	3,588	3,813	3,104
Hua nan	1,175	1,453	1,324
Total	39,833	36,311	33,227

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

(H) Consigned trading of foreign securities operations

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

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

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

Market share of recon signed trading in 2018	
Cathay Securities Corporation	18.83%
Sino Pac Securities	15.90%
Yuanta Securities	11.24%
KGI Securities	10.67%
Fubon Securities	9.66%

Source of data: Taiwan Securities Association

(I) Securities borrowing and lending

At the end of 2018, a total of 16 Securities & Securities Finance Companies offered products & services of Securities Borrowing & Lending (SBL), a highly competitive OTC marketplace. Lending balance from above-mentioned companies increased substantially from TWD 105.4 billion at the end of 2017, to TWD 129 billion at the end of 2018, proving a solid 22% growth of the market. With its excellent and savvy business conducts, Yuanta Securities concluded its SBL market share at close to 40%, gapping followers of industry with a huge distance. Besides, deregulations and new scopes opened in the SBL environment allow Yuanta Securities to start the retails two-way lending in February 2015, as well as inter-brokers lending in 2016, both adding fuels to propel further momentum into the SBL market. The company's SBL practices in above areas efficiently introduced resources from new perspectives, successfully enhanced liquidity and flexibility of SBL operations, and created additional revenue to all parties involved. SBL in the company is expected to leap further, while better market-making capability as well as profitability are expected.

(J) International institutional business

Foreign investors accounted for 22.9% of the market turnover in 2018, passive and program trading flows continued to grow consistent with global trends. However, by offering differentiated services, Yuanta Securities had a stellar year in regards to its international institutional business as we not only further increased our market share but also further solidified our position amongst the top 3 local brokers doing foreign institutional business.

Looking forward to 2019, Yuanta Securities remains committed to providing high quality and differentiated services to our clients. We also believe that by further integrating the Group's resources with Yuanta Securities' underwriting, bond, securities borrowing/lending, investment trust, futures and custodian banking services, we can continue to enhance our business in Taiwan and further extend our reach in Asia.

(K) Shareholders service agency

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

(L) International services

For the time being, Yuanta Securities is the leader in the securities market of Taiwan. Notwithstanding, it is not only satisfied with its leadership in the domestic securities market but also highly values the internationalized business development, in order to pursue the diversification of profit-making sources and structural upgrading of profit-making model while based in Taiwan and aiming at the international markets. Yuanta Securities is dedicated to developing overseas operating locations. It has acquired 99% of the equity of PT

AmCapital Indonesia (now known as PT Yuanta Sekuritas Indonesia), and PT AMCI Manajemen Investasi (now known as “PT Yuanta Asset Management”) and KKTrade (now known as “Yuanta Securities (Thailand)”) successfully. Furthermore in December 2017, Yuanta Securities successfully acquired 99.95% of the First Securities Joint Stock Company via Yuanta Securities Asia Financial Services and Yuanta Securities (HK). In February 2018, the company was renamed into Yuanta Securities (Vietnam), and completed the cash capital increase in September 2018 and 100% acquisition in November 2018. In order to simplify overseas organizational framework and effectively apply the Group’s resources, Yuanta Securities completed the disposition of Grand Asia Asset Management and Grand Asia Capital Services (Singapore) in the second half of 2017. Meanwhile, in consideration of Brexit and increases in the operating costs for compliance, in August 2018, Yuanta Securities was approved by the competent authority to terminate and liquidate its overseas subsidiary, Yuanta Securities (UK).

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

(6) Research and development

The financial industry’s event, “FinTech Taipei 2018”, held at the end of 2018 covered the latest FinTech applications by the domestic financial institutions, including further evolution of AI wealth management and AR services, and diversified biometric. In September 2018, Yuanta Securities released the brand new AI stock selection and order app, “Mr. Yuanta”, which had a massive number of downloads. The “Mr. Yuanta” app combined the professional analysis teams to provide five major stock selection modes and worked with renowned foreign information suppliers to provide comprehensive market quotation information about domestic and foreign stock exchanges, and to build a complete investment channel dedicated to securities, warrants, HK stock, Mainland China stock and US stock for investors. The functions tied with the app, such as AI, big data algorithms, biometric and smooth UI/UX interface helped the app disrupt the traditional mobile app. The comprehensive upgrading of the functions and interface of such app enabled new players in the stock market

to get familiar with it soon. The APP has been downloaded for about 200,000 counts until January 2019, the first place of the securities firms for the category of economy and finance in the App Store and Google Play. The Company filed the application for 8 patents with respect to “Mr. Yuanta” app with Intellectual Property Office, Ministry of Economic Affairs, and granted 4 patents. On December 4, 2018, the Company received the “2018 Digital Contents Product Award-Best Product of the Year” from Industrial Development Bureau, Ministry of Economic Affairs, as the only one securities firm that won the award.

Meanwhile, to deal with the e-trend of the entire investment environment, the Company utilized the biometrics to provide the innovative “face and fingerprint access” services and upgrade the availability of the services to investors, to save them from the embarrassing moment when they had no way to place the order because they forgot their password. Further, in order to respond to the competent authority’s policy and encourage young people to participate in investment, Yuanta Securities also added the systematic investment plan for stock available to the retail investors on the Mr. Yuanta App. The app provided such interesting information channels as investment videos and stock market comic story to help the young people to rapidly gain investment ideas and knowledge. At this Event, Yuanta Securities brought the best experience of FinTech to the participants.

In 2018, Yuanta Securities researched and developed said multiple design patents, and was also dedicated to offering such new business types as employee benefit trust (including employee shareholding trust and employee benefit savings trust), foreign exchange securities firm and ETN. In the future, Yuanta Securities will continue to work hard to start new business lines to satisfy investors’ need, according to the competent authority’s policy, regulations and license to the securities industry. Meanwhile, Yuanta Securities will keep providing the competent authority with suggestions about policies to seek the approval for offering of more new securities business lines and new products and the opportunity for underwriting business.

(7) Long and short-term business development plans

A. Short-term business development plans

- (A) The Company will continue to maintain its traditional core brokerage services and further develop its wealth management services to create the double profit-seeking engines for the securities and brokerage services. Continue to identify the customer group structure subject to the customer’s investment attributes to achieve the group management; analyze data to drive the policy for business promotion to fulfill the wealth management business and commodity KYC and satisfy customers’ needs.
- (B) Promote the systematic investment plan for fund; organize promotional events to solicit retail investors and new customers and activate dormant accounts; enrich the products available on the wealth management product platform. Continue to perform the “wealth management excellence engineering II”-high-asset customers’ family legacy plan to promote the household wealth management services, provide customers

with consulting services for diversified financial product investment, and fulfill wealth legacy and asset management. Develop PI customers and new customers, and expand the brokerage and wealth management customer base. Yuanta Securities has received the permit for “underwriting the employee benefit trust by securities firms” and offered the same service already.

- (C) Continue to implement the diversified marketing model integrating loaning, develop different customer structures and complement its financing activities effectively. Strengthen the ability to make market for securities borrowing/lending service, develop sources of securities to provide resources, strengthen the source of securities obtained from the natural person, reduce the Company’s borrowing/lending cost effectively, and increase the revenue from related commission. Continue to promote overseas sub-brokerage services, add the trading markets and overseas instruments that comply with laws and regulations, and upgrade the number of active sub-brokerage customers.
- (D) Upon implementation of the continuous matching mechanism by TWSE, tally and adjust the order-placing, market-making and hedging systems, or upgrade or develop new systems to secure its competitive strength. Expand the scope of market making, and extend participation in various instruments listed on TWSE and TAIEX.
- (E) Participate in the underwriting of related bonds, and maintain the market position; add the types of structured notes denominated in foreign currencies (e.g. Preferred stock leverage notes and bear notes) and external channels; increase the proportion of revenue and market position of overseas bonds. Complete the application for the qualification as a foreign exchange securities firm engaged in spot foreign exchange and derivatives transactions; trade in Taipei Foreign Exchange Market to reduce capital cost.
- (F) Continue to proceed with the R&D, design and sale of self-made structured notes and upgrade the asset management scale of Yuanta Securities; continue organizing various marketing campaigns aiming at raising customers’ brand recognition toward Yuanta Securities to secure market leadership; plan the ETN development, etc..
- (G) Continue to enhance the cooperation of investment banks’ cross-border platform, refer the opportunities for business cooperation to the Group and affiliates, integrate related business resources, and provide customers with the Total Solution. To develop the customers of the Group’s existing overseas operations, be oriented toward quality and business development and conduct the business by weighing quality and quantity equivalently.
- (H) Continue to well-found the new-generation mobile App order placing platform of Yuanta Securities, Mr. Yuanta, to provide investors with more perfect experience in investment; set up the omnibus e-counter, provide the platform for marketing fine-quality products, upgrade the online service, strengthen the competitiveness in the same trade, and solicit new clientele.
- (I) Adjust the investees’ capital and organizational framework; continue to strengthen investees’ fund liquidity and financing risk management mechanism, and introduce proprietary trading position risk management

system; strengthen the early warning system for risk and mechanism for reporting material contingencies.

- (J) Yuanta Securities will keep watching the environment of laws & regulations for the entire capital market and the development in the same trade in Mainland China, and following up the schedule adopted by the cross-strait securities competent authorities to lift certain policies to control the chance to access the market in Mainland China.

B. Long-term business development plans

- (A) Have the channels develop wealth management services comprehensively, exert the brokerage and wealth management double engines completely, and stabilize customers' and sales representatives' revenue related to flow (trading) and inventory (AUM). Fulfill customers' position management, provide customers with premium wealth management services, and deepen customers' loyalty.
- (B) Work hard to develop onshore and offshore financial instruments actively, innovate and diversify products, upgrade the omnibus mobile banking service and FinTech innovation and application, and help customers with the one-stop trading service. Integrate resources of the Group's domestic and overseas subsidiaries, upgrade the consolidated effects of domestic and overseas operations, create diversified business cooperation models and solidify its market leadership.
- (C) Train the professional talents for regional investment banks in Asia; enhance the cross-border cooperation and integration of resources, develop new markets overseas, develop multi-national platforms, and provide customers with omnibus financial consulting services needed by customers at various stages of operation, in order to become the top regional international investment bank in Asia.
- (D) Maintain the market leadership in futures, options and ETF market making, expand the scope of countries for overseas investment, construct the secondary trading platform in foreign currency and increase the revenue from related overseas transactions. Offer services as a foreign exchange securities firm, develop foreign exchange derivatives, and trade in Taipei Foreign Exchange Market.
- (E) Construct Yuanta Securities (HK) to be the international trading platform center to link the markets of Taiwan, Hong Kong, Korea, Thailand, Indonesia and Vietnam; utilize the strength and characteristics of the cross-border financial trading to provide customers with more diversified investment visions and professional financial services; work with overseas subsidiaries to recommend local enterprises to issue the bonds in foreign currency in Taiwan, develop the Group's foreign currency bonds marketing platform, and work with overseas subsidiaries to issue and sell the bonds.
- (F) Deliver the basic requirements toward standard information security protection into overseas subsidiaries to ensure the safety of connection with multinational network systems. Keep concerning the opportunities for layout of investment in South East Asia and choose the optimal market to reproduce successful experience. All overseas subsidiaries' earnings to the whole earnings gained by Yuanta Securities attained the specific target.

- (G) Develop the private bank and corporate banking in Asia, develop the existing private bank high-asset customers, work hard to activate the dormant high-asset accounts of branch companies, integrate related business units to effectively found the width of products and complete market analysis report; Foreign legal person business associates in each district jointly serve legal person households, engage in cross-market transactions and secure a market position in Asia for the corporate banking brokerage service.
- (H) Continue to upgrade the overseas subsidiaries' earnings, and set the business policies varying depending on the competition and overview of industrial development in the markets where the subsidiaries are situated:
 - a. Matured markets, including Korea and Hong Kong. For such markets, the strategy will focus on the cross-border business and synergy within the Group and lead high-asset customers of the wealth management operations to invest such potential markets as South East Asia;
 - b. Developing markets, including Thailand, Indonesia and Vietnam. The strategy will focus on the brokerage service as the core business, practice the experience in Taiwan, combine the local cultures, and develop derivatives, investment banking and bond operations step by step.

In conclusion, Yuanta Securities' business plans and development strategies 2019 aim to balance domestic and overseas business development, solidify its market leadership in various business types, layout its overseas investment and connect with related business types actively. It also intends to continue to expand its business domain in Asian market, in hopes of becoming the best securities service firm in the Asia.

2. Yuanta Bank

(1) Main business services

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

(2) Revenue breakdown

Unit: NT\$1,000; %

Item	Year	2017		2018	
		Net profit	Percentage (%)	Net profit	Percentage (%)
Net interest income		14,631,337	63.00	14,016,014	63.81
Net service fee income		5,363,860	23.10	5,371,303	24.45
Income from financial assets and liabilities at fair value through profit or loss		2,598,367	11.19	(581,601)	(2.65)
Realized gain (loss) on available-for-sale financial assets, net		483,939	2.08	-	-
Realized gain or loss on financial assets at fair value through other comprehensive income		-	-	1,024,447	4.66
Exchange gain or loss		(714,750)	(3.08)	3,445,430	15.69
Gain on asset impairment (Loss)		(20,713)	(0.09)	(1,427,154)	(6.50)
Net profit or loss other than other interests		250,938	1.08	117,906	0.54
Net investment income from debt instruments without active market Net income from investments		631,474	2.72	-	-
Total		23,224,452	100.00	21,966,345	100.00

(3) New financial products and services in development

A. Wealth management and trust service:

- (A) Plan the quick order service for fund, and guide customers to place order via online banking or mobile banking by sending URLs via SMS or email to improve the efficiency of customers' transactions.
- (B) Develop the mobile wealth management system, and combine such functions as online account opening, electronic signatures to trust documents and online insurance to practice the paperless transactions and upgrade the convenience and timeliness of customers' transactions.

B. Digital financial services:

- (A) Add Taiwan Pay QR Code service to link the customers' transactions in shopping, transfer and payment etc., so as to upgrade the connection between Yuanta Bank and the customers.
- (B) Work with Financial Information Service Co., Ltd. to provide the "Financial Block Chain Confirmation Service", apply the block chain technology to reduce the costs of the manual audit and postage to be spent by banks and CPA firms in the audit for confirmation, and thereby improve the entire operating efficiency and information security.

C. Hong Kong Branch:

- (A) Online banking will be launched in Q1 of 2019, which will provide customers a more convenient cross-border account management service. After that, the Branch will continue to optimize the system and develop its functions.
- (B) Plan to apply to Hong Kong Securities and Futures Commission for the licenses of Type 1 "dealing in securities" and Type 4 "advising on securities" to develop the business related to wealth management and consulting service.

(4) Business plan for the year

The following is a summary of its business plans:

A. Business development:

- (A) In the deposit and remittance services, Yuanta Bank will utilize project products and characteristic accounts to develop and deepen the development of customers, to rise core deposits stably, and to enrich the wealth management development base, and Yuanta Bank will also intensively promote payroll transfers business, agency collection and payment services and acquiring business to provide customers with more diversified cash flow integration service and upgrade the general demand deposits.
- (B) In terms of the corporate banking operations, Yuanta Bank will strengthen the development of high-income products, and actively participate in syndicated loan projects and strive to act as the leading bank or co-organizer to upgrade the revenue from interest and commission. Meanwhile, by increasing the proportion of such transaction financing as trade financing and accounts receivable financing, Yuanta Bank will develop the supply chain financing to help mitigate the loan risk and increase the revenue from demand deposits and commission.
- (C) In terms of the international operations, Yuanta Bank will strengthen the cooperation with international investment banks and private funds, continue to expand the scale of international syndicated loan, and enhance the deposit/loan operations of branch in Hong Kong and subsidiaries in Korea and Philippines to increase their contribution to earnings.
- (D) In terms of consumer banking operations, Yuanta Bank will draw up the business strategies for various products. For mortgage business, the customers who desire to purchase houses for self-occupation with the collaterals situated in urban areas and with higher liquidity will be the targets, and strengthen the cross-selling and batch household separation program will be strengthened. For auto loan business, the Bank will continue to deepen the development of the distributors of the auto brands and strengthen the existing car financing business. For credit loan operations, the Bank will utilize the database analysis and develop the existing credit cards or loans customers. For credit card operations, the Bank will continue the segment marketing business model to upgrade the customers' loyalty.
- (E) In terms of wealth management operations, Yuanta Bank will adjust the customer grading system and interest and right, plan to develop family members and key corporate members, utilize various marketing projects and cross-industry cooperation to increase new customers and new capital, and deepen the development of customers to expand the scale of wealth management operations. Meanwhile, Yuanta Bank will strengthen the availability of digital channels and platforms to provide diversified product lines to upgrade the customers' satisfaction.

B. Channel development:

- (A) The domestic tangible channels were set up subject to the status of industry & commerce and wealth. The Bank fulfilled the localization of branches, and had its Head Office upgrade the business performance of

channels through periodic review on performance and guidance measures. Further, in order to deal with the development of FinTech and change of payment habits, the Bank has boosted the digital transformation, developed digital financial services, encouraged the Bank's existing customers to apply for digital accounts, guided customers to experience the digital channel's rapid and convenient services. Besides, the Bank has worked with the cross-industry proxy receipts and disbursements platforms to connect the various industrial platforms to provide the digital services which meet the customers' needs more.

(B) In the overseas market, with the resources invested by the Group, Yuanta Bank's branch in Hong Kong and subsidiaries in Philippines and Korea will expand the scale of its deposit/loan operations subject to the scope of business and local characteristics, and continue to evaluate and improve the operating procedures, loan review and investment procedures, enhance the information system security, functions and performance, and fulfill compliance and risk management of the Head Office and branches with the assistance by the Head Office, so as to continue to maintain the Bank's proper management.

(C) Employees' training:

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

(5) Industry overview

Recalling 2018, the economy was recovering slowly domestically and overseas. The demand for corporate investment and capital expenditure remained stable, and the banking industry used its best efforts to develop the overseas business with high spreads. Meanwhile, despite the continuously easing of funds, the banking industry still struggled for the SME loan operations, mortgage operations and syndicated loan operations, which derived low profit, domestically to expand the scale of loans. Further, as driven by the wealth management market growth and the development of FinTech, the profit of the entire domestic banks was expected to grow. Besides, given the competent authority's implementation and promotion of risk control, information security, internal control, and anti-money laundering policies on domestic banks, the Bank's entire risk control ability was upgraded continuously.

For the development of FinTech, in addition to the mobile payment, the banking industry also increased its investment in the application and development of such technologies as information security, cloud service and block chain etc., and continued to develop more comprehensively and safely. Upon approval of internet-only banks and promulgation of the Regulatory Sandbox for promotion of financial innovation by FSC, it is expected that the domestic banks' FinTech ability would be upgraded rapidly, and the traditional banks' business model would inevitably have to transform.

In consideration of the trade protectionism driven by the China-US Trade War, it is expected to impact on the global trade volume and also affect the investors' confidence. Most of economic forecast organizations predicted that the global economic growth will be weakened in 2019 and tended to act conservative about their comments on the economic condition of Taiwan. It is expected that the fluctuation in the financial market will be more drastic and thereby increases the difficulty in managing investments and results in less investment income than ever. In addition to expand the scale of deposits/loans and sought to increase the income from spread and commission, the banking industry expanded its overseas markets and developed FinTech, which are expected to benefit the upgrading of profit positively.

(6) Research and development

A. Business R&D:

- (A) Subject to the lifting of laws and regulations and market trends, evaluate, research and develop API (application program interface) to develop Open Banking apps, so as to provide consumers with more convenient integrated banking services.
- (B) Develop the QR Code payment, billing and various value-added services.

B. Risk management:

- (A) Plan and adjust the corporate/consumer banking credit rating/scoring model risk grading analysis project, continue to follow up changes of corporate/consumer banking assets, and enhance and control the corporate/consumer banking credit risk management mechanisms.
- (B) Research on the compliance of the market risk management with FRTB and the new capital requirement system construction project which related to the FRTB applicable to capital requirements.
- (C) Strengthen periodic feedback, follow-up and disclosure mechanisms of the results of the retrospective test on market valuation model.
- (D) Plan and execute the Bank's internal liquidity stress test, e.g. setting and forecast of scenario under stress, and establishment of the operating procedures for stress test process.
- (E) Plan to control the total exposure in Mainland China and high-risk industries systematically, and continue to optimize the total exposure system function to complete the centralized risk control better.
- (F) Continue to plan the management mechanism for optimization of the net interest revenue of day funding and economic value from banking book.

C. Information development plans:

- (A) Information system R&D and upgrading: including such important information projects as Bancs system core platform upgrading project, foreign exchange system upgrading project, trust host (AS/400) hardware upgrading project, wealth management host hardware upgrading project, new efficient investment module (Fund+3.0), insurance agent system - mobile insurance (including electronic signature), personal online banking revision project (including English version), Taiwan Pay QR Code system construction project (ATM card cloud pay), new image system construction project, 2nd-generation financing review system construction project, new financial system construction project, BASEL4 capital requirement system construction

project, merchant acquiring system construction project, tapeless backup system expansion project, SharePoint construction project, and Foglight database monitoring system construction project.

- (B) Information security protection and information security management: including such important information security projects as network performance monitoring system construction project, firewall audit tool license and hardware expansion project, additional branch ATM firewall construction project, SIEM construction project, computer system information security assessment project (Class I and Class II), and e-payment platform security assessment.

(7) Long and short-term business development plans

A. Short-term business development plans

- (A) Expand the asset scale and business momentum to upgrade the efficiency of capital utilization.
 - a. Increase the core deposits stably to support the growth of loan operations and wealth management business development base.
 - b. In order to take care of risk and income at the same time, continue to expand the scale of loans, strengthen the development of high-income loan products or loan products linked with cash flow for the corporate banking operations, e.g. Leading bank or co-organizer of domestic syndicated loans, property financing business, trade financing and accounts receivable financing; actively strive for OBU international syndicated loan and develop structured notes financing projects in the international banking operations; adjust the channels and customer group strategies to upgrade the volume of mortgage loan, credit loan and auto loan and control the asset quality step by step in the consumer banking operations.
 - c. For the credit card operations, Yuanta Bank will strengthen the customer group analysis, and continue to focus on the target credit card clientele, release more marginal benefits to credit card customers and allow credit card customers to repay debt in installments to increase quantity of active cards, card spendings and revolving balance, and raise customers' loyalty and contribution through cross-sale.
 - d. For the wealth management operations, Yuanta Bank will strengthen the development of new customers and deepen the development of existing customers, expand the number of high-asset customers, provide service to customers through the wealth management specialists appointed reasonably, upgrade the efficiency in the development of customers and output value per capita.
 - e. Continue to expand the scale of deposits/loans, subject to the characteristics of overseas branches and subsidiaries.
- (B) Promote the digital banking development and transformation, and rise the proportion of transactions carried out via digital channels.
 - a. Continue to increase the functions of mobile banking and mobile payment, and combine the promotion of digital accounts to increase the size of the young customers.
 - b. Provide enterprises with foreign currency transactions integration service and custom-made services on internet banking to upgrade the

- availability to corporate customers and mitigate burden on the over-the-counter operations.
- c. Increase the interaction and communication with customers and engage in marketing and promotion via operation of social media.
 - d. Optimize Yuanta Bank's e-counter interface, and guide customers to utilize such functions as online application for deposit account opening, credit cards, loans, and credit card payment in installment, et al.
- (C) Fulfill compliance with laws and risk management, and maintain stable asset quality.
- a. Comply with external laws and regulations, and continue to strengthen the completeness of such systems or operating procedures as anti-money laundering, information security and personal information protection, et al.
 - b. Collect and publish the latest update in financial laws and regulations, and amend the internal regulations in a timely manner; ensure the compliance with various laws and regulations through training, execution of compliance self-assessment and appraisal.
 - c. Enhance the risk control, compliance and internal audit/internal control of overseas branch and subsidiaries.
- B. Long-term business development plans
- (A) Enhance operating performance and upgrade return on shareholders' equity.
- a. Continue to expand Yuanta Bank's market share of deposits/loans business, and strengthen the cross-selling policy and deepen the development of the existing customers.
 - b. Integrate the resources of domestic/foreign business locations and the Group, provide omnibus financial service and customized financing program, and actively solicit for transactions with corporate customers.
 - c. Enhancing the investment consulting service and diversified wealth management products, and build the professional brand identity for the wealth management business.
 - d. Integrate the tangible and digital channels, which enables the tangible channels to exert the characteristics of local deepened development service, and enables the digital channels to provide the convenient services linked with the investment, loan, payment or application under various scenarios to make the banking service available everywhere.
- (B) Well utilize FinTech to enhance Yuanta Bank's products and services.
- a. Control the market trends to enhance the Bank's ability to develop FinTech products and provide the banking services needed by customers.
 - b. Implement big data analysis, and develop new financial instruments and adopt precision marketing based on customers' needs to upgrade their loyalty and contribution.
 - c. Comply with the government's digital finance policies, continue to work with Financial Information Service Co., Ltd. or governmental

entities to develop such FinTech services, as a block chain, mobile payment and robo-advisor, etc.

- (C) Enhance the operation and management of Yuanta Bank's overseas subsidiaries to upgrade their contribution to earnings.
- a. With respect to the Bank's branch in Hong Kong and subsidiaries in Philippines and Korea, the Bank will continue to speed up establishment of the business development model applicable locally through the Head Office's matrix management and by transplanting the expatriated personnel's relevant experience, and also enhance the cooperation between domestic and overseas business to upgrade their contributions to earnings year by year.
 - b. Enhance the international talent training and encourage the Bank's employees to accept the assignment to the Bank's overseas business locations, and improve the employees' foreign language proficiency and competency.

3. Yuanta Life

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

Unit: NT\$1,000; %

Business	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Life Insurance	34,911,225	81.80%	38,484,405	80.28%
Personal Accident insurance	160,100	0.38%	161,302	0.34%
Health insurance	2,824,454	6.62%	3,265,055	6.81%
Annuity insurance	37	0.00%	5,288	0.01%
Group insurance	191,820	0.45%	119,411	0.25%
Premium income	38,087,636	89.25%	42,035,461	87.69%
Less: Reinsurance premium ceded	(463,703)	-1.09%	(695,468)	-1.45%
Less: Net changes of premium ceded reserve	(17,262)	-0.04%	(71,084)	-0.15%
Commission reinsurance allowance	109,029	0.25%	111,286	0.23%
Revenue from service charges	25,815	0.06%	24,544	0.05%
Net income from investments	4,443,233	10.41%	6,359,834	13.27%
Other operating revenues	6,587	0.02%	22,137	0.04%
Separate Account on Investment-linked Insurance Products income	485,690	1.14%	151,931	0.32%
Total	42,677,025	100.00%	47,938,641	100.00%

(3) New financial products and services in development

A. In terms of products: In order to deal with an aged society and low birth rate in Taiwan, the Company will continue to develop the protection-type products commensurate with the retirement life, retirement medical treatment and retirement care needs. For the retirement life, the Company will design the high rate of return products activated upon retirement which meet the wealth management need throughout all life circles to help customers plan their retirement life. For the retirement medical treatment, in order to cover the high

medical expenses, people must maintain additional business insurance to remedy the shortcomings in the national health insurance. The Company will provide complete term and life medical insurance products, and enhance the protection for the aged people to help them seek better medical quality. For the retirement care, the Company expects to provide long-term living subsidy for disability, serious injury and disease, specific injury and disease and cancer by diversifying the protection-type products, so as to relieve individuals and families from economic pressure. For the group insurance business, the Company will continue the expansion of group insurance business, establish the work-site marketing model, create the marketing topics with the strengths of the insurance products exclusive for the work-site marketing, provide the Company's employees with life protection and retirement planning services. For the digital banking, the Company will well found the structure and function of e-commerce platforms, and develop e-commerce platform products per the characteristics of digital financial customer clustering to provide diversified online insurance products and customer services and expand its scope of services.

B. For the channels, the Company will uphold the corporate core value for "Insurance Protection, Sustainability and Society's Well-being" to plan such omnibus family financial security protection as retirement LAHOS, medical care and asset legacy to satisfy different customer groups' needs by segment marketing.

(4) Business plan for the year

Yuanta Life's entire business strategy in 2018:

A. Channel strategies: Yuanta Life will develop multiple channels in a stable and balanced way, and develop differentiated products according to characteristics of channels and diversified requirements of different target customers to meet the needs of channel development. Yuanta Life will uphold the corporate core values for "Insurance Protection, Sustainability and Society's Well-being", and continue to promote the protection-type and long-term products to generate long-term stable profits and enhance the brand value of the Company. The various major channels' strategies are stated as following:

(A) Bank & Securities Insurance channels: Continue to provide the self-owned channel certification courses, help the channels' wealth management sale representatives upgrade the pure sale of products to the demand-oriented marketing, and adopt the segment marketing to provide the marketing models and services varying depending on the customer groups categorized into the high-asset, wealthy, and work-site groups. Meanwhile, the Company will expand external cooperation channels to provide differentiated services to satisfy the channels' needs and upgrade the contribution to business.

(B) Agency sales channels: Subject to the capacity and business strategy of each agencies, the Company will provide appropriate support and assistance, and enhance the unit management's competency, well-found the organizational framework, fulfill the activity management to stabilize business promotion, and link with various competitions to achieve relevant qualifications to enhance the colleagues' execution of the same. For the products, the Company will adopt the segment management and marketing for the customer groups, plan the insurance products which satisfy needs, and construct the omnibus protection.

- (C) Diversified marketing channels: The Company will expand the categories of cooperation on the name list by developing new projects, upgrade the performance of projects with the assistance from diversified customer groups, plan the network and app name list collection activities, collect the name lists of higher response rate, and upgrade the performance of execution of the name lists. Recruit qualified elites in the same trade to join the projects, form and reproduce the elites' successful experience to upgrade the entire average capacity.
 - (D) Brokerage channel: Primarily engage in managing long-term and protection-type and savings products, and also take care of the business development and quality of contracts at the same time. Optimize the channels' supporting systems, upgrade service efficiency and satisfaction, enhance the channels' cooperative connections, and develop long-term partnership.
 - (E) E-commerce: Subdivided the online insurance groups and provide differentiated protection contents applicable to different claims. Combine with the digital marketing trend and adopt massive infographics for insurance to enable the general public to rapidly understand the difficult insurance products.
- B. Product strategy: Yuanta Life will adhere to the corporate core values for "Insurance Protection, Sustainability and Society's Well-being", and continue to develop the "protection-type and long-term" and "wealth management" products as the two major product to provide the fine-quality and omnibus product solutions:
- (A) The "protection-type and long-term products" will focus on the quality of product innovation and be customized per important partners' needs. The Company will deepen the partnership between both parties and build the alternative sale mechanism, and signify the product characteristics and competitiveness by differentiating the entire appeal for sale and upgrading the threshold of access to the same trade.
 - (B) With the strength in the completeness and conditions of wealth management and savings product lines, the Company satisfies the bank's need for sale internally and develops the opportunities for partnership with external banks to help high-asset customers proceed with their wealth legacy planning through the interest rate sensitivity policies with protection multiples and enable middle-class customer groups to ensure their retirement life quality through a high rate of return products.
 - (C) Provide customized products per the target customers' need to fulfill the segment marketing strategy for high-asset customers, retirement planning customers and young customers.
- (5) Industry overview

According to the statistics of the Life Insurance Association, the insurance premium revenue based on new business in the life insurance business was NT\$1.38 trillion in 2018, an increase from the same period in 2017 by 9.46%.

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

Unit: million dollar

Item	2017	2018	Growth rate (%)
First Year Premium	1,260,724	1,379,936	9.46%

Source of data: Life Insurance Association

According to the analysis of insurance premium under new business by type of insurance, it is NT\$1002.9 billion for life insurance, i.e. 72.68% of the revenue from insurance premium under new business, NT\$331.5 billion for annuity insurance, i.e. 24.02% of said revenue, NT\$33.6 billion for health insurance, i.e. 2.44% of said revenue, and NT\$11.9 billion for accident insurance, i.e. 0.86% of said revenue.

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

- A. As far as the traditional insurance products in life insurance are concerned, until the end of November, the premium for the new contracts of traditional life insurance increased by 5.42% from the same period of last year. Among the other things, the revenue from the premium of the new interest rate sensitivity life insurance policies increased by 11.82% from the same period of last year as driven by the sale of the insurance policies denominated in USD primarily benefiting from the favorable foreign interest rate in Q1 of this year. Despite the depreciation of NTD in Q2, Yuanta Life continued to raise the sale of insurance policies denominated in USD by escalating interest rate.
- B. For the investment-linked insurance products, as driven by the global capital market, effect produced by the USD appreciation and best-sale of the insurance policies for target maturity bond fund, the premium for the new contracts of the investment-linked insurance products increased by 25.99% from the same period of last year. Notwithstanding, the fluctuation in the capital market in the second half of the year caused the policyholders to deal with the investment-linked insurance products more carefully instead.

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

Unit: million dollar

Insurance type		2017	2018	Growth rate (%)
Life insurance	Traditional	732,715	772,441	5.42%
	Investment-linked	180,814	230,484	27.47%
	Subtotal	913,529	1,002,925	9.79%
Accident insurance	Traditional	12,261	11,904	-2.91%
Health insurance	Traditional	31376	33,618	7.15%
Annuity insurance	Traditional	84,802	58,566	-30.94%
	Investment-linked	218,757	272,922	24.76%
	Subtotal	303,559	331,488	9.20%
Total	Traditional	861,153	876,530	1.79%
	Investment-linked	399,571	503,406	25.99%
	Total	1,260,724	1,379,936	9.46%

Source of data: Life Insurance Association

According to the analysis of percentage of insurance premium by channel, the Bancassurance channel occupied for 55.13% of the insurance premium based on new business from 2018, life insurance company's own marketing channels 38.48% thereof, and traditional broker channel 6.39%. It appears that some changes took place in the proportions by the Bancassurance channel and Yuanta Life's own marketing systems from those in the previous period. Personal life insurance and investment-linked insurance are primarily sold via Bancassurance channels. About 60.72% of the revenue from the personal life insurance premium and 53.71% of the revenue from the investment-linked insurance premium were gained from the Bancassurance channel. Traditional accident insurance and health insurance are still primarily sold via the Company's own marketing channels.

Statistics from insurance premium in the life insurance business by source at the beginning of 2018 (insurance premium + liabilities)

Unit: million dollar

By source	Life insurance	Bank broker	Traditional broker	Total
Insurance premium	531,007	760,792	88,136	1,379,936
Rate (%)	38.48	55.13	6.39	100.00
Individual life insurance	244,635	466,957	57,485	769,078
Individual annuity	34,507	22,797	940	58,244
Investment-linked	210,861	270,372	22,173	503,406
Personal Accident insurance/health	28,036	364	3,967	32,367

Source of data: Life Insurance Association

Looking forward to 2019, the life insurance industry has basic confidence. Considering that the Central Bank keeps maintaining the same interest rate and the U.S.A. escalates interest rate, the life insurance industry forecasts that the USD variable products will remain as the mainstream product, in order to cut the hedging cost. Meanwhile, though the global capital market is facing some uncertainties, given the increasing growth of the population attaining the age of retirement, the investment-linked products which may earn return of fixed assets and grow capital stably will still remain the bestseller.

(6) Research and development

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

Unit: NTS1,000

Year	2017	2018
R&D expenditure	88,953	96,032

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

Yuanta Life has kept researching and developing products that meet various customers' needs, developed diversified products and satisfied the market's need for insurance. The products researched and developed by it successfully for the most recent two years included such new products as 18 group insurance products, waiver of premium insurance, life insurance with unlimited aggregate of indemnity, term insurance with enhanced protection for serious injury and disease, long-term endowment insurance with the

protection of infant's specific diseases, two-in-one medical insurance for day volume pay and full reimbursement, and NTD or USD interest rate sensitivity life insurance policies with high protection multiples. A total of 67 products were developed.

C. Future R&D development plan

In order to deal with the current entire financial environment and changes in laws and regulations, and create and keep upgrading the Company's long-term value, the Company will keep developing various innovative products, enhance customers' service quality and develop business opportunities. To be in line with the population structure of aged society and low birth rate, the Company will continue to develop the insurance products commensurate with the retirement life, retirement medical treatment and retirement care needs. Yuanta Life will develop toward the "wealth management" and "protection-type and long-term" products and form diversified product lines to satisfy the various customer groups' need for insurance, help various channels operate successfully, and achieve the Company's financial and business targets.

(7) Long and short-term business development plans

In terms of products, the Company will establish its product plan subject to various sale channels' characteristics and target customer groups' need. For the wealth management products, the Company will use its best efforts to seek the completeness of product lines. The Company will further develop the Group's own channels and expand external channels' business, and also keep controlling the market condition to adapt. For the protection-type and long-term products, the Company will focus on the diversity of elements and upgrading of the contents of benefit, and continue to develop the protection-type and long-term product market relying on the contents of product and innovation of marketing issues.

For the channels, the Company will address the questions concerned by various customers group, arouse customers' needs, provide correspondent insurance products, create the opportunities for sale, and become the insurance partner of the channels under the customer group management philosophy. The specific training and sales taskforce and sales and marketing taskforce engage in providing complete services, including the training on products, marketing skills, cause-related marketing and activities from commodity training, sales skills, issue marketing and activities. The Company will reproduce its own channels' successful marketing model to the selected external channels to expand the market share. Establish the business taskforce with fine-quality corporate identity for "professionalism, energy, and courtesy" and the corporate culture belief in "compassion, sense of honor, and contribution", and transform the same into Yuanta's DNA, and engage in selling the protection and long-term commodities as the main products, tied with the product strategies, skill of speech and drills to increase monthly average production capacity. Utilize big data analysis skills to activate and screen the customer name list to facilitate the increase in transaction rate and continue to develop new business models to increase the performance of diversified marketing. Extend the marketing, acquire new customers, expand

market shares, upgrade the brand publicity and penetration rate via the broker and agency channels.

4. Yuanta Securities Finance

(1) Main business services

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

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Margin trading and short sale	485,318	66.40	516,824	61.20
Refinancing	13,691	1.87	13,159	1.56
Securities lending	19,364	2.65	28,602	3.39
Secured loan	212,574	29.08	285,918	33.85
Total	730,947	100.00	844,503	100.00

(3) New financial products and services in development

- A. Yuanta Securities Finance will seek to make margin collaterals as the source of short sale as the first priority, and then as the source of refinancing.
- B. Seek to make the stock collaterals furnished to secure loans as the source of securities borrowing/lending and source of short sale.
- C. Seek the approval from the competent authority to include the “non-discretionary money trust” (managed by the securities finance industry) into the loan portfolios of securities secured loan.
- D. Lift the restrictions imposed by laws and regulations.

(4) Business plan for the year

- A. Stabilize current agency firms: Continue to implement the franchise of an information platform and stage II cooperation program, and strengthen securities trader information services to ensure that Yuanta Securities Finance agent services are indirectly benefited. Rely on various seminars and service packages supporting agents to strengthen the competitiveness of agents, and consolidate relationships.
- B. Track market information: Strengthen analysis of the market share, income, and costs of each business location, and flexibly adjust its competition strategy.
- C. Promote two-way securities borrowing/lending operations: Promote securities borrowing/lending operations in a flexible manner; develop proprietary securities traders, foreign corporate investors, and corporations who need new arbitrage and hedging, and also looks for new sources of securities to be lent.

- D. Development of secured loan operations: The highlights of Yuanta Securities Finance's business development this year will include development of secured loan operations via both the intergroup and external channels, visit to major shareholders who require funds and also the general investors who hold securities and need short-term working fund badly, and simultaneous planning of pages on such mobile device (platform) as network or mobile phone to help customers with search and operation.
- E. Exert Yuanta Financial Holdings' synergy: Solicit for securities agents as channels, e.g. sub-brokerage, futures IB and co-marketing of funds, etc.
- F. Save costs and expenses: Save operating cost and operating expense to upgrade the operating income.
- G. Strictly manage credit risk: Reinforce the implementation of risk control and quota mechanism, ensuring that risk control, and sales growth develop in parallel.

(5) Industry overview

A. Margin trading and short sale:

In 2018, the structure of the securities financial agency market remained unchanged. Notwithstanding, given the booming stock market in the first half of the year and recovery of investors' confidence, the turnover and margin trade balance in the stock market in the first half of the year increased significantly from 2017. Notwithstanding, since August 2018, the China-US Trade War has caused drastic fluctuation in the stock market, and the turnover declined accordingly. The margin trading balance decreased month by month, and the margin trading balance of Yuanta Securities Finance as well. Its margin trading balance was NT\$6.5 billion at the end of December. The market share thereof stayed about 3.8%, and the market share in the entire agents grew to about 88%.

Since securities firms were permitted to process margin trading and short sale operations, the market share of margin trading and short sale services provided by Yuanta Securities Finance has been declining year by year. In order to deal with the increasingly declining earnings from margin trading and short sale, Yuanta Securities Finance uses its best efforts to develop the loan operations and identifies the operations as the Company's current key business for the time being. For the time being, the margin trading and short sale are still Yuanta Securities Finance's core business areas. It will continue to serve agents with a vigorous, reliable, and efficient attitude, and establish collaboration partnerships with agents, achieving a win-win outcome.

B. Securities-secured financing business:

The major competitor of Yuanta Securities Finance in this business refers to the bank loan secured by stock. This business targets at major shareholders, and the general investors who need short-term working fund badly (hold securities). The Company also plans network or mobile phone (platform) to help customers with application for, sale and repayment of, and search for the stock, to provide customers with a more convenient and effective online operating model to satisfy customers' diversified needs for fund. Besides, Yuanta Securities Finance's operations for this business became more convenient and effective than applications for loan secured by stock with pledge. This reflects Yuanta Securities Finance's business competitiveness remarkably. Until December 2018, the balance of secured loans was NT\$ 16.226 billion. Secured loans will still be the key business in 2019. It is

expected that the proportion of business volume will reach 50% or more in the future.

C. Securities lending service:

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

(6) Research and development

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

(7) Long and short-term business development plans

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

A. Short-term plans:

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

Take advantage of its nearly 88% market share of the agency market to embark on diversified operations including information and channels, while blocking price cutting competition by rivals. This will boost Yuanta Securities Finance's share of the margin trading and short sale balance, and maximize performance of value-added services.

(B) Stimulation of securities lending:

Notwithstanding, upon the competent authority's allowance of two-way securities lending, Yuanta Securities Finance was allowed to lend the securities serving as collateral in margin trading to TWSE securities lending center and, therefore, secured wider channels for securities lending and more diversified sources of securities. Its securities lending operations will be more active.

B. Long-term plans:

(A) Develop secured loan operations:

Focus on business on major shareholders, and investors who need access to funds. The sales objective is set as NT\$17.5 billion in 2019. The Company expects that the objective may grow year by year.

(B) Save operating expenses:

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

5. Yuanta Venture Capital

(1) Main business services

- A. Provide capital directly to invested enterprises.
- B. Provide corporate operation, management, and consulting services to investee enterprises.
- C. Commissioned consultation on business administration.

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Equity in investee income recognized under the equity method	131,417	76.05	54,749	20.61
Net gain or loss on financial assets at fair value through profit or loss	7,123	4.12	157,230	59.18
Income from disposition of available-for-sale financial assets	(13,420)	(7.77)	-	-
Income from disposition of financial assets measured at cost	(2,673)	(1.55)	-	-
Dividends revenue	50,368	29.15	53,688	20.21
Total	172,815	100.00	265,667	100.00

(3) Business plan for the year

A. Achieve the annual budget objective

Yuanta Venture Capital has successively disposed of the investees of Yuanta Venture Capital and Yuanta I Venture Capital successively in 2019 to achieve the objective of budget.

B. Weigh core business and growing business equivalently.

The core business is related to a more familiar and matured market, which may derive more stable income but have difficulty in rendering explosive effects. The new investment in old cases also falls in the area of such business. The growing business might render explosive effects in the future, in consideration of the emerging technology and market. Yuanta Venture Capital will assess the two types of business carefully to seek balanced development.

The investment strategy in 2019 aims to upgrade the proportion of growing business year by year, in hopes of weighing core business and growing business equivalently. The investment strategies are stated as following:

Investment strategy	Selection strategy	Selected industry	2019 Percentage (%)	2020 Percentage (%)	2021 Percentage (%)
Core business (Existing technology / pre-matured market)	1.Lower P/E ratio 2.Reasonable dividend yield 3.High liquidity (in the case of open trading market) 4.Familiar with the company and the team	<u>Internal</u> Electronic industry (software and hardware), manufacturing, automobile-related industry and chain restaurant <u>Overseas</u> Traditional industry:	60%	50%	50%

Investment strategy	Selection strategy	Selected industry	2019 Percentage (%)	2020 Percentage (%)	2021 Percentage (%)
		e.g. manufacturing (light assets primarily) Domestic demand: e.g. chain restaurant, consumer goods, recreational industry			
Growing business (Existing technology / pre-matured market)	1. Leader in the field or scale of the technology 2. Products or services have already been authenticated by the market. 3. Lower risk	e.g. AR, FinTech, e-commerce, Big Data, Internet of Vehicles, Smart Factory, Smart Family, high-rank medical devices, medical services, digital contents and management, and advanced materials, etc.	40%	50%	50%

C. Strengthen layout overseas and expand sources of profit

Integrate Yuanta Securities Finance's resources, actively develop investment projects, and raise the entire overseas investment proportions, and prevent regional systematic risks. The areas planned to be invested within next three years are spread in the markets including Taiwan, Mainland China, Korea, and South East Asia. Please see the following:

Scope		2019(F) (Add)	2020(F) (Add)	2021(F) (Add)
Internal	Taiwan	42%	37%	37%
Overseas	Mainland China	37%	35%	33%
	Korea	7%	13%	13%
	South East Asia / others	14%	15%	17%
Total		100%	100%	100%
Projected total investment amount		NT\$600 million	NT\$600 million	NT\$600 million

(4) Industry overview

According to the 2017 questionnaire survey performed by Taiwan Venture Capital Association on the venture capitals in 2018, the overview of venture capital market in Taiwan is discussed in terms of domestic venture capital's financing status, investment status, invested industry, investment stages and invested territories:

A. Financing Status

In terms of the venture capital's financing status, 23 new venture capitals were founded in 2017, with the total capital amounted to NT\$5.142 billion. The number of new venture capitals increased by 2 from 21 in 2016, but the total capital decreased by NT\$1.73 billion from NT\$6.87 billion in 2016. Apparently, the new venture capitals' total capital was declining slightly in 2017, and still has not yet recovered as usual.

B. Investment status

In terms of investment status, there were a total of 538 investment projects by venture capital in Taiwan in 2017, decreasing by 55 cases from 593 cases in the previous year (2016). The total investment capital was NT\$18.571 billion in 2017, increasing by NT\$2.719 billion from the total investment capital, NT\$15.852 billion, in the previous year (2016). As far as the number of total investment projects is concerned, the number decreased slightly in 2017 from 2016, but the investment capital grew mildly.

C. Invested industry

According to the statistics provided by the “Taiwan Venture Capital Association Yearbook”, in 2017, the total invested value in the bio-tech including new drug and medical device became the largest (NT\$4.985 billion), and followed by the IT industry (NT\$3.806 billion), manufacturing industry (NT\$2.654 billion), service industry (NT\$2.554 billion), venture capital industry (NT\$2.085 billion), culture and creative industry (NT\$1.469 billion), green energy and environmental protection (NT\$659 million), and national defense/aerospace industry (NT\$116 million).

Compared with the invested industries in 2016 and 2017, apparently the bio-tech including new drug and medical device has been in the first place for three years consecutively and the primary industry invested by the venture capital business in the recent years. The IT industry has been in the second place for two years consecutively, but the investment capital thereof decreased by NT\$487 million (NT\$4.293 billion in 2016). The manufacturing industry has been in the third place for two years consecutively, but the investment capital thereof increased by NT\$327 million (NT\$2.327 billion 2016). The service industry was in the sixth place in last year, while it was raised to fourth place this year, and the investment capital thereof increased by NT\$1.336 billion (NT\$1.218 billion in 2016). The culture and creative industry declined to the sixth place this year, but the investment capital thereof remained the same as that in last year (NT\$1.493 billion in 2016). Obviously, Yuanta Venture Capital continued to invest in the bio-tech including new drug and medical device, IT industry and manufacturing industry primarily. Besides, the service industry, which accounted for lower proportion of investment in the past, has been valued by Yuanta Venture Capital in the recent years and the proportion of investment thereof increased year by year.

D. Investment stage

In terms of the investment stage, in 2017, the proportion of investment by the venture capital business in Taiwan at the following various stages is stated as follows: Expansion (45.91%), Foundation (24.54%), Maturity (21.56%), Seed (7.99%) and Reorganization (0.2%). In 2016, the proportion of investment by domestic venture capital business at the earlier stages (Seed and Foundation) was about 32.4%, and that in 2012 was about 12% ~ 15%. Such consequence should result from the Government’s policy dedicated to promoting the industrial innovation and creativity. To be in line with the creativity wave, the domestic venture capital business re-found the investment potential at earlier stages and, therefore, adjusted its investment model. As a result, the proportion of investment at the earlier stages increased until about 30% of the total investment capital.

E. Invested territories

According to said statistics, the investment behavior by territory in 2017 showed that the domestic investment was still the first priority, accounting for about 53.84%, but declined by 10.06% from the proportion of investment in

domestic business, 63.9%, in 2016. For the territories outside Taiwan, the territories of Asia (including Mainland China, Hong Kong and Macao and other territories of Asia) ranked Second place, i.e. 21.36%, but increasing by 6.46% from 14.9% in 2016; the territories of Europe accounted for 1.3%, same as 2016; Silicon Valley accounted for 0.13% declining from 0.4% in 2016, the historically lowest in the territories of Silicon Valley.

(5) Research and development

A. Actively seek out and identify quality investment targets

Aside from seeking investment portfolio in Taiwan, Yuanta Venture Capital is also evaluating international opportunities.

B. Strengthen employee training

Yuanta Venture Capital will improve employee training and continue to refine its operational competence.

(6) Long and short-term business development plans

Under Yuanta Venture Capital's short-term business development plan, the Company will (1) upgrade its profitability; (2) increase the percentages of investment in Mainland China, South East Asia and Korea; (3) focus investment primarily on such industries as IT industry, IoT industry, automobile-related industry, chain restaurant, consumer goods, high-rank medical device, medical service, AI, e-commerce and big data. Permanently, Yuanta Venture Capital will work hard to upgrade profit and achieve the objective for ROE more than 10%.

6. Yuanta Futures

(1) Main business services

- A. Futures brokerage services
- B. Futures proprietary trading
- C. Futures consulting services
- D. Futures Settlement and Commissioned Settlement
- E. Concurrent engaging in proprietary trading of securities
- F. Concurrent engaging in securities trading supporting services
- G. Leverage transaction merchant trading system
- H. Other relevant operations approved by the competent authority

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Brokerage revenue	2,792,557	96%	3,527,835	97%
Proprietary trading revenue	86,024	3%	84,093	2%
Counseling service revenue	16,487	0%	14,259	1%
Other revenues	25,933	1%	12,109	0%
Total	2,921,001	100%	3,638,296	100%

(3) New financial products and services in development

A. Experience in developing new digital services:

In response to the booming development of the global futures market, the market turnover has hit record constantly. Among the other things, the online futures transactions accounts for 90% in Taiwan. To be in line with the trend and provide professional investors with more advanced trading tools, the Company will utilize the brand new software and hardware devices to satisfy the need for options transactions, with the assistance from the AI cloud ordering function. Meanwhile, the Company will make the personal operating routes to enable customers to build their personal options trading house.

Further, in order to satisfy the investors' needs for trading futures on mobile devices and enable securities customers to participate the night trade of futures and hedging transactions via individual stock and futures, the Company worked with Yuanta Securities to develop the "Mr. Yuanta" APP for trading futures. On the "Mr. Yuanta" app, the market quotation, order placement and graphic integration of securities and futures products, tied with the brand new path design, are adapted into users' habit to access mobile devices and satisfy the customers' diversified needs for trading.

B. Expand Hong Kong market:

Construct the subsidiary in Hong Kong to be the multinational, cross-market and diversified international trading platform dedicated to offering the product lines issued by the global exchanges in America, Europe, Australia, and Asia, deepen the financial market in Hong Kong, actively develop customers of the Group's overseas business locations; construct the multinational trading platforms, develop B2B business in Asia, fulfill the service entity economy, and provide investors with diversified options and satisfy their need for hedging.

(4) Business plan for the year

In 2018, Yuanta Futures strengthened various management aspects, including upgrading of profitability of shareholders' equity, fulfillment of risk management, execution of proprietary services and brokerage objectives, and already achieved the various business objectives. In terms of financial performance, Yuanta Futures made a profit after tax of NT\$1 billion in 2018, ranking 1st among professional futures firms, with an EPS after tax of NT\$4.31 and an ROE after tax of 12.75%. In terms of business performance, Yuanta Futures' futures brokerage market share was 23.98%, and options brokerage market share 16.77%. The market shares of said business lines all grew more than the last year, ranking 1st place in the market and leading in the same trade remarkably.

Looking forward to 2019, Yuanta Futures will aim to "Upgrade Comprehensively and Re-create a New Age" as its business goal. Yuanta Futures has invested in FinTech permanently by upgrading the system software and hardware comprehensively and utilizing big data, AI strategy and cloud computing to have them combine with its business. Also, it will pursue innovation in the new business lines in the AI and digital areas. In order to develop internationally, it will carry out the cross-border and cross-industry business at the same time and integrate overseas business and physical economic services, and develop new business by combining the entire resources across the

strait and three regions to become an international futures firm. The business plan to be boosted by Yuanta Futures in 2019 is highlighted as follows:

- A. “Deepen the domestic/foreign futures and options brokerage market shares, and upgrade profit margin”

Through the transformation of AI digital channels, the Company will develop 8 major overseas futures products, provide 24-hour global operation center services, and provide online and offline omnibus service experience by means of complete domestic/foreign options products and leveraged foreign exchange margin trading (Forex) and social media platform live shows to strengthen the high quality standards for customer service.

- B. “Use the best efforts to promote new products in line with TAIFEX’s policy”

In 2018, given the increasingly booming night trading, the trading volume in TAIFEX hit 300 million lots for the first time. Yuanta Futures will align with the products promoted by TAIFEX in 2019 and the new index products to be promoted through cooperation with foreign futures exchange in the promotional activity, and regularly hold multiple presentation conferences, and promote the implementation of the new system to continue providing investors with the most complete options product lines and high quality service.

- C. “Promote overseas futures sub-brokerage as the core business drive”

In Taiwan, Yuanta Futures holds multiple advantages, including the most foreign futures exchange memberships (12), most business locations (235) and 24-hour global operation center services. It optimizes its overseas diversified trading platform and AI trading convenience on the new trading platform combining securities and futures, in order to increase the proportion of foreign futures trading.

- D. “Implement the Asian Cup Hong Kong Futures Base Plan in line with Yuanta Financial Holdings’ strategies”

Develop overseas business locations’ customers and construct Yuanta Futures (Hong Kong) as the multinational trading platform in line with the international layout by Yuanta Financial Holdings to signify the service differentiation and increase customized services for institutional investors. Work hard to develop as an international securities firm to satisfy the international investors’ need for one-stop investment service.

- E. “Upgrade the growth of revenue from consulting service”

Have the omnibus professional futures analyst team support the double-track development of domestic/foreign options business by various business units. Improve the course planning again, build strategic Robot and provide the digital consulting service for AI strategies to become the best promoter of domestic/foreign promotional activities.

- F. “ Smart Ecological Chain Upgrading”

Following the release of “Yuanta SMART API” linked with multiple program languages in 2017. Continue to release the exclusive interface this year, to enable more rapid order placement and better satisfy professional investors’ needs.

- G. “Diversify leverage business and strengthen risk at the same time”

Deepen the development of foreign exchange margin trading (Forex), continue to release customized innovative products, help customers hedge and trade; enhance the trading platform’s risk control mechanism, fulfill and

enhance the leveraged internal control/internal audit and standards to deal with the customer and corporate risk arising from extreme crisis.

H. “Optimize risk control performance”

In response to the increase in market uncertainty and fluctuation, continue to improve the back-end information system’s performance, shorten the time spent in responding to extreme market conditions, improve the quality of risk control operations of the personnel dedicated to transactions and settlement to maintain customers’ interest and rights, and introduce such early warning mechanism as the risk scenario analysis, stress testing, and sensitivity risk factor analysis into the brokerage business to enhance the early warning about risk and customer service.

I. “Upgrade information security defense-in-depth”

This year, the Company will aim at the advanced persistent threat (APT) to plan the online intrusion prevention system, and identify the upgrading of the strengthen of online information security defense-in-depth as the first priority and practice the information security protection enhancement plan in steps.

J. “Improve the performance of proprietary operations and construct a trading platform in Greater China”

Establish the criteria for identifying the bull and bear index trend in the market, increase the low-risk but high-rate-of-return strategic layout in the global market, centralize advantageous strategies and develop the markets with high volatility, and expand it as the trading platform in the Greater China under the existing framework to build the trading strengthen under the current risk control mechanism.

(5) Industry overview

In 2018, due to the frequent outbreaks of international risk events, most futures products suffered increasingly drastic volatility. In 2018, the events rendering more significant effect on the financial markets included the US Dow Jones index dropping by 1,175 points sharply, the largest drop range in a single day historically, causing the global stock market crash, and the Italian Election and United States Midterm Election, which rendered impacts on the financial market. The Fed has escalated interest rate for several times to keep the US dollar index stay high constantly. Meanwhile, due to the outbreak of the China-US Trade War, the United States signed a letter of memorandum in March, and started to impose additional customs duty on the commodities made in Mainland China officially. Therefore, the risk still exists.

The domestic futures market fluctuated sharply due to the China-US Trade War and interest rate escalation in the U.S.A. and thereby promoted the ability thereof. Particularly, this reflected the importance of night trading of futures. The night trading launched in 2017 primarily resulted in the growth of ability of the options products in Taiwan. Among the other things, the night trading volume of index futures accounted for 19.5%, an increase by double 8.5% from 2017.

The total trading volume of TAIFEX was 308 million lots in 2017, also the historical record, and has been more than 300 million lots. Among the other things, TAIEX options accounted for about NT\$194 million, MTX NT\$46 million, FIMTX NT\$0.37 million, and the stock futures NT\$0.23 million. The

newly listed GBP against the USD, AUD against USD, and BNO futures 75,000 lots, 49,000 lots and 27,000 lots. The transactions kept booming. The number of futures accounts opened by natural persons were 1,802,391, growing from 2017.

Generally, if any significant risk incident arises after the futures market volatility expands, no one should underestimate the volatility in the coming year. Looking forward to 2019, such risk incidents as trade war, inverted yield curve and Brexit are expected to make the market volatility continue. The entire futures trading volume is expected to hit the record again.

(6) Research and development

As a leading brand in the futures industry, to be in line with the investor's needs, the Company develops the AI cloud ordering function for AP and app trading platforms and personal operating routes to provide the experience in fine-quality transactions and build the first priority futures trading platform. Meanwhile, the Company provides investors highly depending on mobile phones with the new generation customer's experience-oriented two-in-one futures/securities app trading system, which refers to a new generation of integrated trading services for investors in securities and futures.

Insist the output of diversified research report and depth thereof, combine with digital finance, and revise the report output periodically by transforming text & pictures into visualized images. In addition to enhancing the interaction with investors, the Company also releases the characteristic menu, keyword feedback messages, full-text links and advanced video links to launch on Yuanda Futures LINE@ to make high-quality research reports accessible more easily and read more instinctively.

(7) Long and short-term business development plans

A. Short-term business development plans

- (A) Optimize the brokerage operations comprehensively; adopt digital management and organize improvement and training programs periodically; continue to develop the securities/futures two-in-one policy and corporate banking operations to provide investors with more diversified portfolio and strategies and raise the threshold of competition in the same trade.
- (B) Support IB channel double-track promotion of domestic/overseas warrant operations, expand external partners, and strive for concurrently engaging in overseas futures sub-brokerage.
- (C) The leveraged trading operations will extend the service to retail investors to the service to professional institutional investors and industrial institutional investors and develop customized products to satisfy the diversified profit-seeking and hedging channels for customers.
- (D) Yuanta Futures' futures consulting business will communicate excellent strategies to customers to increase the earnings to be gained by the customers through transactions, enable the brokerage operations to grow soundly and stably, and become the strongest backup.
- (E) Utilize the trading technology related to proprietary trading to enhance asset management ability, disperse risks effectively, and maximize the

reward-to-risk ratio to enhance the diversity and stability of investment portfolios.

- (F) Construct the regional anti-terrorism mechanism, protect the core business information system as the base, upgrade the response to information security incidents, and shorten the processing hours.
- (G) Continue upgrading the Company's management system, integrate regulatory compliance, internal control & audit, corporate governance, and risk management framework to reduce operational risks.

B. Long-term business development plans

- (A) Combine the Group's resources to construct Yuanta Futures (HK) to be the international trading platform and fulfill the service entity economy in Hong Kong as its hub to provide international customers and professional institutional investors with more diversified investment visions and professional financial services.
- (B) Upgrade the quality of the organization of the brokerage team, establish the team integrating tangible and virtual channels by virtue of new products, new idea and new profit model, utilize new platforms and multi-departmental marketing and training resources to provide customers with the experience in highly interactive and active online services, and be dedicated to innovation and optimization.
- (C) Utilize the risk management technology and specialty accumulated by Yuanta Futures, research and develop FinTech products and services, combine resources intensively, and be dedicated to developing new business lines.
- (D) Subject to the FinTech development, construct the information security cross-border protection policy, in hopes of building the cloud, online and end-integrated information security protection platform to forecast threats and engage in real-time reporting, so as to upgrade the entire information security protection ability and become the backup for operating development.
- (E) Fulfill the environmental protection, feed back to the society and maintain stakeholders' interest and right to fulfill the corporate social responsibility, and upgrade the operating and management ability by transparent finance and business and rigid corporate governance, fulfill the internal control system and build the image for high quality.

7. Yuanta Securities Investment Trust

(1) Main business services

- A. Securities investment trust services
- B. Discretionary investment services
- C. Securities investment consulting services
- D. Futures Trust services
- E. Other relevant operations approved by the competent authority

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Revenue from Management fees from Management fee	2,364,800	94.57	2,392,616	94.27
Revenue from service charges	3,724	0.15	5,923	0.23
Revenue from sale	108,601	4.34	121,904	4.80
Revenue from marketing reimbursement	22,001	0.88	13,996	0.55
Other operating revenues	1,553	0.06	3,839	0.15
Total	2,500,679	100.00	2,538,278	100.00

(3) New financial products and services in development

A. Innovation of products and reengineering of components:

(A) Develop TAIEX product lines to provide investors with diversified choices:

Following the popularization of the topic about sustainability in the world, sustainable investment products have become the standard ones adopted by foreign large-scale investment organizations. In the process of the development of ETF products in Europe and U.S.A., the number of issuance and asset scale of ESG-related ETF products have grown remarkably. The same has been valued by the general investors and institutional investors increasingly. The efforts spent by the domestic government entities in implementing the sustainability are also increasing day by day. TIP Taiwan ESG Index has even served as the stock pool managed by the labor pension. Therefore, Yuanta Securities Investment Trust developed the idea about sustainable investment in Taiwan and complete TAIEX ETF product lines in its existing TAIEX product lines.

(B) Complete bond ETF product lines to provide investors with diversified choices:

Given the increasing fluctuation of risk-based assets, concern about the global economic regression and the upcoming aged society in Taiwan, the fixed-income products became one of the most important investment products adopted by high-asset customers who needed to allocate their assets, and the retirement groups in the recent years. The related asset scale also grew by more than 10%. Therefore, Yuanta Securities Investment Trust will continue to enhance the development strength of fixed-income product lines. Looking forward to 2019, the investment research unit will carefully evaluate the global Macroeconomics and variables of interest and exchange rates, and offer such quality products as industrial bonds, MBS and China bonds to perfect its fixed-income product lines and also enhance its fund scale and contribution to operating revenue.

(C) ETF feeder funds enable the bank population to invest in ETF.

The competent authority allowed the investment trust business to issue

and raise ETF feeder funds on October 17, 2018. The master fund to be invested by the business is limited to the domestic securities ETF. Notwithstanding, Taiwan 50ETF, Taiwan High Dividend ETF and GreTai 50 ETF, which represent the TWSE-listed stock, high dividend stock and TPEx-listed stock for the time being, are popular among the investors in the market. In order to provide more diversified channels of subscription for the stock, the Company plans to release the TAIEX ETF feeder umbrella fund. Looking forward to 2019, Yuanta Securities Investment Trust plans to release TAIEX ETF feeder umbrella fund to extend the different channels for investment in TAIEX ETF, deal with investors directly, and enhance its fund scale and contribution to operating revenue.

B. Invest AI, AI investment:

Yuanta ETF-AI investment platform is the first diversified ETF investment strategy platform domestically. The assets traded on the platform cover stock, bond, commodity and foreign exchange. The investment orientations include the criteria to identify the “bull and bear index trend” in the market, which may analyze the market more objectively and satisfy each investor’s risk attribute, trading preference and investment need.

Functions	Supply of services
Events investment strategy	Provide investors with suggestions about investment rapidly based on analysis on the market events, fundamentals and technologies
Smart investment portfolios	Subject to market event, provide 4 × 4 (stock, bond, commodity and foreign exchange) diversified investment strategies and analysis to be in line with “bull and bear index trend” at the same time.
Index map	Implement AI machine learning algorithm technology, provide customized investment portfolios, and rebalance the portfolios to promote the ideas on asset allocation.
Knowledge	Optimize data inquiry, including economic indicators, market index and ETF data, and provide traders/investors with the fast access to data.
Trial calculation of systematic investment plan (Scheduled to go live in Q2 of 2019)	Soft educational contents of investment knowledge to help the promotion of investor KYP and market education; the massive charts and graphics adopted to help the digital customer group’s habit.
Nationals’ index survey (Scheduled to go live in Q2 of 2019)	Provide one backtesting for the systematic investment plans for multiple index and ETF, market long-term and stable investments, and help the securities-end promote the systematic investment plan for ETF.

(4) Business plan for the year

A. New fund offering planning:

Since the second half of 2018, the financial market has been full of many uncertainties, with the increasing volatility of stocks and bonds affecting the investors’ emotions. By means of low correlation and differentiated allocation

of assets, the investors may mitigate the volatility of portfolios, and the investors' demand for products against volatility may grow therefor.

(A) Exchange Traded Funds (ETF)

Yuanta Securities Investment Trust plans to issue multiple products intended to protect assets and achieve increased effects in 2019, e.g. Investment-linked industrial bonds and high-dividend preferred stock ETF, which are identified as the products stable and able to yield high dividend. Following the increasingly booming AI investment since 2017, the AI-related ETF scale has been growing rapidly. Multiple "AI concept stocks" are available all over the world. Yuanta Securities Trust Investment has issued Yuanta Global AI ETF at the beginning of this year. The constituent stocks thereof will be based on AI operating revenue. Under the regularized index investment stock selection, the investors may select their portfolios to be in line with the AI trend.

In the recent years, the scale of sustainable responsibility-related fund products has been expanded rapidly, and such products became the key point in many countries' development plans in Asia. Meanwhile, the nationals value the corporate sustainability more and more. The growth of such products is expected. Yuanta Securities Investment Trust is dedicated to keeping innovative and supports the investment for corporate social responsibility in Taiwan. In December 2018, the Company signed the TIP Taiwan ESG Index license agreement with Taiwan Index Plus Corporation, as the first company licensed by the Corporation to manage assets in Taiwan. The professional qualification as a service provider engaged in managing assets and "sustainability" also were also the focus in the Company's offering of products in 2019.

(B) Futures trust fund

Such financial products as traditional stocks and debt funds are characteristic in their close correlation with market quotations. The historical experience tells that a bear market will bring specific impact on investors and financial institutions. Yuanta Securities Investment Trust expects that the sluggish economic growth and the market volatility remains the same in 2019. Therefore, it plans to release Yuanta Global Volatility Strategic Fund to enable the investors to engage in hedging or increase gains based on the Fund investment strategy and mechanism in the case of market turmoil. Meanwhile, Yuanta Securities Investment Trust's product lines can be diversified and complement with the existing products to satisfy investors' needs for allocating assets and dispersing the risk over portfolios. Such product may also be identified as the product able to manage the global volatility voluntarily.

B. Development of digital finance services:

Following the popularity of smart phones and rapid development of digital FinTech, Yuanta Securities Investment Trust's digital services will be upgraded to 2.0 completely. For the time being, the Company's official website has included the RWD operation and offered the video section, enabling the investors to operate it on smart phones and manage their wealth more conveniently. In the second half of 2019, the Company will focus on customers' experience and satisfaction at first by continuing to optimize the trading network 2.0 and continuing to amplify the effect rendered by the videos. Meanwhile, the Company will combine its apps and upgrade and revise the social media Line@, and link the web service, transaction

notification pushing and video platform services. The Company will analyze and compile its own customers' data and also import external big data analysis on effects and construct 360-degree big data system covering customer basic labeling, behavior tracks, interactive activities, and tooling. At the same time, the Company will analyze and follow up related big data to achieve accurate marketing and budget execution, thereby improving customers' satisfaction and loyalty and practicing such inclusive financing as life-oriented wealth management and mobile wealth management.

C. Big AI operation management platform:

In order to upgrade the efficiency of information communication, integrate the information from multiple markets, and optimize internal operating procedures, Yuanta Securities Investment Trust builds a brand new business model again, as it plans to establish the two major integrated platforms, namely, the AI communication platform and data platform. Through the platforms, the Company will achieve zero time difference between product data and market signals and zero repeated operating procedures by the employee. Therefore, the Company can provide customized data per the employees' needs and integrate the Company's internal resources and save expenses to save the employees from repeated operating cycles, enhance the efficiency of time utilization, provide opportunities for continuing education, deepen professional technology and innovate thought to form a new positive ecological environment for the enterprise and employees.

Further, in order to deal with the changes in the investors' life style and habit in accessing media, Yuanta Securities Investment Trust plans based on the idea about mobile application device to implement the text service into the AI customer service and link the online inquiry channel on social media to better complete and diversify customer service. Meanwhile, they will also integrate such service tracks as customer service satisfaction survey and digital customer service platform to construct the whole picture of the interaction between Yuanta Securities Investment Trust and investors, verify the customers' participation in activities, product preferences and investors' behaviors, and feed the integrated data back to the big AI operation management platform, in order to develop the precision marketing and provide investors with dedicated platform analysis database to develop accurate marketing. This provides investors with a new dedicated, elaborative and professional service, and create the excellent brand achieving the win-win situation in expertise and service.

D. Guidance or maintenance of investees' business:

In 2019, Yuanta Securities Investment Trust will continue to help CR Yuanta Fund Management Co., Ltd. reinvested in Mainland China (hereinafter referred to as "CR Yuanta") operate and develop its business, follow up the business development and operating performance of CR Yuanta, and participate in CR Yuanta board of directors, shareholders' meeting and board of supervisors to fulfill the responsibility to supervise and manage as a shareholder. Meanwhile, in order to solidify the relationship with CR Yuanta, Yuanta Securities Investment Trust will expand the meeting for exchange of information about risk control laws and regulations into the meeting for exchange of information about both parties' management since 2019 to proceed with the two-way exchange of opinion on the development of the fund market, financial risk events and significant sanctioned cases in

Mainland China, as well as its business overview, so as to upgrade Yuanta Securities Investment Trust's control over the development and risk awareness of the same trade in Mainland China. Yuanta Securities Investment Trust's related units also take advantage of its experience in asset management for so many years to feed back related suggestions or opinion to help CR Yuanta develop stably and supervise the risk management and compliance of CR Yuanta locally.

(5) Industry overview

In 2018, the domestic public fund scale amounted to NT\$2.57 trillion, with a yearly growth rate by 11.1%. The total number of beneficial owners increased by 9.6%. Affected by the increasing market volatility, the scale of most funds tended to shrink progressively. Notwithstanding, said fund scale grew due to the increase in multi-national investment index stock by NT\$300 billion, a growth rate by 160%, primarily resulting from the suppliers' successive release of corporate bond products, and investors' subscription for massive government bond ETF, which caused the proportion of bond ETF to be upgraded remarkably. The domestic stock fund scale decreased by 10.3% and multi-national investment fund scale decreased by 13.1%, i.e. the total scale decreasing by more than NT\$70 billion. Meanwhile, the monetary market fund suffered the loss amounting to NT\$50 billion. The increasing market volatility intensified the demand for diversified allocation of funds. The multi-asset fund was the only one active fund whose scale grew by multiple times. The multi-national investment in multiple assets grew by 231%, the largest increase range among all types of fund.

(6) Research and development

A. Growth of joint venture in Mainland China:

CR Yuanta jointly ventured by Yuanta Securities Investment Trust and China Resources SZITIC Trust owned the public fund management scale amounted to about RMB2.8 billion and the scale of its exclusive account and subsidiary dedicated to the operations amounted to RMB18.5 billion, until the end of December 2018. Its products covered equity, fixed income and index types. This year, it will continue to market the existing products and also plan to offer the seed fund, continue improving the active management performance, and re-build the small-sized fund optimization strategy. CR Yuanta plans to satisfy the need of related customers of China Resources Group by developing the sale channels actively to urge its operating scale to grow. Meanwhile, CR Yuanta will reorganize its personnel organizational framework, strengthen the risk identification mechanism, and decrease expenses and expenditures to create the asset management scale and stable growth of operating revenue.

B. Upgrading of active fund performance:

(A) Domestic Mutual Funds

To upgrade the active performance of Taiwan stock, the Company will focus on the three major orientations, including "Selection of Excellent Target, Upgrading of Effect, and Mitigation of Risk". Firstly, interview the target which controls the fundamentals and operation precisely, and then pay intensive team visits to the highlighted target again to research the fundamentals thoroughly and conduct in-depth discussion to precisely control the industrial trend variations and select excellent

investment portfolios. Secondly, in order to avoid wasting resources, it will fulfill the target of the core investment portfolios precisely, including the team heavyweight stock and MP target management to make the team's major investment thoughts consistent, upgrade the personal contribution and enhance the team's capability. Thirdly, in order to mitigate investment risk, it will strictly control the investment target with poor liquidity, few market value and minimum Roe.

(B) Overseas fund

a. Continued upgrading of core competitiveness

- (a) Transformation of investment conclusions into action: Meeting concluded the fund operations to be implemented and fulfilled actively.
- (b) Make good use of products and expand options: multi-national futures, and foreign exchange products
- (c) Mitigate the local disability caused by the transformation and change of teams: Train multiplexing members and TAG talent attribute-linked fund style.

b. Implement AI Portfolio control operation: Upgrade winning rate and practice it into the work cycle.

c. Confirm the fund style and solicit for marketing opportunities actively.

- (a) Close interaction between daily team meeting's conclusion and PM.
- (b) Integrate members' KPI orientation.

(C) Substantial assets

The substantial assets fund aims to provide investors with another investment portfolio to effectively disperse the risk over bond and stock. Recalling the errors reviewed in 2018, in addition to the original fundamental research, the Company plans to research and operate the addition of technology and chip factors into the internal early-warning mechanism in 2019. Meanwhile, the AI team will provide judgment on market factors, and optimize the recommendations and operations of AI+HI to upgrade the per capita contribution, to avoid premature access, correct ideas but wrong actions, or over insistence on the minimization of errors in personal recommendation and operation as possible as it could. The optimization of business operations covers simple standardized, rapid and understandable market quotation updates to the sale representatives, reduction of working hours in the compliance/general planning and prevention of excessive marketing and communication of error message delivery, establishment of brand and customers' trust, and enhancement of the department personnel's marketing ability to achieve the target for training multi-tasking and multiplexing personnel.

C. Planning for ETF innovation and export of ETF technology:

Yuanta Securities Investment Trust, as the leader of Taiwan's asset management industry engaging in constant innovation, upholds its professionalism and passion, continues to release innovate products, provide investors with new products, well-founded mechanisms and comprehensive services in Taiwan. In 2017, the Company offered the first bond ETF throughout Taiwan, and provided investors with tailor-made products and solutions to satisfy their need for allocation of assets. In the same year, the

Company released the innovative product, Smart Beta, additionally to meet the investors' need for diversified investment and retirement wealth management. In 2018, the Company offered the first MSCI China Class-A stock ETF throughout Taiwan to provide investors with the new opportunity for investment in the inclusion index. Further, innovation of futures trust fund was also a focus of Yuanta Securities Investment Trust's development plan. It plans to issue the first stock index futures ETF – MSCI EM Futures ETF in Taiwan. Its strength resided in that it only utilized the emerging market futures issued by ICE exchange for follow-up, in order to improve such defects as price difference, liquidity risk and foreign exchange rate risk for the stock exchange in the emerging market to be borne by traditional stock index, and also provided investors in Taiwan with more diversified, innovative and convenient new products.

Yuanta Securities Investment Trust hit the history of the fund industry in Taiwan for acting the ETF technology advisor of Thailand Asset Management Company since 99. It has helped the offering of 8 ETFs in Thailand, accounting for 47% of the total 17 ETFs in Thailand. In 105, the Company worked with the leading provider of index products in Korea, "Mirae Asset", together with TWSE and Korea Stock Exchange (KSE) to develop the "Taiwan-Korea Connection" Project. Both fund companies offered the ETF circulating in each other's market and acted as the other party's technical advisor and, therefore, set the first example that Taiwan-based fund company and overseas fund company acted as each other's technical advisor mutually.

Additionally, Securities and Futures Commission, Hong Kong allowed the asset management service providers to offer leveraged and leveraged inverse ETF in 105. At the beginning of 104 when the Commission allowed the offering of leveraged/leveraged inverse ETF structured with Hong Kong index, the Company entered into the ETF technical consulting service agreement with E Fund (HK) Management Co., Ltd. immediately to act as E Fund's ETF technical consultant for Hang Seng Leveraged 2X ETF and Hang Seng Leveraged Inverse 1X ETF. So far, the management scale has accounted for 2% of the total scale of 22 funds offered locally. It is expected that the Company will continue to work with E Fund (HK) Management Co., Ltd. to offer futures and leverage and inverse ETF this year.

Yuanta Securities Investment Trust also extended its business to Hong Kong and worked hard to promote the ETF development performance, and attracted the competent authorities of the other countries in South East Asia to concern the ETF market development. Kuala Lumpur Stock Exchange/Bursa Malaysia (KLSE) also invited Yuanta Securities Investment Trust and the local asset management service providers to research related ETF consulting services, exchange opinion with each other and explore the possibility for ETF innovation and development. In May 2018, the Company signed the ETF technical advisory agreement with Kenanga Investors Berhad, a Malaysia-based company, and helped that company acquire the qualifications for offering leverage and inverse ETF locally. It is expected that the Company will apply with the local competent authority for the qualification to offer ETF to the local investors in 2019. Yuanta Securities Investment Trust worked hard to layout its business in the market of South East Asia. It is expected that it will extend its business to the other leading countries in Asia. Then, when it just happens that way, the Company will become the focus again.

D. Planning for investment consulting cross-industry cooperation:

Yuanta ETF-AI investment platform provides services to about 640,000 ETF investors (B2C) directly in Taiwan, and also plan the cross-industry cooperation (B2B) at the same time.

(A) Channels' cooperation (securities, bank, insurance)

The platform is equipped with the exclusive channels in hopes of helping ETF sale representatives (traders and specialists). Meanwhile, the Company will strive for the opportunity to provide services available from channels, provide the consulting services for AI algorithm and portfolio optimization technology.

(B) Third-party platform

Cross-industry cooperation with financial information suppliers, e.g. cnYES, MoneyDJ and StockFeel, to engage in the platform collaboration and marketing activities.

(C) Campus

By means of the large-scale presentation conferences and academic cooperation, promote the correct concept about investment and wealth management and engage in the academic research cooperation, and establish the talents database.

(7) Long and short-term business development plans

A. Short-term plan: Enhance management and integration

(A) Fast, strong and accurate communication of messages: In order to make the communication of messages between the investment team and business team more successful and to optimize the communication cycles, the Company plans to build the communication platform and data platform for the AI operation management platform. The former will focus on optimization of the communication cycles and enable the business units to know about the market changes or response to incidents in a timely manner via the messages linked across the platforms. Meanwhile, the Corporate Planning Dept. produced the legal compliance report to enable the business team to provide services to customers at the very beginning and demonstrate its professional competency. The latter will focus on integration of resources, avoid reproduction time and enhance the early-warning mechanism, and calculate the series of data under the module researched and developed by itself to verify the feasible business opportunities for the funds, or help the business team with its promotional activities or market sensitivity and ability to respond via the performance or sale warning mechanism, so as to become the AI assistant of the business team.

(B) AI asset management:

a. Provide AI information assessment indicator

In order to cope with the AI 2.0 investment trust, Yuanta Securities Investment Trust will use its best efforts to develop AI investment and investment AI. Meanwhile, in order to reduce the hours spent by managers in collecting information and upgrade the efficiency at the same time, the Company will implement the omnibus AI information assessment indicators and practice the same to the investment team on a trial basis. The indicators will learn the managers' past experience in the market quotation. The managers will also help the development of modules and provide diversified

information assessment indicators, hoping that the AI information assessment indicators become the best assistant helping managers assess the market quotation objectively.

- b. Continue to weed out the weak homogeneous products and retain the strong ones to upgrade the operating effect:

At the same time of offering new products, Yuanta Securities Investment Trust also continued to weed out the weak and retained the strong among the homogeneous products. In 2019, it will continue to target weak funds which are less than the economy scale or for which the market demand is shrinking for consolidation by type and nature or other planning, in order to strengthen the competitiveness of existing products and upgrade the mid-end and back-end operating effect and output value per capita.

- c. Practice ETF mutual fund and expand the benefits to banking investors and fund investors:

Since Yuanta Securities Investment Trust released Yuanta Taiwan Top 50 ETF, it has been well received by many retail investors and became the most representative ETF. Then, given customers' need for cash flow, Yuanta Taiwan high-dividend ETF emerged. Until the end of December of last year, the beneficial owners of the two ETFs have been more than 96,000 persons, reflecting their popularity and uniqueness in the market. Additionally, Yuanta GreTai 50 ETF is the first ETF traded in TPEX domestically, with the advantages residing in its explosive growth among the stocks traded in TPEX, and becomes the most liquid and representative TPEX-listed stock. Notwithstanding, since ETF may be traded at securities firms upon listing in TWSE or TPEX, Yuanta Securities Investment Trust uses its best efforts to offer ETFFF. Yuanta Securities Investment Trust holds, as a leader of TAIEX ETF, holds such characteristics as representative and popular indicators. Therefore, the Company will aim to offer the structured notes for Yuanta Taiwan Top 50 ETF, Yuanta Taiwan high-dividend ETF and Yuanta GreTai 50 ETF to realize the ETF mutual fund and expand the benefits to the banking and fund investors. The banking channel may practice the investment in ETF directly via ETFFF and thereby creates a new ecological environment for sale by banks. Meanwhile, Yuanta Securities Investment Trust may provide services to the customer groups via ETFFF, in order to provide professional service and also enhance the interaction and connection with customers, take the chance to drive the growth of ETF and exert the mesomeric effect of funds eventually.

- B. Long-term and mid-term business development plans:

- (A) Build the first omnibus and multi-functional ETF AI investment platform

In 106, the Company took the initiative to establish the AI wealth management investment platform oriented toward investment in ETF, which provided customers with four major functions: (1) Investment strategy: Include the diversified investment strategies for stock, bond, commodity and foreign exchange covering the "bull and bear index trend" in the market; (2) AI investment portfolio: Provide the optimal investment portfolio through AI and quantitative algorithms, and rebalance the allocation of assets subject to the market changes from

time to time, and control the market risk for investors; and (3) ETF optimization data: Provide Macroeconomics data, index, ETF data inquiry and comparison; (4) knowledge copywriting: Provide soft investment wealth management articles in order to facilitate customers to manage their own finance and find the optimal investment strategy. This year, the management strategy about the ETF AI Investment Platform will develop toward two orientations, including the optimization of ETF AI investment platform's functions and expansion of the number of members. The related development is stated as follows:

a. Optimization of the platform's functions:

Last year, the Company established the AI investment portfolio stimulation mechanism to continue improving the analysis ability and the experience in stimulation of customized investment strategies. Upon lifting of laws and regulations, the Company will implement the AI investment portfolio ordering function. The ETF solution program will be offered at the first stage, enabling customers to operate the financial modes personally to choose the optimal strategy, instead of placing order directly. Further, the ETF solution program will be expanded to cover non-ETF solution program at the second stage, and the Company will even establish a comprehensive investment portfolio solution program and increase the size of fund via the new channel and platform to drive the growth of the Company's scale, or work with institutional investors and sale channels to provide exclusive investment strategies, and expand the dependence on, familiarity of and loyalty to the channel to seek the opportunity to earn consulting service fees or profit sharing.

b. Expansion of the number of members:

An outstanding platform must become popular and then proceed to expand the transactions. Since the launch of the ETF AI investment platform, it has enrolled about 4,000 members. This year, the Company must make good use of internal and external strategies at the same time to expand the number of members. Internally, the Company shall deepen the cooperation with internal channels for promotion and enhance the loyalty thereof. Externally, the Company shall utilize the cooperation with the cross-industry platforms (B2B), including channels, third-party platform cooperation and campus promotion, and may even work with the online financial and economic celebrities to engage in the dynamic marketing via videos and animations.

In conclusion, Yuanta Securities Investment Trust hopes that the ETF AI investment platform may provide investors with four major flows including the logistic flow, information flow, money flow (work with a third party) and even business flow (via the referral by the platform to be in line with the transactions) eventually, and the platform may be built as the first omnibus and multi-functional ETF AI investment platform in the Chinese language.

(B) ETF of ETFs

Yuanta Securities Investment Trust is dedicated to developing and evolving ETF, as it transformed the needs for ETF at the very beginning to supply of investment portfolio. Its orientation is also advanced from the independent ETF issuer to the ETF solution provider. In the past, the

Company was used to offering only one single ETF in one time. Now, it engages in offering multiple funds in one time. The Company is orienting its development toward an issuer of ETF of ETFs, and will deepen the cooperation with channels and institutional investors, offer customer-oriented products, and set the plans oriented toward the targeted rate of return and cash flow.

(C) At the same time of business growth, Yuanta Securities Investment Trust also values the human resource training. Meanwhile, it hopes to break through the conventional standing. Therefore, in addition to product innovation, Company management, HR management and customer service, it will also find the way to innovate the operations under limited opportunities, limited resources and limited exposure of laws and regulations.

8. Yuanta Asset Management

(1) Main business services

- A. Acquisition and disposition of secured NPL by financial institutions
- B. Acquisition and disposition of non-secured NPL by financial institutions
- C. Succession to and auction of real property
- D. Other relevant operations approved by the competent authority.

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Disposition of NPL	400,981	96.02%	254,646	85.26%
Disposition and lease of real property	16,628	3.98%	44,035	14.74%
Total	417,609	100.00%	298,681	100.00%

(3) New financial products and services in development

Considering that the competent authority has approved and adjusted some business lines that may be undertaken by AMC in 2017, the Company has started to research the relevant operating model. For the time being, Yuanta Asset Management still values the acquisition and integration of creditor's right and right of things:

A. Acquisition and integration of creditor's rights

With Yuanta Asset Management's professional core competency, it will primarily proceed with the integration relying on the completeness of debt and single large debt to create the potential value of integration of credit and debit. For NPL management practical operations, debtors are frequently troubled and restricted by tremendous and complicated debts. If Yuanta Asset Management will, with its expertise and practical attitude, move in the direction of debt integration, under well-founded plan, professional negotiation, and sufficient funding.

B. Acquisition and integration of right of things

Yuanta Asset Management will start from the integration of creditors' rights secured by real estate valuable for development and make improvements on real estate where appropriate to create gains. Most of the collaterals required by financial organizations refer to real estate. However, it

is frequently impossible to dispose of the same amicably subject to different banks or creditors and, therefore, the potential value cannot be exerted or the realized price depreciates drastically. Therefore, if by integrating creditor's rights and then integrating real estate, added value of the real property will be increased accordingly.

(4) Business plan for the year

A. NPL plan

(A) Refine secured cases

Improve the existing traditional method, and flexibly utilize diversified approaches to seek income, and seek the most advantageous models after reviewing each case carefully. By means of court auction, sale of creditor's rights, bid and debt clearance negotiation.

(B) Fulfill the management of non-secured cases

Given the restrictions imposed by the competent authority on NPL released by financial organizations, there is almost no NPL bids offered in the market now. Yuanta Asset Management will move forward to delicate management to achieve the annual objective. Operate in coordination with objective management, warehousing management, performance management, and audit operation.

(C) Bidding and disposition of real estate

a. Yuanta Asset Management will decide to take part in the bidding for real property in the auction market in a timely manner subject to the rate of return and increment value of the property.

b. Yuanta Asset Management utilizes the decoration, lease income and value-added improvement.

B. Diversified business models

Yuanta Asset Management will be oriented toward multiple developments, transform the traditional one internally and turn to the model of diversified income. Externally, it will strive for offering of domestic and foreign asset management services and research the operating model for new business lines.

(5) Industry overview

Due to the fact that the competent authority requires various banks that unless in the case of NPL more than 3%, sale of NPL will be forbidden. If it is the case, AMC will reduce the sources of acquisition of NPL sharply and the room for profitability will be reduced accordingly. Given this, the competent authority has approved (e.g. Investment in urban renewal service providers and public tender offer by government entities) and adjusted (allowed to act as the enforcer of urban renewal) the business lines, in part, for the future operation of AMC invested by Yuanta Financial Holdings and Yuanta Bank on December 29, 2017.

For the time being, the domestic leading AMCs are primarily engaged in the bidding for real property in the auction market. To deal with the yearly shrinkage of NPL release in the financial market as a whole, AMC will move in the direction of greater diversification in terms of business development in the future.

(6) Research and development

A. Research and evaluation of court-auctioned real estate

Yuanta Asset Management shall participate in the bid for court-auctioned properties and acquire collateral secured under NPLs and real property auctioned by governmental entities in a timely manner, subject to the real property trend. It bid the court-auctioned properties with investment potential.

B. Research and evaluation of urban renewal cases

Evaluate the reconstruction or renovation required under the Urban Renewal Act and Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, or of unsafe buildings or sea-sand house; select the investable real property of which the owner requires integration within short time limit or reconstruction, or is willing to accept reconstruction.

C. Research and assessment on bond trading by non-financial institutions

Assess the validity, recovery rate and quality of the bonds of non-financial institutions (e.g. Telecommunication bonds and corporate receivable accounts), and select to subscribe for or submit tender for the bonds of non-financial institutions which may render return of investment.

D. Debt and collateral consolidation

Yuanta Asset Management will start from the integration of creditors' rights. It will expand into the improvement of right of thing and create potential value for creditors' rights and property rights so as to generate the best possible profits for the group.

E. Future plans

Yuanta Asset Management will continue developing bids for court-auctioned properties, public tender invited by government entities, urban renewal cases (including unsafe and old buildings) and NPL market, keep in touch and communicate with the competent authority fairly, and research any potential products and services as the Company's long-term and mid-term business development.

For the time being, it is researching extension of peripheral business based on NPL and court-auctioned properties, in hopes of enhancing the drive for new products and services with its existing experience, technology and human resource and by integrating the Group's plentiful resources.

(7) Long and short-term business development plans

A. Short-term business development plans

- (A) Achieve the annual financial budget objective
- (B) Deepen disposition of existing assets
- (C) Fulfill management of NPLs
- (D) Expand disposition of the NPL, fulfill the effective management of contract of non-secured cases and centralized warehouse management, and increase the speed for access and number of cases executed by courts, in order to achieve the existing objective.
- (E) Assessment on auctioned real property

B. Long-term business development plans

- (A) Support the financial holding group's need, provide the assessment on real estate and select the best assessment report on real estate:

Yuanta Asset Management has engaged in processing secured NPLs primarily. Therefore, it is very experienced concerning assessment of real estate collateral and disposal of the collateral. With its experience in real estate, it expects to provide various subsidiaries of Yuanta Financial

Holdings with a consultation platform for bidding, assessment and planning of real estate and activation and management of property, and then participate in development, improvement and addition of value of real estate together.

- (B) Communicate with the competent authority to develop new business lines:

In the future, Yuanta Asset Management will continue to communicate with the competent authority to seek the new business lines, which meet AMC, so as to enable Yuanta Asset Management to manage more diversified business lines.

- (C) Be in line with the Group's entire planning and help participation in new business lines:

In recent years, various financial organizations have been in line with the government's financial liberalized and internationalized policies and have provided assistance to meet the need for overseas development. Yuanta Asset Management will also be in line with the Group's internal business planning, help the Group with development of new business lines overseas, innovation and sale of financial instruments, and verification of the supervision highlights, related laws & regulations and risk control of the supervision authorities in various countries, in order to upgrade Yuanta Financial Holdings' competitiveness overseas.

9. Yuanta Securities Investment Consulting

- (1) Main business services

A. Securities investment consulting services

B. Other relevant operations approved by the competent authority.

- (2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2017		2018	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Consulting fees revenues	206,684	100.00	204,117	100.00
Periodical revenue	4	0.00	8	0.00
Total	206,688	100.00	204,125	100.00

- (3) New financial products and services in development

Yuanta Securities Investment Consulting will continue to develop consulting services on securities traded in Hong Kong, Shanghai, Shenzhen, New York, NASDAQ, and NYSE Amex markets to meet client requirements. Adhering to our goal of FinTech development and business strategy diversification, Yuanta Securities Investment Consulting continues to provide theme investment portfolio advice. Going forward, investors may choose from the investment portfolio suggestions by Yuanta Securities Investment Consulting offered exclusively online for reference.

- (4) Business plan for the year

A. Online signing of securities investment consulting service agreement

To help financial companies catch up with the e-commerce development trend, FSC had allowed the clients of securities investment consulting services to sign securities investment consulting service agreements online. In April

2017, Yuanta Securities Investment Consulting started to offer clients agreement signing services in both written and in electronic forms, which should support its business development.

- B. Providing in-depth and rigorous research and analysis in both Chinese and English versions to offer domestic/foreign clients with high-quality services.

Yuanta Securities Investment Consulting aims to ensure that its industry and company research attain the international standards. It provides domestic/foreign clients with company reports, industry/topic reports, overseas stock comments and macroeconomic reports covering domestic TWSE/TPEX listed companies and targets traded in overseas securities markets in Chinese and English versions. In the future, we will continue to expand the scope of research on individual securities and expand securities consulting services overseas to be in line with the Group's overseas layout.

Meanwhile, Yuanta Securities Investment Consulting has built asset allocation models and worked hard to upgrade new researchers' competency for analysis to meet different clients' needs. Yuanta Securities Investment Consulting adjusts the format and contents of the research reports regularly to meet business expansion needs from the Group's units and help the Group hedge against loan/stock lending risks to enhance loan quality.

- C. Increase services provided to and communications with clients

We arrange for interactions with clients regularly through speeches, educational trainings, presentation conferences or industry forums, and continue to increase services provided to and communications with clients. We also actively organize seminars for high net worth investors or high-turnover clients per the clients' need.

- D. Enhancement of international presence

In 2018, Yuanta Securities Investment Consulting was once again won the award of "No. 1 for Best Overall Country Research in Taiwan" from the internationally renowned financial and economic magazine, Asiamoney, and won 19 research analyst awards in the territories of Taiwan. This proves our research team has won high recognition. The team's high-class research reports and quality were also well appreciated by all related parties.

We hope to maintain such honors as we moves forward. Besides further developing the market in Taiwan, we also expect to integrate with the Group's overseas business to enhance our presence internationally through cross-border research cooperation as the Group deepens its overseas market cultivation.

- (5) Industry overview

The Securities Investment Trust & Consulting Association of the R.O.C. has a total of only 82 members registered as of the end of 2018, the lowest since 1997. Among them, seventy-five members were from the investment trust industry, trust industry, securities firms, and futures securities concurrently engaged in securities investment consulting business. Categorized by operations, there were 16 investment consulting enterprises engaged in the general agency of offshore funds, and 19 investment consulting enterprises engaged in discretionary investment business.

To catch up with the trend of technology, the FSC continued to encourage the development of FinTech in 2018. Yuanta Securities Investment Consulting

will provide more personalized investment services to clients via innovation of Fintech platforms or systems.

(6) Research and development

A. Research team

Yuanta Securities Investment Consulting possesses numerous researchers experienced in the analysis of industries and individual stocks. Apart from continuing to pass on skills to assistant researchers, it will also keep upgrading the competency of the entire research team through asset allocation models. Meanwhile, Yuanta Securities Investment Consulting will continue to support the Group's related business and develop externally to seek clients other than the Group and boost customized educational training programs and securities investment consulting services.

B. Digital service

Following the mobile communication, big data and cloud technology trends, in order to upgrade consumers' convenience and satisfy clients' diversified needs, the Company will continue to build the mobile communication software dedicated to providing the real-time market information and combine the theme investment portfolios. Going forward, the investors may select the investment portfolios offered by Yuanta Securities Investment Consulting exclusively online for reference.

(7) Long and short-term business development plans

In order to be in line with the Group's financial digitalization, Yuanta Securities Investment Consulting will implement the following development plans in the future:

A. Continue to digitalize the existing business to upgrade the efficiency of services provided to domestic/overseas clients.

B. Provide audio files of research reports to help clients better understand the contents and expand the availability of research reports.

Looking forward to 2019, Yuanta Securities Investment Consulting will continue to develop FinTech business and provide clients with omnibus services. With respect to consulting services on TWSE/TPEX-listed companies, industries and offshore funds and professional educational training programs, the Company will uphold the most professional and diligent attitude to provide clients with real-time market information, well-founded evaluation and fund planning, and create the maximum satisfaction and value for clients. In addition to the Group's existing clientele, the Company will also work hard to deal with other corporations to expand the targets of its service, enhance the quality of service to clients, and orient itself toward a diversified client base, in hopes of becoming a securities investment consulting company that the investment institutions will choose as their first priority.

II. Cross-Selling and Joint Marketing

In order to increase the standards of management for joint marketing data in the Yuanta Financial Holdings Group, all subsidiaries must use and share information in accordance with the Confidentiality Measures for Customer Data of Yuanta Financial Holdings Group. The group relies on cross-selling between its marketing channels, sales offices, and personnel to achieve better integration, satisfy customers' varied needs, and increase the group's overall service and sales performance.

III. Market and Business Overview

(I) Territories where the main products (services) of financial market are sold (provided)

Main products (services) of financial market	Territories
Banking services	Taiwan, Hong Kong, Korea, Philippines
Securities services	Taiwan, Hong Kong, Korea, Thailand, Vietnam, Indonesia, Cambodia
Securities finance services	Taiwan
Futures services	Taiwan, Hong Kong
Investment trust business	Taiwan, Mainland China
Life insurance business	Taiwan

(II) Future supply & demand in the market

In consideration of the sluggish demand in China and weakening economic growth in Europe, the world's trade momentum has been weakened. Besides, the Sino-US trade dispute, disturbance caused by Brexit, and drastic increase in the financial and debt risk in the emerging markets have intensified the international financial volatility. Multiple international forecast organizations believe that the global economic growth rate should be less than in 2018. The integration of Taiwan and China was high in the global value chain. Meanwhile, the two economies, namely China and the U.S.A., were identified as the most important export markets for Taiwan. As a result, Taiwan's economic performance suffered certain challenges. It is expected that its growth model will focus on the domestic demand. Notwithstanding, the consumers' confidence was affected by the market turmoil adversely. The public and private sector investment policies promoted by the government will be critical to the economic growth momentum of Taiwan. The Directorate-General of Budget, Accounting and Statistics forecast in February 2019 that the global economic growth rate in Taiwan will be 2.27% in 2019, lower than 2.63% in 2018.

For the supply, demand and development in the financial market, securities' income from core brokerage services was under pressure due to the increasingly rising e-trading proportions. Notwithstanding, the multiple new policies promoted by the government and the new business lines as permitted by the government are expected to bring out new opportunities. The plentiful and diversified products and services will become the main force to promote the securities firms' performance. It is normal to see the transformation of private wealth management and transactions, which also serves as the important means to secure key competitiveness. Further, considering that the market volatility might expand increasingly in the future, the credit cost is likely to raise.

In consideration of the sluggish domestic economic growth in 2019, there are still multiple uncertain factors likely to affect the economy. It is expected that bank loan growth will slow down. Besides, the tension in the trade between the US and China is likely to reduce Taiwanese businessperson's solvency. Such structural problem as the domestic long-term fund surplus and low interest rate has restricted the suppliers' profitability and growth. If the bank expands overseas business to pursue higher rate of return, the credit risk to be borne by it might increase relatively.

Benefiting from the demand for investment and motive of savings, life insurers' revenue from premium is expected to remain growing. Notwithstanding, it has to invest more resources to sell long-term products to ensure a stable cash flow in the future. Additionally, the operating environment in which the capital market volatility is increasing and hedging cost continues to stay high is likely to affect its rate of return on investment and financial performance adversely. The operators will encounter some challenges when maintaining its profitability and capital level.

(III) Yuanta Financial Holdings' business strategies and objectives

The core values upheld by the Company are "Seize opportunities and build client wealth", "Enhance performance and promote employee welfare", and "Create value and increase shareholders return". At the same time when developing the financial business thoroughly and creating profit, the Company also values the positive development in such areas as corporate governance, customers' interest and right, employees' care, environmental sustainability and social public welfare, in hopes of moving forward toward the objective for the "Best Financial Services Provider in the Asia Pacific Region" pursuant to the sustainability philosophy.

In order to fulfill the sustainability, the Company continues to uphold the three major ideas about sustainable finance, environment friendly and society's mutual prosperity to practice the same into the corporate culture and business. The Company shall also provide more diversified financial products, greener financial services, and more well-founded customer care, and urge its business partners to focus on the issue about sustainability, so as to establish a sustainable business management and service model step by step, and work hard to be selected by Dow Jones Sustainability Index (DJSI).

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

(IV) Yuanta Financial Holdings' development advantages and disadvantages

1. Factors driving growth and competitive strengths:

- (1) The complete financial domain covers securities, banking, life insurance, securities finance, futures, investment trust, investment consulting, venture capital and asset management. The dense business locations and about ten thousand financial service attendants throughout the nation may provide customers with omnibus financial services.
- (2) Recognized as the benchmark in corporate governance by foreign institutional investors and professional organizations: more than 30% of this Company's shares are held by foreign institutional investors, and it has received many corporate governance honors and recognitions to become the industry benchmark in corporate governance practices.
- (3) Balanced business and income structure: Yuanta Financial Holdings adopts the business model balanced securities and banking services management. Given the

balanced profit structure, Yuanta Financial Holdings would be affected less from single-industry events.

- (4) The leading securities brand: Yuanta Securities, Yuanta Investment Trust and Yuanta Futures all secure the relevant market leadership and construct strong research teams capable of winning high brand awareness and recognition from customers, and extensively developing diversified and differentiated products and services to create a higher service value.
 - (5) Yuanta Securities has taken the initiative to start its overseas layout among peer companies: It extends its business in such capital markets as China, Hong Kong, Korea, Thailand, Vietnam, Cambodia and Indonesia. By integrating the financial services in the various capital markets, it may create more opportunities to promote the cross-border business.
 - (6) Upon consolidation of Yuanta Bank and Ta Chong Bank, the Bank's asset scale amounted to more than one trillion NT dollars. The business carried out by the Bank also reached considerable economy of scale. Apparently, the consolidated effects have been developed successively.
 - (7) In consideration of the low liability cost on the insurance policy, stable investment, strong capital structure and balanced development of wealth management and protection-type and long-term products, Yuanta Life may also become one of the important sources of profit for the Group for a middle term or long term.
2. Obstacles to development and competitive weaknesses:
- (1) Considering that the operating revenue from securities operations is subject to the fluctuation of the securities market of Taiwan and the e-trading proportion is increasing year by year, the commission from brokerage service is declining accordingly. Yuanta Securities will continue to develop the wealth management business, increase overseas business operating revenue and control the opportunities brought by the opening of new business lines to diversify the sources of operating revenue and mitigate the fluctuation in earnings.
 - (2) Given the abundant capital, low interest spread for deposits and loans and competition among peer companies, the profit growth of the banking business in Taiwan is limited. Besides, the sluggish economic growth domestically and overseas brings multiple uncertainty factors for the economy, which are likely to increase the credit cost for the banking business. Yuanta Bank will adopt the cautious and stable loan policy to balance risk and rate of return.
 - (3) Yuanta Life maintains a small asset scale achieving less economy of scale among peer companies. Given the few life insurance tied agents and telemarketing specialists, the life insurance business primarily depends on the external channels (financial channels and traditional insurance brokers and agents channels). Yuanta Life develops and sells its products primarily in niche markets, develops multiple channels in a stable and balanced way, solidifies traditional insurance brokers and agents channels, actively develops and trains the financial channels to sell protection-type insurance products, and develops differentiated products according to characteristics of channels and diversified requirements of different target customers to meet the needs of channel development.
 - (4) Yuanta Securities still has not yet made some breakthrough in the framework of laws and regulations and business restrictions, so that the Asia-Pacific layout has not yet extended to the capital market of China. Besides, Yuanta Bank has no branch (subsidiary) in China and it is difficult to control the opportunity in the financial market of China. The Company will continue to serve potential

customers and reserve related human resources actively through the branch in Hong Kong.

IV. Employee Information for the Most Recent Two Years Up to the Publication of this Annual Report

(I) Information about the general employees

Data baseline date: 01/31/2019

Year		2017	2018	Ending January 31, 2019
Number of employees	Yuanta Financial Holdings	101	122	120
	Yuanta Securities	4,738	4,742	4,745
	Yuanta Bank	2,822	4,575	4,439
	Ta Chong Commercial Bank Co., Ltd.	2,327	-	-
	Yuanta Life	746	736	731
	Yuanta Securities Finance	43	46	48
	Yuanta Futures	374	374	374
	Yuanta Securities Investment Trust	310	287	286
	Yuanta Securities Investment Consulting	76	72	73
	Yuanta Asset Management	16	17	17
	Yuanta Venture Capital	15	15	15
	Total	11,568	10,986	10,848
Average age (Note 1)		41.53	42.18	42.39
Average years of service (Note 1)		8.89	8.76	8.84
Academic background (Note 1)	Doctorate	1.98%	1.64%	1.66%
	Master degree	53.46%	52.46%	52.50%
	University/college	38.61%	40.98%	40.83%
	Senior high school	4.96%	4.10%	4.18%
	Less than senior high school	0.99%	0.82%	0.83%
Professional certificate and license held by employees (Note 1)	Certified Public Accountants (CPA)	2	2	2
	Financial Risk Manager (FRM)	5	6	7
	Certified Financial Planner (CFP)	2	-	-
	Certified Internal Auditor (CIA)	2	2	2
	Associate of Society of Actuaries (ASA)	1	1	1
	Chartered Financial Analyst (CFA1)	-	1	1
	Certified Anti-Money Laundering Specialist (CAMS)	-	1	1
	Certified Public Accountants (CPA)	1	1	1
	Certified Information System Auditor (CISA)	1	1	1
	Internal Auditor	2	2	2
	Financial Auditor	1	1	1
	Securities investment analyst	1	1	1
	Senior securities specialist	36	38	36
	Securities specialist	20	21	21
	Futures specialist	32	32	32
	Sales representative of futures trust fund firm	1	1	1
	Sales representative of structured notes	2	3	3
	Securities investment trust and consulting professional	20	22	22
	Trust operations personnel	36	42	41
	Trust supervising personnel	1	1	1
	Trust management personnel	1	3	3
Bill finance specialist	2	2	2	
Financial planner	12	13	13	

Year	2017	2018	Ending January 31, 2019
Sales representatives of wealth management	3	4	4
Corporate internal controller	2	1	1
Bank internal controller and internal auditor	9	11	10
Bank internal controller	14	19	19
Sales representative of margin trading and short sale for the trading of securities	1	1	1
Basic proficiency test for international banking personnel	5	7	7
Basic proficiency test for banking lending personnel	7	10	10
Life insurance representative	30	35	35
Property insurance representative	12	13	13
Investment-linked insurance product representative	10	11	11
Certification Test for Financial Derivatives Sales Personnel	-	2	2
Fellow, Life Management Institute-1 (FLMI 1)	-	2	2
China futures trading personnel	1	-	-
SAC securities exchange	1	-	-
SAC securities investment fund	1	-	-
SAC securities investment analyst	1	-	-
SAC securities offering and underwriting	1	-	-
Bond specialist	1	2	2
Contracted debt collection personnel	1	1	1
Stock affairs personnel	3	2	2
Cisco Certified Network Associate (CCNA)	-	1	1
Cisco Certified Network Professional (CCNP)	-	1	1
Certified Information Systems Security Professional (CISSP)	-	1	1
Personal Information Management System Constructor (BSI10012)	2	2	2
Information Security Management Systems Auditor/ Lead Auditor (ISO 27001)	4	5	5
Microsoft Certified Solutions Associate (MCSA)	2	2	2
Microsoft Certified Systems Engineer (MCSE)	1	2	2
Project Management Professional (PMP)	1	1	1
Staff dedicated to anti-money laundering/countering of terrorism financing	-	4	3
Compliance officers	-	5	4
First aid personnel	-	1	4
Technician for labor safety and health management	1	-	-

Note1: Information on average age, average years of service, academic background, and professional credentials held by employees does not include data from Yuanta Financial Holdings' subsidiaries.

Note2: In consideration of the special business attributes, the basis for calculation of the number of Yuanta Life's personnel was adjusted to exclude the telemarketing personnel and the sales representatives underwriting life insurance by special project.

(II) License/certificate acquired by the Company's personnel related to financial transparency

Data baseline date: 01/31/2019

Certificate Name	Persons	
	Financial Accounting	Auditing
Certified Public Accountants (CPA)	1	0
Financial Risk Manager (FRM)	0	1
Certified Anti-Money Laundering Specialist (CAMS)	0	1
Certified Internal Auditor (CIA)	1	1
Personal Information Management System Constructor (BSI10012)	1	0
Information Security Management Systems Auditor/ Lead Auditor (ISO 27001)	0	1
Internal Auditor	1	1
Financial Auditor	0	1
Staff dedicated to anti-money laundering/countering of terrorism financing	0	1
Compliance officers	0	1
Senior securities specialist	4	6
Securities specialist	2	1
Futures specialist	3	5
Securities investment trust and consulting professional	4	4
Trust operations personnel	5	6
Trust management personnel	0	2
Financial planner	2	4
Sales representatives of wealth management	1	0
Bank internal controller	0	6
Bank internal controller and internal auditor	1	1
Basic proficiency test for international banking personnel	0	2
Basic proficiency test for banking lending personnel	0	4
Sales representative of margin trading and short sale for the trading of securities	1	0
Life insurance representative	2	6
Property insurance representative	1	3
Investment-linked insurance product representative	1	1
Financial derivatives sales personnel	0	1

V. Corporate Social Responsibilities and Ethics

Yuanta Foundation was involved in organizing 692 events in 2018, including 74 self-organized events, 411 events co-organized with others and 207 sponsored events. More than 2,000 volunteers participated in the events and the events benefited more than 200,000 participants. It worked with generous members of the community to enhance the “charity public welfare platform” by continuously investing personnel and human resources, and to call more volunteers to join the events, integrate the resources from various sectors, set an example for others to follow in undertaking good deeds, provide and create opportunities for friends who need help to amplify the heartwarming events.

Since Yuanta Foundation was founded for 16 years, it has always upheld the philosophy about “public welfare” and “fulfillment” to help others make their dream come true, transform life, find the truth about happiness, and create the heartwarming power for “cycles of good deeds”. To “Educate and Train Youth’s Independence”, the “Yuanta Dreams Take Flight Program” is dedicated to helping disadvantaged children to learn. The Program has been running for 8 years and has helped provide education to 3 graduated school students and 72 excellent university students. A total of 995 students have also received Yuanta scholarships. Meanwhile, the Foundation also organized the “Yuanta Excellent Talents Scholarship”, which was granted to a total of 172 excellent but economically disadvantaged students from 15 senior high schools and 8 colleges/universities in the past three years, to enable many young excellent students to be concentrated on studies. These “Yuanta Children” who were awarded the scholarship also applied for participating public welfare activities voluntarily to provide volunteer service and feed back to the society and thereby exercised the heartwarming power for “cycles of good deeds”.

In order to fulfill its corporate social responsibility obligations, the Foundation also integrates its extensive channels and plentiful human resources to promote volunteer services and practice it into action, e.g. participation in the “Good Neighbor in Child Protection” campaign organized by CCF/Taiwan, which combines the power from 297 subsidiaries’ business locations to enhance the exposure of child protection, and organizes such activities as the “Yuanta Happiness Day” and “Yuanta Volunteer Day”. These events involve thousands of disadvantaged children’s to visit exhibitions and experience in the programs including arts, science and music. Meanwhile, the Foundation has implemented “Dream Big Yuanta Social Welfare Plan” for three years consecutively to integrate related resources to build a public welfare platform integrating virtual and physical resources, helping 6 groups to be aided. It not only sponsored budget but also sent a large number of volunteer workers to participate in the event, and contributed funds and human resources to call on the people to feed back to the society together.

Yuanta always spares no efforts to train financial human resources and preserving talents for enterprises and the society by allowing students to intern in enterprises and receive scholarships, as partake in academic contests. For the past 12 years, the summer research program has trained 190 university graduate students specialized in finance and economy and producing the paper integrating practicing and learning experience. Meanwhile, it helps upgrade domestic financial academic and professional studies by sponsoring academic workshops and interchanges between industrial and academic circles, such as “Yuanta Cup”, “NTU and RUC Case Study Program”, “NCCU FinTech Research Center” and “Asia

University International AI & Blockchain Consortium (iABC)” in order to boost exchange between financial studies and industries. To boost social safety and public welfare, Yuanta supports special disadvantaged groups or the after-cared through the promotion of lawful and responsible living, involvement in anti-drugs events, women and child safety, and after-care protection to call on the public to value and participate in the promotion of lawful and responsible living. This year, Yuanta Foundation was honored by Ministry of Justice as the “Meritorious Group in Promotion of After-Care Protection”.

Given the constantly transforming social development, Yuanta Foundation will keep hard working with love and initiate physical actions of concern and care. In the spirit of “Taken from Society Give Back to Society”, by feeding back to the society physically”, Yuanta Foundation would like to set an example for others to follow in undertaking good deeds. This is done in the hope of soliciting more love and empowerment, encouraging everyone to embrace transformation and be brave in dealing with the future, and creating a more harmonious, equal and better society that is grounded in a concern for public welfare.

(I) Educate and Train Youth’s Independence

1. Yuanta Dreams Take Flight

To fulfill our corporate social responsibility obligations, Yuanta Foundation actively participates in various cultural, educational and social welfare events. Adhering to the expectations represented by the slogan, “People-Oriented, with the Wish that My Existence Be Another Person’s Blessing”, Fu Jen Catholic University worked with Yuanta Foundation to activate the “Yuanta Dreams Take Flight” program to keep introducing resources into the rural areas stably. Fu Jen Catholic University has worked with Yuanta Foundation for almost 8 years on “Yuanta Dreams Take Flight” initiative. Ministry of Education recognized Yuanta Foundation’s long-term concern about the disadvantaged groups in remote areas and extension of the charity events and awarded the Foundation the “Enterprise-Aided Charity and Education Business Golden Prize” this year. A total of 7,387 persons were benefited therefor.

(1) Scholarship to Train Talents in Rural Areas

Yuanta Foundation worked with Fu Jen Catholic University to boost the “Yuanta Dreams Take Flight Scholarship” Program. A total of 220 students’ applications for the scholarship of college/university students, high school/high vocational school/5-year junior college students were approved in the second semester of the school year 2017 and the first semester of the school year 2018. The students came from 8 schools, including Taoyuan Municipal JieShou Junior High School, New Taipei Municipal Qinxian Junior High School, New Taipei Municipal Jian-shan Junior High School, Tzuchi Da-Ai Village, Shan-Lin District, Kaohsiung City, Chiayi Municipal Fu Jen Catholic High School, Keelung Fu Jen Sacred Heart Senior High School, National Jhuo-Lan Experimental Senior High School in Miaoli County and Taoyuan Municipal Xin Wu Senior High School. Until 2018, the “Yuanta Dreams Take Flight Scholarship” Program has trained 72 excellent university students and 3 graduated school students. A total of 995 persons have been awarded the scholarship. This year, more than 10 “Yuanta Children” applied for participating

public welfare activities voluntarily to pass on the heartwarming power for “cycles of good deeds”.

(2) Summer and Winter High School Class in the rural area Project Kangaroo

Yuanta Foundation and Fu Jen Catholic University have worked with each other to offer summer and winter high school classes in the rural. By upholding and respecting the core cultural value of each region, the Rural Area Education and Care Team of Fu Jen Catholic University was responsible for planning the professional and plentiful courses. The university students directed the children’s lessons in the summer and winter high school class, so that the children would not ignore their work due to lack of guidance during the long vacation. The “community juvenile after-school guidance program - Project Kangaroo” trained the children’s identity and respect of their own life and other persons’ life and also help them understand and cherish the learning resources to form their fair attitude and responsible sense, so as to ensure that the community’s children are uninterrupted in their studies in the winter and summer vacation and also mitigated pressure of their parents, so that children in the rural area may enjoy the same chances to study. Until 2018, a total of 3,916 trainees have attended the High School Class in the rural area.

(3) Digital Buddy

The Ministry of Education has boosted the “Digital Learning Partner” program since 2006, under which computers, networks, video devices and online teaching platforms were utilized to train university students on how to direct the learning of children from remote areas and interact with the children in daily life. Until December 2018, a total of 1,620 trainees have attended the urban area disadvantaged child student education guidance program as provided by Fu Jen Catholic University.

2. Yuanta Excellent Talents Scholarship

Yuanta always spares no efforts to train human resources. In order to award the honor equivalent to the President Educational Award, Yuanta Foundation organized the “Yuanta Excellent Talents Scholarship” to encourage diligent students to be concentrated on studies without being affected by the poor economy of their families. This year, a total of 56 excellent students from 15 senior high schools and 6 colleges/universities were awarded the Scholarship. A total of 172 persons have received the scholarship for the past three years. Yuanta Foundation will keep working hard to stay with the awardees when they are pursuing studies. Until 2018, 10% of these students have been returned to Yuanta and interact with Yuanta Foundation actively, and even joined the volunteers dedicated to feeding back to the society with their good deeds to follow in the “cycle of good deeds”.

(II) Involvement in Volunteers Public Welfare Platform

1. Dream Big Yuanta Social Welfare Plan

In order to amplify the spirit of social welfare, Yuanta Foundation implemented the “Dream Big Yuanta Social Welfare Plan” in 2016 to help the social welfare groups which work hard for education on every corner of the society, integrate Yuanta Financial Holdings’ resources through various activities and creative ideas to build a

virtual reality interactive and multi-functional social welfare platform. The Foundation also called on more than 700 volunteer workers inside and outside the Company to participate in the event to realize the dream with the education and social welfare groups to be aided. In 2018, the “Dream Big Yuanta Social Welfare Plan” was activated officially to help realize the 6 education dreams across all topics, age and gender and cities/countries, covering cram schools, environmental education, activation of communities and multi-generation service model. The Plan was diversified and innovative. The subjects aided by the Plan included Syin-Lu Social Welfare Foundation, Hsinchu Branch, Bjorgaas Social Welfare Foundation, New Taipei City Community Association, New Taipei Municipal Fongjhu Elementary and Junior School, Chiayi County Hersung Elementary School and Guan Shan Junior High School, each of which received the fund, NT\$300,000. Meanwhile, the Foundation also called on volunteer workers to participate in the event to build a public welfare platform integrating virtual and physical resources. Until the 2nd term, it has solicited for more than 15.52 million followers to amplify the power of showing mercy and enable each corner of the society to be full of positive energy.

2. Yuanta Public Welfare Platform

(1) Yuanta’s Donation of Second-Hand Books

Yuanta Financial Holdings and Yuanta Foundation upheld the enterprise’s feedback philosophy about care for the society and share of resources and took the initiative to contribute to the society physically. It not only donated food or supplies to the social welfare groups who needed help but also collected second-hand books donated to New Taipei Municipal DaPing Elementary School and BoYo Social Welfare Foundation. In 2018, they organized the book donation and wealth management activity at DaPing Elementary School, and invited Yuanta Bank’s volunteers to share the basic wealth management ideas, in hopes of enriching the children’s life with the power of knowledge from reading.

(2) Yuanta Soap Love Dream for Public Welfare

The Foundation is dedicated to helping the physically and mentally disabled learn the self-reliance and train their occupational competency. The Foundation purchased 500 pieces of soaps from the sheltered workshop of Down Syndrome Foundation, ROC as the public welfare promotional materials in order to help the Down Syndrome Foundation expand its promotional channels and fund-raising ability. Meanwhile, Yuanta Foundation called on 32 co-workers from Yuanta Group to serve as volunteers engaged in charity services and make the soaps together with the children with Down syndrome, and asked the children with Down syndrome to act as the volunteer workers’ student teachers, so as to raise the children’s self-confidence and sense of accomplishment, expecting that they may integrate into the society as independent adults when later accessing the employment market.

(3) Cake for Public Welfare

Yuanta has responded to the “Cake For Public Welfare” event for five years consecutively. NT\$100 will be donated to Harmony Home Association, Taiwan per roll of the cake purchased. The money will be used to help the children born

out of wedlock or babies abandoned by foreign immigrant workers solve their difficulty in the livelihood, medical treatment and schooling in Taiwan. In 2018, the Foundation has subscribed for a total of 1,000 rolls of cake and donated them to its long-term public welfare partners, such as the 11 entities including Chung Yi Social Welfare Foundation, Taoyuan Municipal JieShou Junior High School, New Taipei Municipal DaPing Elementary School, Bethany Children's Home, Taiwan Fund for Children and Families, Bjorgaas Social Welfare Foundation, BoYo Social Welfare Foundation, Dayuan Catholic Church, Taiwan Alzheimer Disease Association and New Taipei City Community Association, and more than 200 children participating "Yuanta Happiness Day" also received such charity cake.

(4) Yuanta Public Welfare Movie

Yuanta Financial Holdings have organized 4 public welfare movie shows this year, and invited the social welfare entities close to Yuanta Foundation to watch 4 movies. The shows invited a total of 5 public welfare partners to the venue for fun. The partners who seldom had chance to watch movie in cinema could enjoy themselves because of the shows, and the Company's philosophy of "what is taken from the people is used in the interests of the people" was fulfilled therefor.

(III) Aid for Disadvantaged Group Caring for Children and Juvenile

1. Aid for Disadvantaged Group

(1) Yuanta Happiness Day

"Yuanta Happiness Day" has been running since 2012 and won the passionate response from public welfare groups and volunteer workers. Three events will be organized in Northern Taiwan, Central Taiwan and Southern Taiwan each year, in order to benefit the children. More than 3,800 children have experienced the happiness day for the past 7 years, and more than 1,000 employees from Yuanta Group and their dependents served as volunteer workers in the events.

The three events for "Yuanta Happiness Day" 2018 were held at the Taipei Children's Amusement Park, National Science and Technology Museum, and Asia University in Taichung, respectively. A total of 28 public welfare groups and schools and 726 children have attended the events. Yuanta volunteer workers shared an unforgettable "happiness day" with children and also experienced the pleasure of devoted care.

(2) Taiwan Fund for Children and Families Commendation of Orphans

Taiwan Fund for Children and Families organized the "National Commendation for Orphans 2018" in Taipei City, and selected 23 strong, obedient, industrious and excellent children out of more than 50,000 economically disadvantaged children to accept the commendation. Yuanta Foundation exclusively sponsored the event by offering 23 children the fellowship and also the happiness gift package, as well as accommodation and meal expenses for their stay in Taipei, to give the parents and children who seldom traveled the chance to enjoy happy family hours.

2. Caring for Children and Juvenile in Rural Areas

(1) Newspaper reading education program in Hualien and Taitung

Yuanta Foundation responded to the “Newspaper Delivery to Mountainous Regions” Plan organized by Mandarin Daily News, and worked with 19 elementary schools in Hualien and Taitung to boost newspaper reading education. A total of 473 trainees were enrolled into the newspaper reading experimental class this year, i.e. 33 classes in total. By promoting the newspaper reading campaign, Yuanta Foundation upgraded child students’ reading and writing comprehension, enhanced their awareness of current events, and thereby shortened the gap in education between urban and rural areas.

(2) Train Local Teachers by Kids’ Bookhouse in Taitung

“Kids’ Bookhouse” has set up 9 bases in Taitung so far, in order to aid 300 children from economically disadvantaged families in Taitung and provide diversified learning services. Yuanta Foundation has sponsored “Kids’ Bookhouse” in Taitung for 9 years consecutively to help it hire the local youth to act as the cram school teachers and encourage college graduates to return to their hometown to provide services. Yuanta Foundation also played the role of “public welfare platform” engaged in matching the Bookhouse with other enterprises and public welfare units for cooperation and integrating multiple resources to provide the children with more multi-faceted aids.

(3) Musical Education Help Children Build Dreams

Yuanta Foundation has worked with Taipei Philharmonic Foundation to boost the musical educational program for three years consecutively. They provided the service to 27 schools in New Taipei City and Taoyuan and established 15 branches to engage in the musical education. In 2018, the Foundation raised second-hand violins in order to offer the violin courses in the junior high schools and elementary schools in was sent to the national middle and primary schools in urban fringe or rural areas. By this chance, the new generation musicians with aspiration for education may participate the social care services.

(IV) Financial Talent Training · Industry-academia exchange

1. Financial Talent Training

(1) Summer-program Students’ Plan

Since 2007, the “College/University Graduate Students’ Summer Research Project Scholarship” co-organized by Yuanta Financial Holdings and Yuanta Foundation has selected about 20 outstanding students of financial and economic graduate schools from various colleges and universities in Taiwan to offer them the opportunity of internships at the Group’s subsidiaries, and for 12 years has never stopped boosting the cultivation of the human resource training project. Yuanta’s College/University Graduate Students’ Summer Research Project emphasized that classmates may be taught to have the theories they learned brought in line with practice. So far, 190 graduate students majored in finance and economics have been trained, who also produced the paper integrating practicing and learning experience. Some of the excellent students were recruited by the Group as reserve cadres of Yuanta.

(2) Yuanta Cup EMBA Analytical Challenge

It has been 12 years since “Yuanta Cup” was founded in 2007, which has become a very important event in the academic circle in Taiwan, as it integrates case method and competition, innovates academic value, and exerts the energy from enterprises and academic circle to the utmost. In 2018, the “Yuanta Cup” was organized at National Sun Yat-sen University. As a result, among the intensive competition of 8 national universities’ EMBA trainees throughout Taiwan, the “Yuanta Cup” championship was won by National Cheng Kung University for Chinese cases and by National Taiwan University of Science and Technology for international cases. The two universities, which have won the championship for three consecutive years, may retain the trophy symbolizing the highest honor for the “gentleman’s battle” forever. The event integrated academic and public welfare. The winning team donated the prize to the designated public welfare entities. The prize awarded was donated to 9 public welfare groups, totaling NT\$320,000, and created the “win-win-win” situation for Yuanta, competitors and public welfare groups.

2. Industry-Academic Cooperation

(1) “Cooperative Framework for Chinese Enterprises” Program co-worked by National Taiwan University and Renmin University of China

In order to facilitate the cross-straits business management development platform, Yuanta exclusively sponsored the “Cooperative Framework for Chinese Enterprises” Program, co-worked by the Management School of National Taiwan University and Business School of Renmin University of China, which has generated 87 study cases for the cross-strait enterprises’ operation for the past 7 years. As a result, more than 700 business operators could learn and inspire from each other. In 2018, with respect to the topic, “Enterprises’ growth strategies and organization in Greater China”, a case study program was held in Business School of Renmin University of China. The issues discussed in these programs provided valid model cases for the challenge encountered by Chinese enterprises, gathered elites together to brainstorm about different thoughts and horizontal alliances.

(2) FinTech Research Center, National Chengchi University

In order to help the finance industry in Taiwan control the FinTech development trend more thoroughly and train professional talents, Yuanta, with its specialty in finance, sponsored the 3-year research project investigated by FinTech Research Center, National Chengchi University, and also sponsored the organization of the digital FinTech summit meeting for “Hit FinTech” of 2nd term in 2018. This was done in order to boost the exchange of international financial experts on issues about the FinTech in Asia-Pacific region and Taiwan, and provide more support and assistance to the FinTech development in Taiwan by integrating the experience and resources of East and West, feedback to Taiwan’s society and help Taiwan’s talents in line with the international development.

(3) Develop International Finance Academic Workshop

Financial development is based on professional training. The Taiwan Finance Association Annual Assembly and International Academic Workshop organized by The Taiwan Finance Association and Department of Finance and NCCU Department of Money and Banking and sponsored by Yuanta, with the theme “New Finance and Banking Trend” in 2018 and in line with the passage of the “FinTech Development and Innovative Experiment Act”, primarily engaged in discussing the current FinTech innovation in Taiwan and providing adequate opinions on the issues and policies about Behavior Finance, in order to upgrade the financial development and availability of financial services in Taiwan through the in-depth discussion and international exchange. 150 top domestic and foreign scholars specialized in finance and elite from the industry were invited to attend the workshop to conduct an in-depth exploration of the important financial and economic issues based on the wise advice gathered from the industry, government and scholar.

(4) HBR in NTU Case Study Forum

Yuanta has sponsored the “Cooperative Framework for Chinese Enterprises” Program, co-worked by the Management School of National Taiwan University and Business School of Renmin University of China for seven (7) years since 2011. The Management School of National Taiwan University showed its sincere appreciation to Yuanta Foundation’s support to the Program. In order to urge the exchange between enterprises and academic circle, it particularly invited Yuanta’s high-rank management to attend the NTU Seminar entitled “New Experience - Chinese Case Study on Cross-Strait Enterprise”, hoping to conceive innovative and flexible approaches from the in-depth discussion with various experts based on Yuanta’s financial expertise and analysis of the innovation and reform of the cross-strait enterprise case by case.

(5) Corporate Governance Summit Forum

The “14th Term Corporate Governance International Summit Forum” sponsored by Yuanta Foundation and organized by Taiwan Corporate Governance Association was held at the GIS NTU Convention Center in 2018, which invited domestic and foreign experts and scholars to share their experiences for reference by the corporate governance in Taiwan. The Forum entitled: “Practice Independent Directors’ System and Upgrade Corporate Governance Value” was held in hopes of training and passing on the awareness and concept about corporate governance, in addition to laws & regulations, from junior employees to high-rank management and thereby building the relevant culture. Among the other things, Yuanta Financial Holdings and its subsidiaries were recognized by domestic/foreign renowned organizations in their corporate governance and information transparency. Yuanta Group’s independent directors, Professor Yin Hua Yeh and Professor Ming Ling Hsueh, also participated in it to share the importance of corporate governance.

Yuanta Group is used to valuing corporate governance. It ranked in the top 5% of TWSE/TPEX listed companies in the 3rd annual “Corporate Governance Evaluation Operation”. In 2018, Yuanta Financial Holdings was awarded the

2018 Taiwan Financial Award - “CSR Excellence Award for Financial Holdings” by Wealth Magazine for the third year consecutively. Also, Yuanta Financial Holdings and its subsidiaries including Yuanta Securities and Yuanta Bank passed the Taiwan Corporate Governance Association’s “CG6011 (2017) Corporate Governance Framework Assessment Certificate with Excellence”, becoming the first financial holding company to receive this certification, and the role model of financial business invoked by multiple experts and scholars on the Forum.

(V) Medicine and Health Care for the Aged

1. Medicine and Health

(1) Yuanta Charity Blood Donation

“Yuanta Charity Blood Donation” has been organized since 2011, at the headquarters of Yuanta Financial Holdings on Dunhua S. Road, Taipei, Tatung Building of Yuanta Financial Holdings on Nanjing E. Road, Hongtai Building on Ming Sheng E. Road, Chengde Building on Chengde Road and Changchun Blood Donation Station at the same time. Yuanta Foundation especially invited the colleagues from all of the subsidiaries and branches throughout Taiwan to donate blood at the blood donation stations in various counties/cities. More and more employees have donated their blood or become volunteer workers. For 8 consecutive years, the Group has contributed 13,415 bags of blood, and has been honored by Taipei Blood Center, TBSF as a “Blood Donation Excellent Enterprise” for the third year consecutively, to help the society and save lives through blood donation.

(2) Yuanta Securities Help Angel Heart Family Children With Soars to the Heights

Yuanda Foundation continues to play the important role on the charity public welfare platform. The Foundation matched the “Angel Heart Family Children”, a long-term public welfare partner, and Yuanta Securities and integrated the financial products and services to initiate the reward program for public welfare through subscription for “Yuanta Securities warrants”. Specifically, it invited investors to support the “Angel Heart Family Social Welfare Foundation”. At the very beginning, the program aroused enthusiastic response from the investors, and raised more than 6,000 charity subscriptions within 10 days. Yuanta Securities immediately announced the donation of NT\$200,000 to the “Angel Heart Family Social Welfare Foundation” in cash as the public welfare expenditure to be spent in caring for the angel heart families, in order to call on people to treat the angel heart families nicely and healthily and to bring more love and hope for them through the program.

2. Care for the Aged

(1) Volunteer Workers’ Stay With the Hualien Mennonite Christian Hospital Aged

Yuanta Foundation has worked with Mennonite Christian Hospital for 12 years to care the aged people residing in Hualien and Taitung, and help the permanently hospitalized patients who had no way to return home to have reunion with family members feel a heartwarming festival by providing donations of moon festival gifts and year-end parties, together with Yuanta Life’s volunteers

in Hualien. A total of 1,873 persons were benefited from the event organized by Yuanta Foundation and Mennonite in 2018.

(2) Sponsor Arts to Promote Long-Term Care Policy

The Foundation has kept concerning the medical treatment development for the aged permanently. The Foundation sponsored the Performance Workshop to perform the stage drama entitled “The Eternal Coffee Time”, in hopes of speaking for the economically disadvantaged group in the society through the drama and calling on the public to focus on such issues about grandparenting and dementia. Meanwhile, the Foundation also expected to promote the positive values by performing arts, pass on Yuanta Group’s philosophy in supporting integration of arts and education, and set an example for others to follow in undertaking good deeds to inspire more people to care the medical care for the aged and LOHAS of the aged. A total of 80 partners from Taiwan Alzheimer’s Disease Association and Hondao Senior Citizen’s Welfare Foundation who have engaged in serving the aged permanently were invited to watch the drama show together with the aged, in hopes of calling on people to concern such issues about the medical treatment for the aged and long-term care policy through the drama show and leading all of them to find back the strong power for “Love and Family”.

(VI) Community Service Environmental Protection

1. Community Service

(1) Protection of Children and Juvenile

Yuanta and Taiwan Fund for Children and Families are long-term public welfare partners in the area of care for children and juvenile. Both have worked with each other for 12 years so far. In the past, they ran promotional materials and advertisements on magazines and media to enable the public to better understand the claim for protection of children in hopes of enhancing the presence of child protection promotions. In 2018, they also jointed the “Good Neighbor in Child Protection” campaign actively and combined a total of 297 business locations of the Group’s subsidiaries including Yuanta Securities, Yuanta Bank and Yuanta Life to respond to the “Good Neighbor in Child Protection” campaign. They worked together to build dense safety networks for abused children by posting posters and stickers and distributing more than ten thousands of DM. Yuanta also called on everyone to extend care for more than ten thousands of children who are still bearing suffering in life, have the disadvantaged children better feel the care from the society and physically care the abused children together with the Fund.

(2) After-care

Yuanta Foundation participates in judicial protection, safety of women and children, and establishment of employment industry chain actively, in hopes of leading the public and enterprises to value judicial protection, and also devotes itself into the after-care operations to provide the after-care with a second chance and also hope. In 2018, Yuanta Foundation also helped the organization of the Taiwan and Japan After-Care Handicraft and Design Exhibition and publication of the new book entitled “Bronze Language: Love and Hope” to demonstrate the

after-care educational results jointly, hoping that the after-care could own their own skill and integrate into the society on their own. Yuanta Foundation was honored by Ministry of Justice as the “Meritorious Group in Promotion of After-Care Protection” in 2018.

2. Environmental Protection

(1) Protect Malawi with Bjorgaas Social Welfare Foundation

In November 2017, Yuanta Financial Holdings organized the charity musical concert “Love Medley Yuanta Public Welfare Musical Festival”. Yuanta Foundation and Yuanta Securities Investment Trust raised a total of NT\$2 million therefrom and donated the same to Bjorgaas Social Welfare Foundation as heartwarming aid and support. Bjorgaas Social Welfare Foundation utilized the donated fund to organize the “English Coffee” and called on the elementary school students throughout Taiwan to learn English. As long as any student answered one right English vocabulary, they would help the farmers in Malawi sell a piece of fair trade coffee bean to support the Malawi people’s livelihood. Bjorgaas Social Welfare Foundation also organized the presentation of results ceremony in Yuanta Bank, Huashan Branch to demonstrate the results generated by the program for the construction in Malawi communities and children’s education. The Foundation and Yuanta Securities Investment Trust’s representative were invited to attend the ceremony to respond to the program.

VI. Number of employees in non-managerial positions, annual average employee benefit expenses, and difference in comparison with those of the preceding year

According to TWSE RAFI® Taiwan High Compensation 100 Index, the Group had 13,458 employees in non-managerial positions and the annual average employee benefit expenses for the employees in non-managerial positions in the amount of NT\$1.50 million in 2018, increase by about NT\$86 thousand from the previous year.

VII. Information Technology and Facilities

In terms of the subsidiaries including Yuanta Securities, Yuanta Bank, Yuanta Life, Yuanta Futures and Yuanta Securities Investment Trust, the Group’s information equipment is stated as follows:

(I) Construction and maintenance of main information system

The information systems of Yuanta Securities, Yuanta Bank and Yuanta Life are allocated in consideration of the system framework efficiency and business maintenance. In addition to the full-time IT staffs dedicated on system maintenance and operation, the companies also signed the maintenance contract with relevant software and hardware vendors to ensure the systems’ availability. Stated as following:

1. Yuanta Securities

Yuanta Securities’ main application systems, such as YesWin, EWinner, Mr. Yuanta, Sale Support Platform, web trading, IVR, Sub-brokerage, official website, Performance Bonus, Wealth Management, GETS Proprietary Trading, Market Data, Shareholders Service, Securities Borrowing/Lending front-end and back-end, Emerging Stock, Proprietary Trading-Equity Securities Management, Proprietary Trading-Fixed Income Management, Over-The-Counter Derivatives-related system,

Brokerage Back-office System, are configured in the various operating system servers, such as AIX, Solaris, Linux and Windows.

2. Yuanta Bank

Yuanta Bank's application systems, such as NTD deposit/loan, remittance, cross bank service, foreign exchange, trust, accounting, data warehouse, wealth management and credit card authorization, are configured in the various operating system servers, such as IBM p-Series, IBM AS/400 i-Series, Oracle T7, EMC Greenplum and Windows x86.

3. Yuanta Life

Yuanta Life's main application systems, including the life insurance administrative core system (including the administrative support for new contract, security, renewal, benefit claim, accounting, finance, actuary and re-insurance) and business development system (including the business support for agency sales channels, Banca & Securities Insurance channels, brokerage channels, diversified channels and e-commerce), are equipped with the security, monitoring and hardware equipment of different level and the operating system servers including IBM p-Series, IBM AS/400 i-Series and Windows x86.

(II) Development and procurement projects in 2019

1. Yuanta Group

(1) Human Resources Information System (HRIS)

- A. Continue integration of Yuanta Life sales representatives' management system
- B. Continue bonus operating platform-Yuanta Investment Consulting/Yuanta Investment Trust implementation

(2) Group infrastructure and information security

- A. Continue Group AD/Exchange upgrading project
- B. Continue intrusion prevention system replacement
- C. Continue NoteBook access control
- D. Security protection (end-point defense, online APT, host parameter check)
- E. Anti-phishing service implementation

2. Yuanta Securities

- (1) Revise and optimize related trading systems in line with the continuous trading of stock adopted by TWSE
- (2) Establish the stimulated platform for continuous trading policy adopted by TWSE to provide customers with the relevant experience
- (3) New-generation order placing system applicable to foreign institutional investors
- (4) e-Trading hardware device replacement and upgrading
- (5) Sub-brokerage and foreign institutional investor trading platform replacement and system migration
- (6) TW stock price column expansion - 2nd and 3rd stages
- (7) Yuanta Securities e-Counter
- (8) Credit securities source management platform
- (9) Subsidiary ledger deposit/remittance system

- (10) Mr. Yuanta APP - futures
 - (11) Construct browser certification
 - (12) Develop warrant Line@ platform
 - (13) Construct foreign exchange service system
 - (14) Construct new product ETF system
 - (15) General proprietary database replacement
 - (16) QI competent intermediary
 - (17) Yuanta Know-it-All platform upgrading
 - (18) Yuanta Securities continuous matching accounting and performance upgrading
 - (19) EMC storage equipment EOS replacement project
 - (20) Networker backup system storage space expansion project
 - (21) Esxi host replacement project
 - (22) End Point APT construction
 - (23) Help construction of stimulated platform for continuous trading
3. Yuanta Bank
- (1) Bancs system core platform upgrading project
 - (2) Foreign exchange system upgrading project
 - (3) Trust host (AS/400) hardware upgrading project
 - (4) Wealth management host hardware upgrading project
 - (5) New efficient investment module construction project (Fund+3.0)
 - (6) Yuanta Life Insurance Agent system - mobile insurance construction project (including electronic signature)
 - (7) Personal network bank revision project (including English version)
 - (8) Taiwan Pay QR Code system construction project (ATM card cloud pay)
 - (9) New image system construction project
 - (10) New financial system construction project
 - (11) BASEL IV capital requirement system construction project
 - (12) Merchant acquiring system construction project
 - (13) Tapeless backup system expansion project
 - (14) Bank-wide SharePoint construction project
 - (15) Firewall audit software license and hardware expansion project
 - (16) The branch ATM firewall construction project
 - (17) The new-generation security information and event management (SIEM) construction project
 - (18) The computer system information security assessment project (Class I and Class II)
 - (19) The E-payment system security assessment project
4. Yuanta Life
- (1) Yuanta Life investment and traditional new product development
 - (2) Foreign exchange financial derivatives investment system construction
 - (3) Mobile insurance system construction
 - (4) Video survival investigation and video recording system construction
 - (5) Group insurance customer relationship web system construction

- (6) Yuanta Life's official website system revision and update
 - (7) Yuanta Life proposal system revision and update
 - (8) Insurance customer relationship web 2nd stage - functional optimization
 - (9) Channel service platform system 2nd stage - functional upgrading
 - (10) Group insurance and calendar system integration and conversion
5. Yuanta Futures
 - (1) Core accounting system replacement project
 - (2) TAIFEX 2019 IT project
 - (3) Solace notification pushing system project
 - (4) Cyber security enhancement:
 - A. Web security and extend protection
 - B. Construct the intrusion prevention system
 - C. Construct the advanced persistent threat protection system
 - D. Construct the information security threat events integration and analysis platform
 6. Yuanta Securities Investment Trust
 - (1) Construct the online intrusion prevention system.
 - (2) New online trading website project.
 - (3) New YUANTA ETFs website project.
 - (4) Internal data management platform project.
 - (5) Assisting fund managers' decision-making project.

(III) Emergency Backup and Security Protection Procedure

In order to maintain the high security and availability of the information systems, Yuanta Financial Holdings and subsidiaries planned and created the emergency backup and security protection procedure based on their own business needs. The procedure is including following items:

1. Physical environment in the data center: The standard operating procedures for access control, fire protection, power supply, network and information security, equipment installation and removal, system monitoring, personnel control, system and data backup shall follow the guidelines and handbook of respective companies or the information security standards under ISO27001.
2. Business continuity: According to the property and importance of the applications, each company created their local and remote failover and backup procedures, perform the disaster recovery drill and stress test periodically and retain the relevant record to ensure validity of procedures.
3. Security protection: Build multi-layer defensive framework, install systems including network firewall, application firewall, intrusion prevention, anti-spam, email APT, employee Internet management, USB device control, anti-virus and network management system, and perform vulnerability scanning, penetration testing and social engineering and DDoS drill periodically to ensure the information security all systems.

(IV) Information security

1. Information security organization

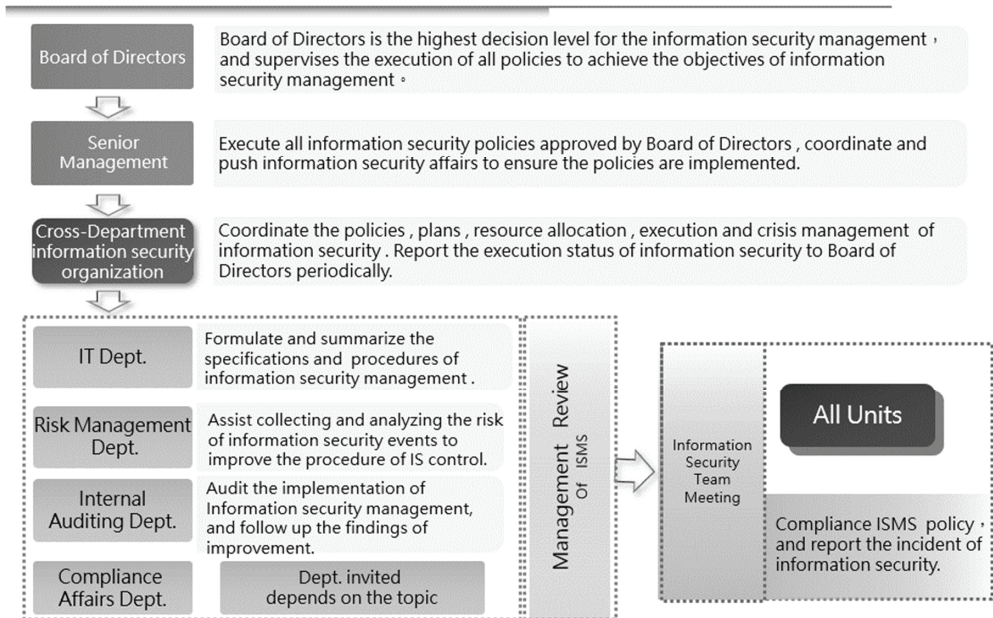
The Company implemented ISO 27001 ISMS and also passed the certification

by BSI in 2011. Thereafter, the Company are required to complete the annual review and the recertification every three years, and keep strengthening the information security management and control via the PDCA cycle. The permanent “Information Security Team” is delegated under the information security management framework, dedicated to coordinate and review the information security policy, plan, resources allocation, risk assessment, and crisis management.

The Information Security Team is responsible for fulfilling the information security management system and supervising the operations thereof, holding the information security meetings and management review meetings periodically, researching on the status of implementation of information security management and information security-related issues, and also regularly reports the execution overview of information security to the Board of Directors.

The information security organizational chart is stated as following:

Information Security Organization



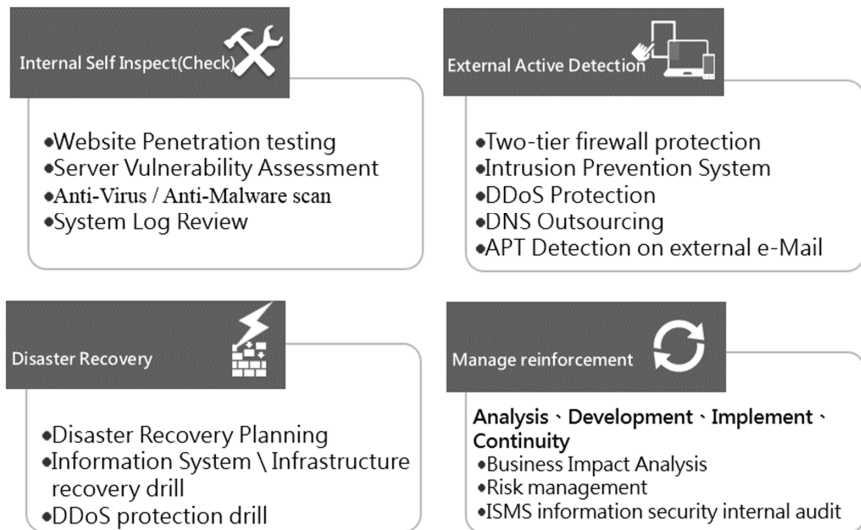
2. Information security management framework

The Company's information security policy is based on the protection of shareholders' interests, and aims to “protect the information asset security” and “keep business operating to achieve the corporate sustainability”. The information security management framework is implemented through the four level management documents such as information security policy and directions for information security management.

In consideration of the increasing information security threats, the information security management shall fulfill the information governance and compliance, while the risk control shall focus on the information security protection, including internal self-check, external proactive detection, disaster response drill and enhancement of

management. The Company has actively implemented various systems, such as automatic detection, behavior check and prevention of illegal activities including real-time monitoring and blocking of external threats, access control of the internal data, operations and segmentation of equipment, in order to prevent any illegal or malicious activities by the strict separation and filtration mechanism. Meanwhile, in order to keep upgrading the entire information security framework and strength the enterprise's protection, the Company is evaluating the information security insurance.

Information Security Protection



The Company and its subsidiaries all participate in the Financial Information Sharing and Analysis Center (F-ISAC), and integrate the information about threats via the information security defensive system to achieve the consolidated effect of the joint defense. Yuanta Securities, Yuanta Bank and Yuanta Life have already implemented and been certified by ISO 27001 ISMS and BS 10012 PIMS to enhance its information security and personal information protection management mechanism. Each of the subsidiaries also assesses the potential risk with the aid from a independent third party unit, and periodically completes the vulnerability scanning, penetration test, and the information security inspection or assessment as required. Further, through periodic review and update of information security management regulations to satisfy the standards required by laws and the latest information security regulations, as well as the information security threat attack, drill and educational training, the Company enhances the competency and awareness toward crisis of the Group's employees to solidify the information security management mechanism.

VIII. Relations between laborers and employer

(I) Current major labor agreements and status of implementation

1. Employee benefit measures

Yuanta Financial Holdings established an Employee Benefits Committee in January 2003, and makes monthly contributions to the Employee Benefit Fund. The Employee Benefit Fund is independently managed and utilized by the Employee Benefits Committee. Various subsidies are in place to encourage employees in organizing healthy social activities. In addition, the Employee Benefits Committee has reached agreements for discount and special offer benefits with contracting merchants and often provides employees with the most up-to-date information on special offers through Yuanta Financial Holdings' internal website, thus providing employees with greater convenience and quality of life.

To encourage employees to accumulate long-term savings, Yuanta Financial Holdings established an employee shareholders' association in August 2003. When employees set aside a certain amount of money each month for stock purchases, Yuanta Financial Holdings will match the employees' contributions, encouraging employees and to be shareholders of Yuanta Financial Holdings. Employee shareholding not only helps safeguard employees' lives after retirement or leaving Yuanta Financial Holdings, but also boosts solidarity between Yuanta Financial Holdings and employees, thereby enhancing their work participation and sense of value to share Yuanta Financial Holdings' operating results. According to the statistics gathered by Yuanta Financial Holdings and each of its subsidiaries in 2018, the number of employees participating in the employee shareholders' association was 8,754 persons, representing 227,518 thousand shares, an increase by 0.11% from 2017.

2. Pension system

In order to facilitate the harmonious relationship between labors and employer and to take care of the labors' retirement life, the Company established a Pension Fund Supervisory Committee in January 2003, which has already obtained the competent authority's approval. The Pension Management Guidelines were also formulated as the basis to be followed in the case of labor's requirement. Pursuant to laws, the Company shall make monthly contributions to the pension fund deposited in the exclusive account opened at Bank of Taiwan.

Furthermore, following the promulgation of the Labor Pension Act on July 1, 2005, the Company has made monthly payments, equivalent to 6% of the individual employee's monthly salary, into the employee's personal labor pension account for new employees and employees who choose to apply the new system under the Labor Pension Act, and continued to retain the seniority accrued under the old system for the employees who choose to apply the new system.

The seniority of the employees exchanged between the Company and its direct subsidiaries may be consolidated, in order to ensure the employees' interest and right and facilitate the successful inter-group personnel transfer, thereby achieving the purpose of maximizing the performance of human resource.

In order to enrich employees' retirement life, the Company worked with Yuanta Life to offer the group annuity insurance policy planned for the Group's employees exclusively, which should be paid by employees at their own expenses to save pension reserve for themselves and protect their life after retirement.

3. Other important agreements: None.

(II) Losses as a result of labor disputes during the latest fiscal year up to the date of the publication of this annual report

Yuanta Financial Holdings has maintained good labor relations since it was established, and hence there have been no losses due to labor disputes. Yuanta Financial Holdings will continue its efforts in maintaining harmonious labor relations in the future.

(III) Working environment and employee safety

The Company uses its best efforts to provide its employees with a safe and healthy work environment.

For the hardware environment, the Company will check the drinking water, concentration of CO₂ and brightness of lights in the workplace periodically pursuant to laws, and also regularly performs maintenance work on power generators, uninterrupted power supply, elevators, monitoring systems, etc. Meanwhile, the Company will practice a non-smoking work environment to provide a comfortable, health and safe workplace.

For software, the Company will establish the "Occupational Safety and Health Work Rules", organize various safety and health educational training programs periodically, and retain dedicated nursing specialists and medicine specialists by contract to help the implementation of employee health promotion and occupational disease prevention, and seek the Tobacco Hazard Prevention Mark and Healthy Workplace Certification Mark from Ministry of Health and Wealth.

Yuanta Financial Holdings prohibits smoking in offices and business places thoroughly. Yuanta Financial Holdings has already defined the "Workplace Sexual Harassment Prevention Measures and Guidelines Governing Complaints and Disciplines" to strictly prohibit any sexual harassment and all other discriminative or violent, threatening and intimidating and to build a friendly workplace of gender equality.

Apart from enrolling employees in labor and health insurance and allocating/contributing pensions in accordance with the law, Yuanta Financial Holdings also protects employees' health by offering group health insurance and health check-ups pursuant to laws.

(IV) Employee Code of Ethics

Yuanta Financial Holdings has drafted the "Guidelines on Prudent Procedures and Behaviors" and "Code of Ethics" in order to fulfill the integrity policy and prevent any unethical conduct, which are disclosed in the "CSR Section" on the Company's website. Meanwhile, Yuanta Financial Holdings has stepped up its ethics education programs and implementation in order to create a highly self-disciplined and trustworthy business climate.

Yuanta Financial Holdings has a comprehensive set of rules and regulation relating to ethics. It also emphasizes the need for professional skills and work ethic at all company's meetings and education and training programs

(V) Employee continuing education and training

Yuanta Financial Holdings upholds the philosophy of "satisfying the finance industry and group business development needs" to continue training talents specialized in finance. The Company has established diversified development system for talents holding management function and professional function, and offered the training courses and

provided learning resources by the four major frameworks including the management school, professional school, license school and life school. The various subsidiaries and supervisors find out and reserve the management and professional talents needed by the financial industry's and Group's development through talent identification, designated continued education, work shifts, assignment of projects, and digital learning. Meanwhile, the Company also encourages its employees to access various financial areas of the Group and learn the diversified functions voluntarily to help the Company and employees in line with the rapid changes in the finance industry and also hold the knowledge, technology and competency keeping up with the time.

1. Perform training per annual training plan, and continue to provide the chance for on-the-job training

(1) Management's training objectives and development:

A. Management Forum

Yuanta Financial Holdings invites elites from academia, industry, research and government sectors to give keynote speeches and share their practical experience, so as to achieve the objectives of inspiring others and providing benchmarks in the industry. Keynote speeches and intellectual exchange can facilitate management knowledge and common sense about on a number of issues.

B. Management Practices and Training

Improve the business sensitivity, policy-making logic and management capacity needed by the management through internal and external training courses, strategic case study, project mission assignment, participation in meetings, work shift and visit & exchange.

C. Overseas Management Mechanism and Talent Training

In order to meet the Group's need for overseas business development, Yuanta Financial Holdings offered the language programs at its overseas business locations and also sent its personnel to pay a visit to overseas offices for exchange and negotiation for business in 2018, in order to further verify the overseas market and develop business opportunities locally. Meanwhile, Yuanta Financial Holdings sent its personnel to take business trip to overseas business locations or reside at the overseas business location for a short term, via the Group's international operation and management mechanism, to conduct and guide the inspection on financial and business risks, or helped the overseas business locations establish their own operation management mechanism. Meanwhile, the Group also trained overseas business administration talents, and sent potential personnel to reside locally for a short term and attend the training about continuous operations to train the Group's international business administration talents systematically.

D. Successor Cultivation

The Company's job description booklet has established the human resource database for successors. The "successor cultivation" refers to an important indicator adopted by the Company's performance appraisal on the supervisors. The successor cultivation mechanism includes the managerial staff's training plan, business supervisors' training plan and key management's internship seminar, aided with the project mission assignment, participation in meetings, work shift, exchange with peers and functionary substitution, to have the successors of supervisors at all levels complete the relevant training and practicing. Meanwhile, the Company will assess the

performance of the successor cultivation plan periodically during the mid-term and final performance appraisal each year.

(2) Professional competency training objectives, and execution thereof:

A. Group' strategy and annual key business objectives

The Company plans the promotion of financial laws and regulations, industrial development & vision, and professional financial training programs pursuant to the annual business development strategies and annual business objectives and financial supervision requirements, in order to enhance the employees' knowledge and expertise in the application of laws & regulations, provide customers with fine-quality and professional financial services and achieve the Group's annual business objectives.

In response to the APG Third Round Mutual Evaluation on Taiwan in November 2018, and in order to follow the competent authority's policy focusing on strict supervision on the financial industry, the Company has organized the anti-money laundering courses and legal compliance-related training programs for 50,764 hours, accounting for 10.5% of the Company's total training program hours, and the personal information protection and information security-related training programs for 45,587 hours, accounting for 9.4% of the total training program hours in 2018. In order to deal with the digital financial trend and continue to fulfill the Group's development strategy oriented toward "solidification of cores and driving of growth", the Company continued to promote the transformation of sale representatives into wealth management specialists in 2018, and the transformation training program accounted for 31.9% of the total training program hours.

B. Financial instruments and general training

For professional function, the Company invites internal trainers to offer various educational training, operating procedure training, briefing skill, brief design and production, Excel basic and advanced application courses related to various financial instruments, compile the practical experience systematically and teach the same to employees, in order to achieve the mission and objective altogether and fulfill the Company's internal knowledge management and experience inheritance.

(3) Encourage diversified functions and financial license/certificate:

Yuanta Financial Holdings allows employees to access the professional financial courses provided by the Group's subsidiaries, and enhance their current functions or reserve the competency and financial license/certificate for future job, subject to their personal interest and career development. In order to encourage employees to acquire the domestic/foreign financial license/certificate actively, employees who attend the international finance professional certification examination may apply for reimbursement of expenses.

(4) Boosting the life style balanced physically and mentally

Yuanta Financial Holdings upholds its philosophy about corporate social responsibility. It not only leads employees to be in line with the industrial development trend, keep improving specialty and retain the competitiveness, but also organizes the life school programs including health seminars, physic fitness courses, parent-child communication seminar and artistic appreciation, integrated with 11 club activities of sport and study in nature and employees' family day

event, to help employees develop the life style balanced physically and mentally. In 2017, Yuanta Financial Holdings was awarded the “Sport Enterprise Certification” by Sports Administration. In 2018, the life school continued to promote such health promotion courses and activities as the health seminar, sport seminar, physic fitness program, employees’ health check-up, health consulting service by the medicine specialists by contract on site, and health walking activity for employees and their dependents. The four companies including Yuanta Financial Holdings, Yuanta Securities, Yuanta Bank and Yuanta Futures passed the “Health Workplace Certification-Health Promotion Mark” from Health Promotion Administration at the same time in 2018.

2. Set up the digital training platform and boost life-time learning

The Company has provided self-made or purchased teaching materials, digital content such as knowledge base and quiz bank to organize the employees’ on-the-job training and help employees’ self-learning per the functionary need or select courses interested by them via the digital training platform, “Yuanta e-Learning” permanently since 1993. The employees can select various digital courses provided by the Company and the Group’s subsidiaries and may learn about the practical experience shared by the senior, enrich the ability required by them to perform their duty, serve the purposes of internal knowledge sharing, diversified development of competency and employees’ self-learning.

To be in line with changes in the financial industry and personal annual develop objectives, employees can utilize the characteristics of the digital training mantra, “anytime, anywhere, on-demand”, to arrange their personal training contents and schedule, and reserve their competitiveness for their future careers.

Given the rising of China rendering material impact to the global politics and economy in the Asia-Pacific area, Industry 4.0 and digital banking resulting from the progress in network and applied technology arousing the industrial revolution, and the impact to network native generation’s value toward the social development and business administration, the Group introduced the digital contents of “Commonwealth Innovation Academy” in June 2016, including the special report and systematic management courses well-founded in depth and width. This was done in order to show the Company’s officers and staff the world to help them control the global industrial trend and new knowledge about management in a timely manner. In June 2017, it granted the license of such contents to the Group’s employees domestically and overseas. Meanwhile, it releases the e-news each week to notify employees of the weekly focus topic to boost the e-learning and help the employees accumulate wide and in-depth knowledge.

Yuanta Financial Holdings was awarded the “Best Learning Organization” by Commonwealth Innovation Academy in 2017 as it attained the “highest total reading scale on various courses and topics”. Yuanta Financial Holdings was again conferred the “Top Growth Award” by Commonwealth Innovation Academy in 2018 on the ground that “it entire growth range in the total reading scale on various courses and topics was far ahead of the other enterprises’ in the Commonwealth Innovation Academy”.

3. Provide the chance for post transfer in the Group and encourage trans-disciplinary transfer to practice and seek experience

The Group makes good use of the strength in diversified financial industry of its subsidiaries and encourages employees to apply for internal post transfer, or intracompany post transfer subject to the operating need, so as to boost the exchange of talents in the Group and encourage employees to develop in a diversified manner, drive the reproduction of inter-company success and spread efficiency.

4. Encourage participation in seminar and training, and collect external knowledge and experience.

In consideration of the current and future business development, the Company encourages employees to participate in workshops and training sessions organized by external entities to control the industrial development trend, technology and application experience. The Company will cover the full expenses for courses that are attended upon assignment or approval by the Company. Moreover, when employees enroll on their own initiative in related professional certification courses, the Company may provide subsidy for expenses based on the financial certificates and licenses. Summary of Yuanta Financial Holdings' implementation of education and training:

Disclosure	Year	2018
Total education & training spending		NT\$42.13 million
Total hours of education & training		483,962 hours
Total Number of education & training courses		3,210 items
Number of education & training trainees		280,680 persons

IX. Important Contracts

(I) Yuanta Financial Holdings

Data baseline date: 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Equipment room lease service contract	Data communications branch, Chunghwa Telecom Co., Ltd.	Effective from December 1, 2009 to November 30, 2017. Unless either party notifies the other party not to renew the contract by giving a written notice at least 3 months prior to expiration of the contract, the contract shall be renewed for another year automatically, and so on.	Leasing of Xinyi equipment room.	If either party to this contract fails to perform its contractual obligations due to a reason attributable to that party, and it fails to make corrections after being notified by the other party to do so within a limited time period, the non-defaulting party may notify the defaulting party in writing to terminate this contract after one month, and may request a penalty of NT\$1,000,000.

(II) Yuanta Securities

Data baseline date: 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Securities investment consultant appointment	Yuanta Securities Yuanta Securities Investment Consulting	Effective from January 1, 2018 to December 31, 2018.	To appoint Yuanta Securities Investment Consulting as the domestic and international issuer of equity securities, and for investment consulting services.	None
Securities investment consultant appointment	Yuanta Securities Yuanta Securities Investment Consulting	Effective from January 1, 2019 to December 31, 2019.	To appoint Yuanta Securities Investment Consulting as the domestic and international issuer of equity securities, and for investment consulting services.	None
Endorsement/guarantee contract	Yuanta Securities Yuanta Securities (Korea)	The Contract was signed on August 31, 2016, but was rescinded upon expiration on March 6, 2017.	Yuanta Securities provided the corporate guarantee toward all of the obligations derived from the limit of syndicated loan requested by Yuanta Securities (Korea) from Bank of China, within the limit of the principal, 100 billion won. The guarantee liability expired on March 6, 2018, and reported to the Board of Directors on May 8, 2018.	None
Endorsement/guarantee contract	Yuanta Securities PT Yuanta Sekuritas Indonesia	The contract was signed on January 3, 2017 and indefinite (until PT Yuanta Sekuritas Indonesia pays off all debts, as secured, owed to	Yuanta Securities provides the guarantee only with respect to the debt arising from the facility sought by PT Yuanta Sekuritas Indonesia from PT Bank UOB Indonesia within the limit of the principal, IDR60 billion.	None

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
		PT Bank UOB Indonesia and all contracts concerned are terminated).		
Endorsement/guarantee contract	Yuanta Securities PT Yuanta Sekuritas Indonesia	The contract was signed on June 5, 2018 and indefinite (until PT Yuanta Sekuritas Indonesia pays off all debts owed to PT Bank HSBC Indonesia and all contracts concerned are terminated).	Yuanta Securities provides the guarantee only with respect to the debt arising from the facility sought by PT Yuanta Sekuritas Indonesia from PT Bank HSBC Indonesia within the limit of the principal, US\$3.5 million.	None
Endorsement/guarantee contract	Yuanta Securities Yuanta Securities (Thailand)	The contract was signed on July 25, 2017 and indefinite (until Yuanta Securities (Thailand) clears all debts, as secured, owed to ANZ Bank (Thai) Public Company Limited and all contracts are terminated).	Yuanta Securities provides the corporate guarantee toward all of the obligations derived from the limit of the facility sought by Yuanta Securities (Thailand) from ANZ Bank (Thai) Public Company Limited within the limit of the principal, USD10 million.	None
Endorsement/guarantee contract	Yuanta Securities Yuanta Securities (Thailand)	The contract was signed on April 2, 2018 and indefinite (until Yuanta Securities (Thailand) clears all debts owed to Mega International Commercial Bank PCL and all contracts are terminated).	Yuanta Securities provides the corporate guarantee toward all of the obligations derived from the limit of the facility sought by Yuanta Securities (Thailand) from Mega International Commercial Bank PCL. within the limit of the principal, 550 million Baht.	None
Endorsement/guarantee contract	Yuanta Securities Yuanta Securities (Thailand)	The contract was signed on April 13, 2018 and indefinite (until Yuanta Securities (Thailand) clears all debts owed to Land and Houses Bank Public Company Limited and all contracts are terminated).	Yuanta Securities provides the corporate guarantee toward all of the obligations derived from the limit of the facility sought by Yuanta Securities (Thailand) from Land and Houses Bank Public Company Limited within the limit of the principal, 2 billion Baht.	None

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Endorsement/guarantee contract	Yuanta Securities (Thailand)	The contract was signed on August 14, 2018 and indefinite (until Yuanta Securities (Thailand) clears all debts owed to CITI Bank, N.A. Bangkok Branch and all contracts are terminated).	Yuanta Securities provides the corporate guarantee toward all of the obligations derived from the limit of the facility sought by Yuanta Securities (Thailand) from CITI Bank, N.A. Bangkok Branch within the limit of the principal, USD5 million.	None

(III) Yuanta Bank

Data baseline date: 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Equipment room lease service contract	Corporate Services Office, Chunghwa Telecom Co., Ltd.	Effective from From December 1, 2018 to November 30, 2019 Unless either party notifies the other party not to renew the contract by giving a written notice at least 3 months prior to expiration of the contract, the contract shall be renewed for another year automatically, and so on.	Leasing of Xinyi equipment room.	If either party to this contract fails to perform its contractual obligations due to a reason attributable to that party, and it fails to make corrections after being notified by the other party to do so within a limited time period, the non-defaulting party may notify the defaulting party in writing to terminate this contract after one month, and may request a penalty of NT\$1,000,000.
Business Cooperation Agreement	Alipay (China) Network Technology Co., Ltd.	Effective from January 23, 2015 until the date when both parties agree to terminate the contract.	Pursuant to laws, provide the buyer in Mainland China with the online multi-territorial payment services for purchase of products or services supplied by Taiwanese businessmen.	To comply with the requirements defined by both parties' competent authorities and the related laws.
Business Cooperation Agreement	Alipay (China) Network Technology Co., Ltd.	From December 1, 2015 to November 30, 2018 (to renew automatically for another year until November 30, 2019 upon expiration of the initial contract)	Pursuant to laws, provide the buyer in Mainland China with the tangible payment services for purchase of products or services supplied by Taiwanese businessmen.	To comply with the requirements defined by both parties' competent authorities and the related laws.
Contract for creation of superficies of national non-public use land	The R.O.C. (Northern Region Branch, National Property Administration, MOF)	From September 12, 2018 to September 11, 2088.	Superficies for the ten lots of land at 2th Sub section 114-1, Huai Sheng Section, Daan District, Taipei City	No superficies shall be rented or lent to another person for the purpose of construction projects. If the superficies or on-ground buildings are rented or lent to another person for non-construction purpose, the last day for the person's occupation thereof shall be never later than the last day of the valid term of the superficies.

(IV) Yuanta Life

Data baseline date: 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
House lease agreement (Lessee)	Yuanta Life is referred to as the Lessee. Quan Yi Construction Co., Ltd. and Fu Tai Construction Co., Ltd. are referred to as the Lessor.	Both parties signed the Agreement on April 26, 2016. The lease shall be effective from September 1, 2016 until August 31, 2021 for five years.	Without the Lessor's prior consent, the premises shall not be subleased, sublet or assigned, or make available, to any third party, in whole or in part. The premises shall be occupied in accordance with laws and prohibited from being occupied for illegal purposes or accommodating any hazardous goods that affect the public safety.	General legal principles.
Engineering contract	Yuanta Life contracted Chung-Lu Construction, Co., Ltd. To complete the building construction project.	From April 2, 2018 until expiration of the warranty period after inspection and acceptance of the completed project.	The headquarters building construction project was conducted according to the shop drawing provided by the architect appointed by Yuanta Life, excluding the structural engineering, electromechanical engineering and internal/external wall engineering. The engineering warranty will be provided.	1. Overdue fine: Where the contractor delays the scheduled completion and delivery of the project, it shall pay the overdue fine equivalent to 3/1000 of the total contract amount for each overdue day, but the aggregate overdue fine shall be no more than 9% of the total contract amount. Where the payable overdue fine is more than said-noted limit of amount, Yuanta Life shall terminate the contract. 2. Performance bond: The contractor shall furnish the performance bond, NT\$85.59 million for the engineering contract.
Steel structure engineering contract	Yuanta Life contracted TUNG HO STEEL ENTERPRISE CORP. to complete the building's steel structure engineering project.	Both parties signed the contract on April 13, 2016, and also signed the addendum thereof on July 18, 2018.	The contract amount was adjusted from NT\$114,221,100 to NT\$131,222,510.	General legal principles.
Equipment lease agreement	Data communications branch, Chunghwa Telecom Co., Ltd.	1. From July 1, 2017 to June 30, 2018 2. From July 1, 2018 to June 30, 2019	Lease agreement for control room (including the remote backup control room) and network equipment of CHT and maintenance thereof.	None
Re-insurance contract	Central Reinsurance Corporation	1992/10/1~	Life re-insurance services.	None

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Re-insurance contract	Swiss Re-insurance Company	1992/10/1~	Life and health re-insurance.	None
Re-insurance contract	Reinsurance Group of America, Incorporated	1999/9/1~	Life reinsurance, health reinsurance and accident reinsurance.	None
Re-insurance contract	Hannover Reinsurance Company	2012/1/1~	Life reinsurance, health reinsurance, accident reinsurance and catastrophe reinsurance.	None
Re-insurance contract	Munich Reinsurance Company	2015/3/2~	Health reinsurance.	None
Re-insurance contract	General Reinsurance AG	2014/5/12~	Life reinsurance, health reinsurance and accident reinsurance.	None
Re-insurance contract	SCOR	2017/12/18 ~	Life reinsurance, health reinsurance and accident reinsurance.	None

Note: Unless it refers to the reinsurance policy for a catastrophe contract, it shall renew automatically each year if neither party raises any objection.

(V) Yuanta Securities Finance

Data baseline date : 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
House lease agreement (lease)	Between Yuanta Securities Finance (Lessor) and the other party (Lessee)	No more than 10 years as of the date of lease referred to in the various contract.	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office or warehouse involving the relevant rights and obligations for the lease.	General legal principles.
House lease agreement (Lessee)	Between Yuanta Securities Finance (Lessee) and the other party (Lessor)	3-5 years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office or warehouse involving the relevant rights and obligations for the lease.	General legal principles.
Parking lot lease agreement (Lessor)	Between Yuanta Securities Finance (Lessor) and the other party (Lessee)	No more than 10 years as of the date of lease referred to in the various contract.	In the duration of the lease, Lessee shall not sublet, sublease or assign the premises, or make the premises available to any others. Temporary storage of any other goods at the premises, if any, shall be subject to approval by laws and notified to Lessor. The premises cannot be used for any purposes other than legal ones.	General legal principles.
Parking lot lease agreement (Lessee)	Between Yuanta Securities Finance (Lessee) and the other party (Lessor)	No more than 10 years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet, sublease or assign the premises, or make the premises available to any others. Temporary storage of any other goods at the premises, if any, shall be subject to approval by laws and notified to Lessor. The premises cannot be used for any purposes other than legal ones.	General legal principles.

(VI) Yuanta Futures

Data baseline date: 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Real estate lease agreement (Lessee)	Yuanta Securities	From April 1, 2018 to March 31, 2021.	Lease of 11F & 12F of Tatung Building for the futures head office, Taipei Business Dept., Sole Proprietary Dept. and related departments/offices.	General legal principles.
Software purchase contract	SYSTEX Corporation	From January 01, 2018 to December 31, 2020.	Procurement of Microsoft EA software.	None
Equipment lease agreement	Data communications branch, Chunghwa Telecom Co., Ltd.	From June 30, 2017 to December 31, 2019.	Lease agreement for control room and network equipment of CHT and maintenance thereof.	None
Information outsourcing contract	Chunghwa Telecom Co., Ltd., Corporate Customer Branch	September 21, 2018 ~	Relocation of CHT Xinyi data center equipment to Banqiao data center	None
Hardware purchase contract	Omni System Integration, Inc.	June 19, 2018 ~	Network equipment replacement and Banqiao data center relocation project	None

(VII) Yuanta Asset Management

Data baseline date: 01/31/2019

Contract type	Counterpart	Contract beginning and ending date	Chief contents	Restrictive terms
Document management service agreement	Iron Mountain Taiwan LTD. (Former name: Recall Taiwan Ltd.)	From December 29, 2017 to December 31, 2022.	Contracted to compile, tally, maintain and access related documents.	General legal principles.

Five. Financial Status

I. Summary Five-Year Balance Sheets and Consolidated Income Statement

(I) Summary Consolidated Balance Sheet of the Company and Its Subsidiaries

Unit: NT\$1,000

Item \ Year	Financial data (Note 1)					Financial information of current year ending 01/31/2019
	2014	2015	2016	2017	2018	
Cash and cash equivalents, due from the Central Bank and placement to other banks	126,511,651	122,544,804	200,028,956	118,398,520	113,752,123	(Note 2)
Financial assets at fair value through profit or loss - net	260,202,179	364,746,108	392,778,509	432,636,863	473,939,209	
Available-for-sale financial assets - net	114,343,183	136,286,218	277,420,469	395,516,795	-	
Net financial assets at fair value through other comprehensive income	-	-	-	-	215,135,236	
Investment in debt instruments measured at amortized cost - net	-	-	-	-	352,906,087	
Investment in RS bills and bonds	17,643,207	27,052,332	36,499,146	34,827,960	33,465,734	
Receivable - net	120,663,442	118,698,145	146,219,693	175,314,970	143,272,794	
Income tax assets - current period	1,613,255	2,071,128	1,845,929	1,330,623	1,485,363	
Available-for-sale assets - net	33,096	-	36,265	-	868,288	
Discount and loan - net	451,629,582	485,843,127	791,673,242	762,319,040	770,905,662	
Re-insurance contract assets - net	368,588	389,969	415,679	435,887	580,130	
Financial assets held to maturity	51,295,128	83,479,054	116,136,617	143,810,470	-	
Investments under equity method - net	1,927,479	2,054,034	2,052,715	1,675,124	2,048,491	
Restricted assets - net	1,837,531	2,222,031	5,546,781	2,722,678	2,622,711	
Other financial assets - net	75,020,718	127,723,229	99,416,653	93,469,307	62,025,243	
Investment real estate - net	7,976,225	6,396,805	6,153,340	6,173,646	4,916,691	
Real property and equipment - net	13,379,104	17,311,422	20,885,538	22,630,593	21,871,922	
Intangible assets - net	27,042,475	26,198,945	36,600,681	35,935,777	33,669,889	
Deferred income tax assets - net	3,745,266	5,868,618	6,238,885	5,642,845	5,899,187	
Other assets - net	16,532,454	22,259,233	22,296,486	40,804,112	47,769,165	
Total Assets	1,291,764,563	1,551,145,202	2,162,245,584	2,273,645,210	2,287,133,925	
Deposits by the Central Bank and other banks	5,681,005	32,744,363	28,846,322	13,520,162	22,047,274	
Financial liabilities at fair value through profit or loss - net	85,309,269	96,786,712	101,204,943	120,119,516	111,982,799	
Derivative Financial Liabilities for Hedging	-	-	220	-	-	
RP bill and bond liabilities	89,313,850	154,992,859	195,838,373	197,101,189	218,570,425	
Payable commercial paper-net	14,825,780	4,762,459	19,295,184	44,704,087	36,269,123	
Accounts payable	129,540,019	140,516,925	153,687,021	168,705,371	147,690,035	
Income tax liabilities - current period	3,146,491	3,626,180	4,732,529	5,667,788	5,327,403	
Deposit and remittance	555,769,170	625,561,930	1,050,062,790	1,056,024,289	1,020,615,296	

Item	Year	Financial data (Note 1)					Financial information of current year ending 01/31/2019
		2014	2015	2016	2017	2018	
Bonds payable		54,683,089	58,044,635	78,197,495	65,890,879	66,756,009	
Other loans payable		9,250,609	29,166,061	45,821,349	71,754,771	64,019,801	
Special stock liabilities		-	-	3,896,505	-	-	
Reserve for liabilities		104,220,508	129,403,232	161,386,351	195,038,820	232,223,123	
Other financial liabilities		40,635,589	53,530,171	74,506,891	70,098,914	79,276,919	
Deferred income tax liabilities		1,838,207	4,150,542	3,879,175	3,518,474	3,705,743	
Other liabilities		12,512,579	20,495,083	21,095,871	33,403,394	41,806,215	
Total Liabilities	Before distribution	1,106,726,165	1,353,781,152	1,942,451,019	2,045,547,654	2,050,290,165	
	After distribution	1,113,175,883	1,358,106,970	1,947,816,661	2,052,040,190	(Note 3)	
Total equity attributable to the owner of parent company		169,700,993	182,110,176	201,409,875	211,195,754	218,985,562	
Capital stock	Before distribution	101,410,666	107,129,605	119,986,478	118,891,975	116,862,325	
	After distribution	104,148,754	107,129,605	119,986,478	118,891,975	(Note 3)	
Additional paid-in capital		33,648,021	35,845,672	37,956,289	37,960,694	37,200,416	
Retained earnings	Before distribution	30,120,290	31,464,819	40,441,423	50,925,653	60,114,343	
	After distribution	20,932,484	27,139,001	35,075,781	44,433,117	(Note 3)	
Other equities		4,522,016	7,867,686	4,524,288	4,554,385	5,006,084	
Treasury stock		0	(197,606)	(1,498,603)	(1,136,953)	(197,606)	
Uncontrolled equity		15,337,405	15,253,874	18,384,690	16,901,802	17,858,198	
Total equity	Before distribution	185,038,398	197,364,050	219,794,565	228,097,556	236,843,760	
	After distribution	178,588,680	193,038,232	214,428,923	221,605,020	(Note 3)	

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

Note 3: Distribution of earnings in 2018 had not yet been resolved by the shareholders' meeting 2019 up to the date of publication of this annual report.

(II) Summary Balance Sheet of Individual Entity

Unit: NT\$1,000

Item	Year	Financial data (Note 1)					Financial information of current year ending 01/31/2019
		2014	2015	2016	2017	2018	
Cash and cash equivalents		9,140	2,513,186	2,505,320	2,366,899	6,536,303	(Note 2)
Financial assets at fair value through profit or loss		-	-	4,029,195	-	-	
Available-for-sale financial assets - net		16,262	17,833	16,983	19,266	-	
Financial assets at fair value through other comprehensive income		-	-	-	-	22,178	
Investment in RS bills and bonds		-	-	-	-	393,782	
Receivable - net		2,031,012	1,689,902	2,499,023	2,692,388	1,931,398	
Income tax assets - current period		957,846	1,348,765	1,138,997	327,604	808,780	
Investments under equity method - net		184,207,721	192,565,128	228,474,715	239,302,171	244,642,213	
Real property and equipment - net		37,718	26,962	29,863	26,516	21,586	
Intangible assets - net		4,763	5,883	6,066	4,453	7,249	
Deferred income tax assets - net		1,176	34,841	25,452	25,043	34,125	
Other assets - net		8,712	8,849	20,499	5,874	6,464	
Total Assets		187,274,350	198,211,349	238,746,113	244,770,214	254,404,078	
Payable commercial paper - net		469,915	1,652,861	3,951,104	5,092,029	-	
Accounts payable		4,311,445	4,888,166	5,534,940	4,833,787	5,468,073	
Income tax liabilities - current period		2,145,884	2,234,608	3,146,411	3,851,645	3,150,049	
Bonds payable - net		10,624,562	5,800,000	19,750,000	19,750,000	26,750,000	
Other loans payable		-	1,500,000	1,000,000	-	-	
Special stock liabilities		-	-	3,896,505	-	-	
Reserve for liabilities		4,164	5,637	35,377	38,203	39,608	
Other liabilities		17,387	19,901	21,901	8,796	10,786	
Total Liabilities	Before distribution	17,573,357	16,101,173	37,336,238	33,574,460	35,418,516	
	After distribution	24,023,075	20,426,991	42,701,880	40,066,996	(Note 3)	
Capital stock	Before distribution	101,410,666	107,129,605	119,986,478	118,891,975	116,862,325	
	After distribution	104,148,754	107,129,605	119,986,478	118,891,975	(Note 3)	
Additional paid-in capital		33,648,021	35,845,672	37,956,289	37,960,694	37,200,416	
Retained earnings	Before distribution	30,120,290	31,464,819	40,441,423	50,925,653	60,114,343	
	After distribution	20,932,484	27,139,001	35,075,781	44,433,117	(Note 3)	
Other equities		4,522,016	7,867,686	4,524,288	4,554,385	5,006,084	
Treasury stock		0	(197,606)	(1,498,603)	(1,136,953)	(197,606)	
Total equity	Before distribution	169,700,993	182,110,176	201,409,875	211,195,754	218,985,562	
	After distribution	163,251,275	177,784,358	196,044,233	204,703,218	(Note3)	

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

Note 3: Distribution of earnings in 2018 had not yet been resolved by the shareholders' meeting 2019 up to the date of publication of this annual report.

(III) Summary consolidated income statement of Yuanta Financial Holdings and its subsidiaries

Unit: NT\$1,000

Item \ Year	Financial data (Note 1)					Financial information of current year ending 01/31/2019
	2014	2015	2016	2017	2018	
Interest revenue	20,008,841	24,636,845	30,767,167	35,373,386	40,192,428	(Note 2)
Less: Interest expenses	6,647,768	8,792,501	11,146,301	12,315,107	14,256,266	
Net interest income	13,361,073	15,844,344	19,620,866	23,058,279	25,936,162	
Net non-interest income	41,248,860	53,946,804	64,819,920	70,726,639	75,343,411	
Net profit	54,609,933	69,791,148	84,440,786	93,784,918	101,279,573	
Bad debt expenses and guarantee liability provisions	1,257,054	1,094,887	1,092,988	746,771	856,563	
Net changes of reserve for insurance liabilities	9,681,361	24,874,422	30,788,509	33,895,878	36,611,780	
Operating expenses	25,780,738	30,702,170	35,705,713	38,726,825	39,611,658	
Continuing departments net income before tax	17,890,780	13,119,669	16,853,576	20,415,444	24,199,572	
Income tax expense	1,463,407	1,119,115	2,478,983	2,559,332	3,701,334	
Profit or loss of discontinued operations (after tax)	-	-	(74,370)	(352,057)	0	
Net profit (net loss) - current period	16,427,373	12,000,554	14,300,223	17,504,055	20,498,238	
Other consolidated income (net after tax) - current period	1,449,128	2,458,531	(3,998,132)	177,608	(1,970,215)	
Total consolidated income - current period	17,876,501	14,459,085	10,302,091	17,681,663	18,528,023	
Net profit attributable to the owner of parent	16,474,314	10,817,624	13,414,105	16,204,948	18,679,208	
Net profit attributable to uncontrolled equity	(46,941)	1,182,930	886,118	1,299,107	1,819,030	
Net profit from total consolidated income attributable to the owner of parent	17,724,142	13,878,005	9,959,024	15,879,969	16,973,756	
Total consolidated income attributable to uncontrolled equity	152,359	581,080	343,067	1,801,694	1,554,267	
EPS	1.58	1.02	1.16	1.37	1.59	

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report

(IV) Summary entity income statement of Yuanta Financial Holdings

Unit: NT\$1,000

Item \ Year	Financial data (Note 1)					Financial information of current year ending 01/31/2019
	2014	2015	2016	2017	2018	
Share of the income from affiliates and joint ventures of subsidiaries recognized under equity method	17,537,368	11,469,459	15,610,065	17,800,029	19,979,027	(Note 2)
Realized gain on available-for-sale financial assets	339	417	428	439	-	
Net income (loss) from financial assets and liabilities at fair value through profit or loss	(3,542)	-	(799,737)	(190)	-	
Realized gains at fair value through other comprehensive income	-	-	-	-	974	
Other revenue	17,636	8,526	158,110	51,315	150,747	
Operating expenses	545,087	451,243	596,175	613,416	751,302	
Other expenses and losses	285,930	163,776	506,487	664,948	227,426	
Continuing departments net income before tax	16,720,784	10,863,383	13,866,204	16,573,229	19,152,020	
Benefit (expense) from income tax	(246,470)	(45,759)	(452,099)	(368,281)	(472,812)	
Net profit - current period	16,474,314	10,817,624	13,414,105	16,204,948	18,679,208	
Other consolidated income (net after tax) - current period	1,249,828	3,060,381	3,455,081	(324,979)	(1,705,452)	
Total consolidated income - current period	17,724,142	13,878,005	9,959,024	15,879,969	16,973,756	
EPS	1.58	1.02	1.16	1.37	1.59	

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

(V) Independent auditors over the past five years and their audit opinions

1. 2014: Kuo, Puo-Ju, CPA, Chang, Ming-Hui, CPA.
The independent auditors issued an audit report containing unqualified opinions in the 2014 financial statements.
2. 2015 Kuo, Puo-Ju, CPA, Chang, Ming-Hui, CPA.
The independent auditors issued an audit report containing unqualified opinions in the 2015 financial statements.
3. 2016 Kuo, Puo-Ju, CPA, Chang, Ming-Hui, CPA.
The independent auditors issued an audit report containing unqualified opinions in the 2016 financial statements.
4. 2017 Kuo, Puo-Ju, CPA, Chang, Ming-Hui, CPA.
The independent auditors issued an audit report containing unqualified opinions in the 2017 financial statements.
5. 2018: Kuo, Puo-Ju, CPA, Chen, Hsien-I, CPA.
The independent auditors issued an audit report containing unqualified opinions in the 2018 financial statements.

II. Financial analysis for the most recent five years

(I) Financial analysis

Analysis Item (Note 2)		Year (Note 1)	Financial analysis					Financial information of current year ending 01/31/2019 (Note 3)
		2014	2015	2016	2017	2018		
Operational ability	Total asset turnover (times)		0.04	0.04	0.04	0.04	0.04	Not applicable
	Deposit to loan ratio of subsidiary bank (%)	Yuanta Bank	77.18	72.77	69.34	66.44	69.55	
		Ta Chong Bank	-	-	75.22	69.44	-	
	NPL ratio of subsidiary bank (%)	Yuanta Bank	0.21	0.20	0.21	0.23	0.23	
		Ta Chong Bank	-	-	0.22	0.27	-	
	Average revenues per employee (NT\$1,000)		4,643	6,032	5,695	6,408	7,124	
	Average earnings per employee (NT\$1,000)		1,397	1,037	964	1,196	1,442	
Profitability	Return on assets (%)		1.52	0.84	0.77	0.79	0.90	
	Return on shareholders' equity (%)		9.48	6.28	6.86	7.83	8.83	
	Profit margin (%)		30.08	17.19	16.94	18.66	20.24	
	Earnings per share (NT\$)		1.58	1.02	1.16	1.37	1.59	
Financial structure	Ratio of liabilities to assets (%)		85.68	87.28	89.83	89.97	89.64	
	Ratio of liabilities to net value (%)		598.11	685.93	883.76	896.79	865.67	
	Double leverage ratio of financial holding companies (%)		108.56	105.75	115.45	113.32	111.73	
Leverage	Operating leverage		3.05	5.32	5.03	4.67	4.19	
	Financial leverage of financial holding companies		1.02	1.01	1.03	1.03	1.01	
Growth rate	Asset growth rate (%)		49.32	20.08	39.40	5.15	0.59	
	Profit growth rate (%)		96.67	(26.67)	27.89	19.57	18.54	
Cash flow	Cash flow ratio (%)		(Note 4)	(Note 4)	3.05	(Note 4)	1.60	
	Cash flow adequacy (%)		(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	
	Cash flow coverage ratio (%)		(Note 4)	(Note 4)	(1120.09)	(Note 4)	113.82	
Operating scale	Asset market share (%)		3.49	3.41	4.50	4.33	4.11	
	Net-worth market share (%)		6.85	6.30	6.54	6.14	6.43	
	Deposit market share of bank subsidiary (%)	Yuanta Bank		1.64	1.76	1.82	1.87	2.50
		Ta Chong Bank		-	-	1.05	0.94	-
	Loan market share of bank subsidiary (%)	Yuanta Bank		1.65	1.72	1.72	1.61	2.32
Ta Chong Bank			-	-	1.08	0.91	-	
Capital adequacy	Capital adequacy of subsidiaries calculated according to capital adequacy regulations for the industry in question (%)	Yuanta Securities		449.31	416.87	360.47	300.54	344.09
		Yuanta Bank		12.71	12.80	13.06	14.45	15.39
		Ta Chong Bank		-	-	14.28	16.23	-
		Yuanta Securities Finance		1084.58	1163.85	871.65	980.87	874.32
		Yuanta Life		674.05	410.38	292.99	313.27	366.96

Analysis Item (Note 2)		Year (Note 1)	Financial analysis					Financial information of current year ending 01/31/2019 (Note 3)
			2014	2015	2016	2017	2018	
Capital adequacy	Authorized capital of each subsidiary (NT\$1,000)	Yuanta Securities	45,931,372	53,871,772	43,894,621	42,147,413	44,738,399	
		Yuanta Bank	66,305,713	76,966,190	79,546,520	81,546,814	131,000,588	
		Ta Chong Bank	-	-	48,275,862	45,291,675	-	
		Yuanta Securities Finance	11,230,778	11,999,616	9,831,981	10,136,339	9,669,905	
		Yuanta Life	8,844,389	7,041,803	6,269,936	9,253,636	11,534,747	
	Authorized net capital of group (NT\$1,000)		119,292,171	140,005,776	151,440,281	155,244,193	168,043,480	
	Statutory capital requirements of each subsidiary	Yuanta Securities	15,333,902	19,384,590	18,265,644	21,035,810	19,502,984	
		Yuanta Bank	41,718,938	48,111,621	52,541,093	52,183,505	84,066,025	
		Ta Chong Bank	-	-	29,148,619	25,811,954	-	
		Yuanta Securities Finance	1,553,241	1,546,545	1,691,969	1,550,103	1,658,990	
		Yuanta Life	2,624,254	3,431,858	4,280,014	5,907,844	6,286,674	
	Group's regulatory capital requirement (NT\$1,000)		81,340,990	98,685,303	117,685,232	116,559,976	121,153,812	
	Group's capital adequacy ratio (%)		146.66	141.87	128.68	133.19	138.70	
	Total amount (NT\$1,000) of loans, endorsements, or other transactions with the same individual, same related party, or same affiliate of all subsidiaries pursuant to Article 46 of the Financial Holding Company Act.		310,018,000	435,216,000	670,003,000	797,373,000	865,705,000	
Please explain the reasons for changes in each financial ratio during the most recent two years. (Analysis is not required if the magnitude of increase or decrease is less than 20%).								
1. The variance in cash flow ratios of the two periods was primarily a result of the transfer of cash flow from operating activities from outflow to inflow.								
2. The variance in cash flow coverage ratio of the two periods was primarily a result of the transfer of cash flow from investing activities from inflow to outflow.								

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: The following calculation formulas must be listed at the end of the foregoing table:

1. Operational ability

- (1) Total asset turnover = net profit/total assets
- (2) Deposit to loan ratio of subsidiary bank = total loans made by subsidiary bank/total deposits.
- (3) NPL ratio of subsidiary bank = total value of NPLs at subsidiary bank/total value of loans.
- (4) Average revenues per employee = net profit/total number of employees.
- (5) Average earnings per employee = net earnings after tax/total number of employees.

2. Profitability

- (1) Return on assets = [after-tax income (loss) + interest expense × (1- tax rate)]/average total assets.
- (2) Return on shareholders' equity = after-tax income (loss)/average shareholders' equity.
- (3) Net profit margin = after-tax income (loss)/net profit.
- (4) EPS = (after-tax income (loss) - preferred stock dividends)/weighted average number of outstanding shares.

3. Financial structure

- (1) Ratio of liabilities to assets = total liabilities/total assets.
- (2) Ratio of liabilities to net value = total liabilities/shareholders' equity.
- (3) Double leverage ratio of financial holding company = equity investment made in accordance with Article 36, Paragraph 2 and Article 37 of this Act/net value.

4. Leverage

- (1) Operating leverage = (net profit - variable cost losses) / pre-tax income (loss).
- (2) Financial leverage of financial holding company = pre-tax income (loss) + interest expense/pre-tax income (loss).

5. Growth rate

- (1) Asset growth rate = (total assets during the current year - total assets during the previous year)/total assets during the previous year.

(2) Profit growth rate = (pre-tax income (loss) during the current year - pre-tax income (loss) during the previous year)/pre-tax income (loss) during the previous year.

6. Cash flow

(1) Cash flow ratio = net cash flow from operating activities/(bank and interbank lending and overdrafts + payable commercial paper + financial liabilities stated as gain (loss) due to change in fair value + RP bill and bond liabilities + accounts payable with a maturity date within one year).

(2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years/(capital spending + cash dividends during the most recent five years).

(3) Cash flow coverage ratio = net cash flow from operating activities/net cash flow from investment activities.

7. Operating scale

(1) Asset market share = total assets/total assets of all financial holding companies.

(2) Net-worth market share = net value/total net worth of all financial holding companies.

(3) Market share of Bank subsidiary savings deposits = savings deposits total/the total amount of deposits for all financial institutions allowed to engage in savings deposits business.

(4) Market share of Bank subsidiary loans = loan total/the total amount of loans for all financial institutions allowed to engage in the lending business.

8. Capital adequacy

(1) Net authorized capital of the group = authorized capital of the financial holding company + (financial holding company shareholding ratio × authorized capital of each subsidiary) - items to be subtracted in accordance with regulations.

(2) Total group statutory capital requirements = capital requirements specified in the Financial Holding Company Act + financial holding company shareholding ratio × each subsidiary's statutory capital requirement.

(3) Group capital adequacy = net value of the group's authorized capital/the group's statutory capital requirement.

Note 3: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

Note 4: This ratio was not calculated because the net cash flow from operating activities was negative.

III. Audit Committee's Report on the Latest Financial Statements

Yuanta Financial Holding Co., Ltd.

Audit Report from the Audit Committee

In relation to Yuanta Financial Holdings' 2018 financial statements, and the business report and earnings distribution plan prepared and submitted by the Board of Directors, the financial statements have been reviewed and certified by accountants Kuo, Puo-Ju and Chen, Hsien-I of PricewaterhouseCoopers Certified Public Accountants, who gave an unqualified opinion on the audit report.

The Audit Committee, after completing the audit of the aforementioned reports and statements, believes that they are free of material misstatement, and thus has produced this report according to Article 219 of the Company Act after obtaining the consent of all Audit Committee members.

Submitted to:

2019 General Shareholders' Meeting of Yuanta Financial Holding Co., Ltd.

Audit Committee of Yuanta Financial Holding Co., Ltd.

Convener: Wu, Sou Shan

Dated: March 25, 2019

IV. The Latest Consolidated Financial Statements of the Company and Its Subsidiaries Audited and Certified by CPAs: See Appendix.

V. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status: None.

Six. Discussion and Analysis of Financial Status and Financial Performance, and Risk Management

I. Comparative Analysis of Financial Conditions

(I) Consolidated Balance Sheet of the Company and Its Subsidiaries

Unit: NT\$1,000

Item	Year	December 31, 2018	December 31, 2017	Increase/Decrease	
		Amount	Amount	Amount	(%)
Cash and cash equivalents		65,535,411	64,007,570	1,527,841	2
Due from the Central Bank and placement to other banks		48,216,712	54,390,950	(6,174,238)	(11)
Financial assets		1,104,005,775	1,065,433,435	38,572,340	4
Investment in RS bills and bonds		33,465,734	34,827,960	(1,362,226)	(4)
Receivable - net		143,272,794	175,314,970	(32,042,176)	(18)
Discount and loan - net		770,905,662	762,319,040	8,586,622	1
Investments under equity method - net		2,048,491	1,675,124	373,367	22
Investment real estate - net		4,916,691	6,173,646	(1,256,955)	(20)
Real property and equipment - net		21,871,922	22,630,593	(758,671)	(3)
Intangible assets - net		33,669,889	35,935,777	(2,265,888)	(6)
Other assets - net		59,224,844	50,936,145	8,288,699	16
Total assets		2,287,133,925	2,273,645,210	13,488,715	1
Deposits by the Central Bank and other banks		22,047,274	13,520,162	8,527,112	63
Financial liabilities		191,259,718	190,218,430	1,041,288	1
RP bill and bond liabilities		218,570,425	197,101,189	21,469,236	11
Payable commercial paper - net		36,269,123	44,704,087	(8,434,964)	(19)
Accounts payable		147,690,035	168,705,371	(21,015,336)	(12)
Deposit and remittance		1,020,615,296	1,056,024,289	(35,408,993)	(3)
Bonds payable		66,756,009	65,890,879	865,130	1
Other loans payable		64,019,801	71,754,771	(7,734,970)	(11)
Reserve for liabilities		232,223,123	195,038,820	37,184,303	19
Other liabilities		50,839,361	42,589,656	8,249,705	19
Total liabilities		2,050,290,165	2,045,547,654	4,742,511	0
Capital stock		116,862,325	118,891,975	(2,029,650)	(2)
Additional paid-in capital		37,200,416	37,960,694	(760,278)	(2)
Retained earnings		60,114,343	50,925,653	9,188,690	18
Other equities		5,006,084	4,554,385	451,699	10
Treasury stock		(197,606)	(1,136,953)	939,347	(83)
Uncontrolled equity		17,858,198	16,901,802	956,396	6
Total equity		236,843,760	228,097,556	8,746,204	4

Note: 1. Analysis of changes in investment real estate

The decrease from 2017 was primarily a result of the disposition of property.

2. Analysis of changes in deposits by the Central Bank and other banks

The increase from 2017 was primarily a result of the increase in inter-bank lending.

3. Analysis of changes in treasury stock

The decrease from 2017 was primarily a result of the repurchase of treasury stock totaling 68,965 thousand shares in 2017. The Company completed the annulment of treasury stock totaling 68,965 thousand shares upon capital reduction in March 2018.

(II) Balance Sheet of Individual Entity

Unit: NT\$1,000

Item	Year	December 31, 2018	December 31, 2017	Increase/Decrease	
		Amount	Amount	Amount	(%)
Cash and cash equivalents		6,536,303	2,366,899	4,169,404	176
Available-for-sale financial assets - net		0	19,266	(19,266)	(100)
Financial assets at fair value through other comprehensive income		22,178	0	22,178	-
Investment in RS bills and bonds		393,782	0	393,782	-
Receivable - net		1,931,398	2,692,388	(760,990)	(28)
Income tax assets - current period		808,780	327,604	481,176	147
Investments under equity method - net		244,642,213	239,302,171	5,340,042	2
Real property and equipment - net		21,586	26,516	(4,930)	(19)
Intangible assets - net		7,249	4,453	2,796	63
Deferred income tax assets - net		34,125	25,043	9,082	36
Other assets - net		6,464	5,874	590	10
Total Assets		254,404,078	244,770,214	9,633,864	4
Payable commercial paper - net		0	5,092,029	(5,092,029)	(100)
Accounts payable		5,468,073	4,833,787	634,286	13
Income tax liabilities - current period		3,150,049	3,851,645	(701,596)	(18)
Bonds payable - net		26,750,000	19,750,000	7,000,000	35
Reserve for liabilities		39,608	38,203	1,405	4
Other liabilities		10,786	8,796	1,990	23
Total Liabilities		35,418,516	33,574,460	1,844,056	5
Capital stock		116,862,325	118,891,975	(2,029,650)	(2)
Additional paid-in capital		37,200,416	37,960,694	(760,278)	(2)
Retained earnings		60,114,343	50,925,653	9,188,690	18
Other equities		5,006,084	4,554,385	451,699	10
Treasury stock		(197,606)	(1,136,953)	939,347	(83)
Total equity		218,985,562	211,195,754	7,789,808	4

Note: Explanation of significant changes:

1. Analysis of cash and cash equivalents

The increase from 2017 was primarily a result of the cash dividends allocated by the various subsidiaries totaling NT\$13.159 billion, allocation of additional cash dividends totaling NT\$6.493 billion, cash capital increase of Yuanta Life by NT\$1 billion and 18th buyback of treasury stock in the amount of NT\$1.919 billion in 2018.

2. Analysis of change in income tax assets

The increase from 2017 was primarily a result of recognition of the realized investment loss on the capital reduction by Yuanta Life to cover losses in 2018, resulting in the increase in the current income tax assets.

3. Analysis of change in payable commercial paper - net

The decrease from 2017 was primarily a result of the issuance of 1st domestic unsecured corporate bonds in 2018 to repay the payable commercial paper.

4. Analysis of change in bonds payable - net

The increase from 2017 was primarily a result of the issuance of 1st domestic unsecured corporate bonds in the amount of NT\$10 billion in 2018 and maturity of 1st unsecured corporate bonds, Class A, in the amount of NT\$3 billion issued in 2016.

5. Analysis of changes in treasury stock

The decrease from 2017 was primarily a result of the repurchase of treasury stock totaling 68,965 thousand shares in 2017. The Company completed the annulment of treasury stock totaling 68,965 thousand shares upon capital reduction in March 2018.

II. Analysis of Financial Performance

(I) Consolidated income statement of Yuanta Financial Holdings and its subsidiaries

Unit: NT\$1,000

Item	Year	2018	2017	Increase/Decrease	
		Amount	Amount	Amount	(%)
Net interest income		25,936,162	23,058,279	2,877,883	12
Net non-interest income		75,343,411	70,726,639	4,616,772	7
Net profit		101,279,573	93,784,918	7,494,655	8
Bad debt expenses and guarantee liability provisions		856,563	746,771	109,792	15
Net changes of reserve for insurance liabilities		36,611,780	33,895,878	2,715,902	8
Operating expenses		39,611,658	38,726,825	884,833	2
Continuing departments net consolidated income before tax		24,199,572	20,415,444	3,784,128	19
Income tax expense		3,701,334	2,559,332	1,142,002	45
Profit or loss of discontinued operations (after tax)		0	(352,057)	352,057	(100)
Net profit - current period		20,498,238	17,504,055	2,994,183	17
Other consolidated income (net after tax) - current period		(1,970,215)	177,608	(2,147,823)	(1,209)
Total consolidated income – current period		18,528,023	17,681,663	846,360	5

Note: Explanation of significant changes:

1. Analysis of change in profit or loss of discontinued operations (after tax)

Primarily a result of sale of the securities held in Ta Chong Bank

2. Analysis of change in other consolidated income (net after tax) - current period

The decrease from the previous period was primarily a result of the loss from the evaluation on financial assets at fair value through other comprehensive income, NT\$1.093 billion, and the loss on other comprehensive income reclassified under overlay approach, NT\$770 million, upon application of the IFRS 9 in 2018.

(II) Entity income statement of Yuanta Financial Holdings

Unit: NT\$1,000

Item	Year	2018	2017	Increase/Decrease	
		Amount	Amount	Amount	(%)
Revenue					
Share of the income from affiliates and joint ventures of subsidiaries recognized under equity method		19,979,027	17,800,029	2,178,998	12
Realized gain on available-for-sale financial assets		0	439	(439)	(100)
Realized gains at fair value through other comprehensive income		974	0	974	-
Other revenue		150,747	51,315	99,432	194
Subtotal		20,130,748	17,851,783	2,278,965	13
Expenses and losses					
Operating expenses		751,302	613,416	137,886	22
Net gain or loss from financial assets and liabilities at fair value through profit or loss		0	190	(190)	(100)
Other expenses and losses		227,426	664,948	(437,522)	(66)
Subtotal		978,728	1,278,554	(299,826)	(23)
Pretax income		19,152,020	16,573,229	2,578,791	16
Income tax expense		472,812	368,281	104,531	28
Net profit - current period		18,679,208	16,204,948	2,474,260	15

Note: Explanation of significant changes:

1. Analysis of other revenue

The increase from the previous period was primarily a result of the exchange gain this year.

2. Analysis of income from financial assets and liabilities at fair value through profit or loss - net

As a result of the related evaluation gain on Ta Chong Bank's private Class C convertible preferred stock and loss from disposition of Ta Chong Bank's convertible overseas bond recognized in 2017.

3. Analysis of other expenses and losses

The decrease from the previous period was primarily a result of the exchange loss and payment of the interest expenses about Class A preferred stock in 2017, but not applicable this year.

III. Analysis of Cash Flow

(I) Analysis of liquidity in the previous two years

1. Yuanta Financial Holdings and its subsidiaries

Item \ Year	2018	2017	Increase/decrease %
Cash flow ratio (%)	1.60	(18.30)	(108.74)
Cash flow adequacy (%)	(431.50)	(439.75)	(1.88)
Cash reinvestment ratio (%)	0.73	(20.22)	(103.61)
Explanation of ratio changes:			
1. The difference between the two periods of cash flow ratio is mainly due to the increase in net cash flow from operating activities.			
2. The variance in cash reinvestment ratios of the two periods was a result of the increase (net cash flow from operating activities-cash dividend).			

2. Yuanta Financial Holdings

Item \ Year	2018	2017	Increase/decrease %
Cash flow ratio (%)	115.35	55.62	107.39
Cash flow adequacy (%)	215.72	210.26	2.60
Cash reinvestment ratio (%)	2.29	1.74	31.61
Explanation of ratio changes:			
1. The variance in cash flow ratios of the two periods was a result of the increase in net cash flow from operating activities and decrease in current liabilities.			
2. The variance in cash reinvestment ratios of the two periods was a result of the increase in the net cash flow from operating activities from the previous period.			

(II) Analysis of liquidity in the coming year

1. Analysis of liquidity of Yuanta Financial Holdings and its subsidiaries

Unit: NT\$1,000

Initial cash balance	Net cash flow from operating activities for the year	Cash flow for the year	Cash balance	Corrective measures against insufficient cash position	
				Investment plans	Financing plans
120,921,896	31,725,373	(15,408,975)	137,238,294	-	-

(1) Analysis of cash flow in the coming year:

A. Operating activities: 31,725,373

B. Investment activities: 5,186,114

C. Financing activities: (20,595,089)

(2) Analysis of liquidity and corrective measures against projected insufficient cash position: Not applicable.

2. Analysis of liquidity of Yuanta Financial Holdings

Unit: NT\$1,000

Initial cash balance	Net cash flow from operating activities for the year	Cash flow for the year	Cash balance	Corrective measures against insufficient cash position	
				Investment plans	Financing plans
6,930,085	10,355,111	(10,370,034)	6,915,162	-	-

(1) Analysis of cash flow in the coming year:

A. Operating activities: 10,355,111

B. Investment activities: (848,902)

C. Financing activities: (9,521,132)

(2) Analysis of liquidity and corrective measures against projected insufficient cash position: Not applicable.

IV. Major capital expenditures in the most recent year: Yuanta Financial Holdings did not have any major capital expenditures in the most recent year.

V. Investment strategies, causes for investment gains and losses, and planned improvements for the most recent year and the investment plan for the coming year

(I) Investment strategies, causes for investment gains and losses, and planned improvements

Yuanta Financial Holdings will uphold the stable development policy to plan the Group's reinvestment policy. It will plan the Group's optimal investment strategies and portfolio by taking into consideration the growth potential and complementation of various business lines, as well as such financial factors as financial solidness, funding cost and rate of return on investment, insofar as it complies with related laws and regulations, in hopes of upgrading the Company's long-term profit and stability, increasing its ROE, and maximize shareholders' equity.

For the overview of operations and business plan for various subsidiaries of Yuanta Financial Holdings, please see "Four. Overview of Operations/1. Operations/(2) Business services of subsidiaries".

(II) Investment plan for the coming year

Upon completion of the acquisition and merger of Polaris Securities and Ta Chong Bank, Yuanta Securities and Yuanta Bank have attained considerable domestic business sales. In the future, the Group's investment plan will value construction and expansion of its overseas business in order to continue to move forward toward the objective for the "Best Financial Services Provider in the Asia Pacific Region". Yuanta Life will keep expanding its scale voluntarily, in principle. Notwithstanding, if some adequate object to be acquired and merged is verified, it will also consider expanding through merger and acquisition upon evaluation. The Group will keep concerning the development of FinTech and might control new technologies and business opportunities through investment or business cooperation.

VI. Risk management

(I) Risk management structure and policy of Yuanta Financial Holdings and each of its subsidiaries

1. Risk Management structure

Yuanta Financial Holdings' entire risk management structure covers the Board of Directors, the audit committee, risk management committee, management, Chief

Risk Officer, risk management department, compliance affairs department, legal affairs department and other business departments.

The Board of Directors shall be the ultimate policy-making unit for the Company's risk management, whose functions include authorization of the Company's risk management policy and important risk management system, authorization of the annual risk limit and supervision of execution of the risk management system.

Audit Committee shall help Board of Directors perform the Board's responsibilities for risk management, whose functions include review of the Company's risk management policy and important risk management system, review of annual risk limit and assistance in execution of the risk management system.

Risk Management Committee shall help the Audit Committee and Board of Directors, whose functions include review of the annual risk limit, review of risk management report, integration and coordination of common risk management issues between subsidiaries, and promotion and communication of important risk management motions, perform their responsibilities of risk management.

The management shall review all risks pertaining to operating activities and make sure that the Company's risk management system can be completely and effectively executed.

The Risk Management Department is subordinated to the Board of Directors. The Department's responsibilities include research and drafting of the risk management system, establishment of effective approaches to measure risk and the risk management system, monitoring and analysis of risk, and the provision of timely alerts and reports.

The Compliance Affairs Department shall execute compliance risk control to ensure that various units should execute the risk management system in accordance with the relevant regulations, and to help assess the compliance risk of various business lines.

The Legal Affairs Department shall execute legal risk control and help assess the legal risks potentially pertaining to various business lines, legal instruments, and contracts.

The Business Department's risk management functions include thorough reviewing of the management regulations governing various risks prior to carrying out various business lines, and compliance with the regulations governing various risks.

Each subsidiary has set up its own risk management organization by adequate level and scale, subject to its business portfolio, business scale and capital scale. The Company will continue to review each subsidiary's risk management organization to ensure that it may manage the various risks to be borne by it effectively.

2. Risk management policy

In order to establish the Company's risk management standards and ensure completeness, validity and reasonableness of the risk management, the risk management policy is defined as the Company's ultimate guidelines governing risk

management. Various risk management systems shall be defined based on the policy, attributes of various risks, and effect to be produced by the risks to the Company's operating stability and capital safety.

The Company's risk management systems shall cover market risk, credit risk, market liquidity risk, capital liquidity risk, interest risk, insurance risk, operational risk, compliance risk and legal risk, and any other risks related to operation. The subsidiaries shall establish the risk management system which meets their business portfolio, business scale and capital scale according to the Company's risk management policy and the local competent authority's regulations, in order to manage the various risks to be borne by them effectively.

Each subsidiary has set up its own adequate risk management policy, subject to its business portfolio, business scale and capital scale. The Company will continue to review each subsidiary's risk management policy to ensure that it may manage the various risks to be borne by it effectively.

(II) Methods of risk evaluation and control used by the Company and each of its subsidiaries, and risk exposure information

1. General periodic disclosures

(1) The Company's and subsidiaries' risk management principles are stated as follows:

Based on the board-approved risk management policies, the Company and each of its subsidiaries defined various risk management mechanisms. The Company's and subsidiaries' risk management principles are stated as follows:

A. Market risk:

Market risk refers to the risk over the loss on the Company losing its position due to the market price, fluctuation rate or related changes. The market price includes index, stock price, interest rate, foreign exchange rate, commodity or credit spread. The Company's and subsidiaries' market risk management principles include set-up of effective early warning indicators, risk limits and value at risk (VaR) based on the Company's risk tolerance level to accurately estimate potential losses and effectively control market risk. Under our value at risk (VaR) measurement model, the possible maximum potential loss over the exposure on the next trading day should be estimated at a 99% confidence level.

B. Credit risk:

Credit risk refers to the risk over loss resulting from the following circumstances:

- (A) Where the bond (bill) issuer, lender, counterparty or custodian breaches contract, goes bankruptcy or is liquidated and fails to perform its obligation pursuant to the terms and conditions as agreed and thereby causes risk.
- (B) Where the bond (bill) issuer, lender, counterparty or custodian breaches contract, goes bankruptcy or is liquidated and fails to fulfill its liability of warranty pursuant to the terms and conditions as agreed and thereby causes risk.

- (C) Where the strength of the financial instrument-linked is weakened, credit rating is degraded, or there is any circumstance constituting breach of the financial instrument contract.

The Company and each of its subsidiaries shall define the credit risk management systems subject to attributes of risk:

- (A) Loan credit: To manage the applications for loan by grade according to the credit rating or rating model, and enhance the quantitative mechanism of credit risk so as to upgrade the quality of loan assets. Apply an early warning mechanism integrated with the mid-term management platform to conduct the post-loan control over borrowers and take responsive measures to reduce the potential loss caused by credit risk.
- (B) Financial trading credit risk: In order to effectively integrate the Company's and its subsidiaries' financial trading credit risk distribution and stay on top of changes in the Company's and its subsidiaries' financial trading credit risk exposure, the Company has established an internal credit rating system to implement a credit risk level system to evaluate and control financial trading credit risk exposure effectively. Meanwhile, a credit early warning mechanism has been established to implement reporting procedures so as to effectively improve the timeliness of our response to credit events.

C. Concentration risk:

Large risk arises when some business is concentrated on specific risk factors and the unexpected changes resulting from the specific risk factors, if any, might cause significant loss to the Company. The Company and each of its subsidiaries have set up the large risk exposure control systems to cover the risk over loan, investment and trading, and would also control the concentration of the overall risk exposure by the same person (enterprise), enterprise group, industry and country.

D. Market Liquidity risk:

Market liquidity risk arises when assets are sold or position is closed out because of consecutive shortages of trading volume in the market or disorder in the market resulting in a significant reduction of the trading volume, if any. To decrease the Company's and subsidiaries' market liquidity risk, the Company and subsidiaries have set up separate standards on limits of liquidity position and potential loss for different operations and different characteristics of financial products to ensure sufficient market liquidity for all positions.

E. Asset liability matching risk:

Asset and liability matching risk includes funding liquidity risk and interest rate risk. The funding liquidity risk means the risk arising from the inability to acquire sufficient fund by virtue of sale of assets or applying for loan with another banks and failure to repay the matured debt. The interest rate risk means the risk arising from the adverse changes of net interest income between assets and liabilities with interest caused by the fluctuation of market interest rate.

The Company and its subsidiaries have set appropriate funding liquidity risk control indicators depending on the nature of each operational sector, and evaluate in advance the potential capital gaps for various deadlines to effectively control overall liquidity risk. To enhance the ability to manage funding liquidity risk, the Company and each of its subsidiaries have also

drawn up a capital allocation plan to cope with systemic risk events or react to abnormal capital flows.

The Company's and subsidiaries' interest rate risk management includes identification and measurement of interest rate re-pricing risk, yield curve risk, basis risk and option properties risk, and evaluate the warning value set up based on quantitative control indicator, so as to control the adverse effects caused by fluctuations in interest rate to the net interest income on the Company's entire assets and liabilities with interest effectively.

F. Insurance risk:

It means the risk over claims and expenses made or provided pursuant to the contract suffering loss caused by unexpected changes after collecting the insurance premium to assume the specific risk transferred by the insured. The insurance risk management shall cover the risk over product design and pricing, underwriting, reinsurance, catastrophe, claims and reserve fund.

In order to manage the insurance risk effectively, Yuanta Life has established the standard operating procedures and management mechanisms with respect to various insurance risks to strengthen the risk control function through a monitoring mechanism.

G. Operational risk:

Operational risk refers to the risk of direct or indirect losses arising from negligence or errors in internal operations, staff or systems, or from external events. The Company and its subsidiaries' policy is to implement standard operating procedures and control points that have been set as standards in the internal control and audit systems, and to ensure the functioning and effectiveness of control points and check points through regular self-assessments of internal controls. We are also gradually building up an operational risk management mechanism that involves operational risk incident reporting, standard operating procedure review, operational risk measurement, risk control and self-assessment to strengthen operational risk management.

H. Compliance risk:

Compliance risk means the risk potentially punished by the competent authority for failure to comply with the related laws and regulations when carrying out various businesses. The Company and subsidiaries all have the Compliance Affairs Department responsible for planning, management and execution of the compliance system; establishment of various conveyance, consultation, coordination and communication systems for laws & regulations; confirmation of timely update of various operations and management regulations subject to laws & regulations; issuance or conclusion of the opinion which meets laws & regulations and internal regulations; analysis of deficiencies of various units in compliance or the causes thereof and opinion about corrective actions; performance appraisal of various units in compliance, and assurance of effective operation of the compliance system.

I. Legal risk:

Legal risk arises when a contract has no binding effect, or the contract involves any act beyond the authority, omits some provisions, or is defective in definitions of the contract and thereby makes the contract invalid, and risk over potential loss arises. The Company has the Legal Affairs Department responsible for researching and drafting Company's contracts with others;

audit and management; and advising and processing of legal issues and non-litigious and litigious matters.

- (2) Information covered in risk report and frequency & procedure of risk report
- A. The level, contents and frequency of the Company's and its subsidiaries' risk report shall be adjusted subject to attributes of the risk and the impact rendered by the risk against the Company's business, income and net worth.
 - B. The Risk Management Department shall report the following risk management affairs to the administration management, Audit Committee or other functional committees dedicated to risk management and Board of Directors periodically:
 - (A) Overview of market risk;
 - (B) Overview of market liquidity risk;
 - (C) Overview of credit risk;
 - (D) Overview of funding liquidity risk;
 - (E) Overview of interest rate risk;
 - (F) Overview of insurance risk;
 - (G) Overview of operational risk;
 - (H) Overview of large risk exposure;
 - (I) Overview of capital adequacy ratio;
 - (J) Other significant risks.
- (3) The policy for hedging and mitigation of risk, strategy, and procedure for monitoring the persistent effectiveness of the risk hedging and mitigation tools

The Company and each of its subsidiaries define the risk limit, hedging tools and hedging operation mechanism based on their risk acceptance, so as to effectively limit the risk to the extent as approved, via the reasonable hedging mechanism.

To execute the hedging, the risk structure and level for the entire position shall be adjusted until the risk is acceptance, by employing adequate financial instruments, subject to the market condition, business strategies, product characteristics, and risk management regulations. The Company will also periodically continue to measure and control the validity of the hedging tools dedicated to hedging and mitigating risk.

2. Quantitative information on risk exposure

(1) Yuanta Financial Holding Co., Ltd.

A. Capital adequacy ratio

	2018/12/31	Average	Highest	Lowest
Capital adequacy ratio	138.70%	134.57%	138.95%	128.45%

B. Value at risk over trading position

Unit: NT\$1,000

Risk category	2018			
	2018/12/31	Average	Highest	Lowest
Interest rate risk	121,494	119,840	151,661	93,021
Equity risk	234,403	235,020	280,222	181,422
Foreign exchange risk	390,775	404,532	467,967	328,062
Commodity risk	18,483	9,439	28,980	1,614
Less: Diversification benefit	-332,603	-268,384	-	-
Total VaR	432,552	500,447	584,211	423,298

Note: Under our value at risk (VaR) measurement model, the possible maximum potential loss over the exposure on the next trading day should be estimated at a 99% confidence level.

(2) Yuanta Securities

A. Capital adequacy ratio

	2018/12/31	Average	Highest	Lowest
Capital adequacy ratio	344%	330%	345%	306%

B. Ratio of equivalent risk amount

Data baseline date: 12/31/2018

Item	Ratio of equivalent risk amount
Market Risk	61.63%
Credit Risk	17.32%
Operational risk	21.05%
Total	100.00%

(3) Yuanta Bank

A. Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

Data baseline date: 12/31/2018

Unit: NT\$1,000

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge
Sovereigns	227,752,038	0
Non Central -Government Public Sector Entities	153,731	12,299
Banks (Multilateral Development Banks included)	68,133,529	2,077,887
Corporates(Securities firms and insurance companies included)	436,180,900	32,777,487
Retailed credit	205,932,118	13,681,962
Residential Property	203,769,120	8,977,787
Equity-securities investment	36,525	2,922
Other assets	35,681,153	2,249,646
Total	1,177,639,114	59,779,990

Note: The required capital refers to the exposure upon mitigation of risk multiplied by the statutory minimum capital adequacy ratio.

B. Market risk – accrual capital charge and risk weighted assets of market risk

Data baseline date: 12/31/2018

Unit: NT\$1,000

Type of Risk	Accrued capital charge	Risk weighted assets (Note)
Interest rate risk	3,910,259	48,878,238
Equity risk	381,908	4,773,850
Foreign exchange risk	722,739	9,034,237
Commodity risk	0	0
Total	5,014,906	62,686,325

Note: The amount stated is the accrued capital charge multiplied by 12.5.

C. Liquidity risk – asset liability maturity analysis

Data baseline date: 12/31/2018

Structure analysis of time to maturity(NT\$)

Unit: NT\$1,000

	Balance until maturity					Total
	0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year	
Primary funds inflow upon maturity	319,036,784	100,722,266	67,907,473	108,165,393	533,120,355	1,128,952,271
Primary funds outflow upon maturity	161,149,787	187,721,546	202,462,798	317,793,649	460,426,534	1,329,554,314
Gap	157,886,997	-86,999,280	-134,555,325	-209,628,256	72,693,821	-200,602,043

Note: This table only includes NT\$ (not foreign currencies) held by the Head Office, domestic and overseas branches.

Data baseline date: 12/31/2018

Structure analysis of time to maturity (US\$)

Units: US\$1,000

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

Note: The Form contains the total amount of the Head Office, domestic branches and OBU in the U.S. dollars.

(4) Yuanta Life

A. Capital adequacy ratio

	2018 first half of the year	2018
Capital adequacy ratio	358.24%	366.96%

B. Ratio of equivalent risk amount

Data baseline date: 12/31/2018

Risk Item	Percentage of total risk capital before adjustment
Asset risk	55.01%
Insurance risk	14.76%
Interest rate risk	22.08%
Other risks	8.15%
Total	100%

(5) Yuanta Securities Finance

A. Capital adequacy ratio

	2018/12/31	Average	Highest	Lowest
Capital adequacy ratio	874.32%	873.60%	970.66%	817.23%

B. Ratio of equivalent risk amount

Data baseline date: 12/31/2018

Item	Ratio of equivalent risk amount
Market Risk	52.52%
Credit Risk	43.85%
Operational risk	3.63%
Total	100%

(6) Yuanta Futures

A. Alternative net capital (ANC)

	2018/12/31	Average	Highest	Lowest
Alternative net capital (ANC)	46.7%	58.6%	71.8%	46.7%

(III) Impact on the Company's financial standing and business operations due to changes in domestic or foreign policies and laws, and corresponding countermeasures to such changes:

The relevant department staffs of the Company and its subsidiaries analyze all major changes to policies and laws at home and abroad before they occur and assess their impact on all business operations; relevant internal business strategies and operational procedures are also adjusted in a timely way to respond to such changes.

(IV) Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures:

The Company serves as a financial holding company engaged in the operations covering securities, banking, insurance, securities finance, futures, investment trust, venture capital, investment consulting and asset management. The impact rendered by various subsidiaries' industrial changes on the Company has been balanced reasonably due to adequate industrial disperse and flexible business strategies. Accordingly, the impact on the Company rendered by the various subsidiaries' industrial changes has been

managed effectively via the maintenance of adequate disperse of the subsidiaries' business portfolio.

Given the increasingly extensive digitalization of financial institutions, in order to maintain the confidentiality, integrity and availability of information operations, the issue about information security is becoming increasingly important. In order to prevent such information security issues as disclosure of information and hackers' invasion from injuring the Company's finances, goodwill and customers' interest and right, the Company continues to strengthen the information security control mechanisms.

The Company and its key subsidiaries, Yuanta Securities, Yuanta Bank and Yuanta Life, have implemented ISO 27001 ISMS and also passed the certification by BSI. Thereafter, they would complete the continuing review once per year and the re-examination once per three years. Meanwhile, they also keep strengthening the information security management and control via the PDCA cycle to maintain the Company's important information assets. Further, in order to deal with the changes of technology, the Company keeps researching the introduction of new technologies and new products, in order to mitigate the effect produced by the information security risk to the Company as possible as it can.

- (V) Impact of changes in the corporate identity of crisis management of the company and its subsidiaries, and corresponding countermeasures:

Yuanta Financial Holdings serves its corporate and individual customers under the banner of honesty and conducts all its business operations under the principles of "Security, Liquidity and Profitability". The company has long enjoyed the trust and support of its customers, and also looks forward to upholding these ideals in serving its customers in the future, while building a good corporate image based on sound and stable management. Should there be unfounded reports about the financial status or other related operations of the Group that are likely to severely affect the Group's corporate identity, the company will issue a press release or post important information on the website of the Market Observation Post System to clarify the situation and let the truth be known.

- (VI) Expected benefit(s), possible risk(s) and response action(s) of merger and acquisitions:

1. Yuanta Financial Holdings pursues mergers and acquisitions as part of its overall growth strategy and ultimately for achieving the following four (4) goals:
 - (1) Leverage economies of scale;
 - (2) Create competitive barriers;
 - (3) Expand scope and territories of business;
 - (4) Upgrade the operating performance.
2. Associated risks are detailed below:
 - (1) Because asymmetric information, it might be difficult to control the real operating status of the merged and acquired prior to the merger & acquisition and to reflect the factors to the transaction price and thereby the company had to bear unexpected asset & liability risk;
 - (2) Given that the profitability of the merged and acquired is less than the expectation or certain adverse changes arise, the value of merger & acquisition is overestimated;
 - (3) The integration of enterprise culture and organizational framework results in loss of human resource and business and the declination or deferred production of merger & acquisition benefit.
 - (4) The overseas merger & acquisition projects shall bear the risk over the local economic and political changes and variance in the governing laws.

Yuanta Financial Holdings has strictly followed the standard operating procedures for the decision-making process of mergers and acquisitions (Yuanta Financial Holdings' Notes to and SOP for Merger & Acquisition). During the valuation process, consultants and lawyers are retained to conduct due diligence and the knowledge and expertise of the Group is enlisted to ensure careful evaluation before the merger & acquisition. Upon merger and acquisition, the Group would reduce the potential risk and loss related to the merger & acquisition through well-founded integration plans and thorough execution to have the merger & acquisition benefit exerted fully. Therefore, the Group's control over the risk related to merger & acquisition shall be considered adequate.

(VII) Risk and response action from concentrated operations:

The Company's and each of its subsidiaries cover a wide range of activities including securities, banking, insurance, securities finance, futures, investment trust, venture capital, investment consulting, and asset management underlining our efforts to diversify business to reduce risks associated with over-concentration. Additionally, credit limits have been established for all investment positions held by each subsidiary in accordance with relevant laws and regulations and risk management mechanisms so as to appropriately diversify risk and the potential risks arising from excessive concentration of business.

(VIII) Impact or risk associated with large transfers or changes in shareholdings by directors or major shareholders holding over 1%:

The Company and each of its subsidiaries are run by professional managers, and have established a full set of regulations on the empowerment of managers as well as the scope of powers at each level of the managerial hierarchy to expressly define the division of labor and responsibilities. Therefore, there will be no significant impact on the Company in the event of transfers or changes in shareholdings by a director or major shareholder holding a stake of more than 1%.

(IX) Effect and risk caused by the changes of the right to manage to the Company, and the countermeasures thereof:

The Company and each of its subsidiaries are run by professional managers, and have established a full set of regulations on the empowerment of managers as well as the scope of powers at each level of the managerial hierarchy to expressly define the division of labor and responsibilities. Therefore, there will be no significant impact on the Company in the event of the changes of the right to manage.

(X) Litigation and non-litigation matters:

1. Major litigation, non-litigious or administrative court cases, adjudicated or pending, involving the Company or its subsidiaries:

Unit: Dollar (NT\$/KRW\$/HK\$/US\$/THB\$)

Facts	Target Amount	Commencing Date of Litigation	Important Parties involved in the litigation	Status as of the date of publication of the annual report	Remarks
Due to the dispute over transaction of stock, the customer of the extinguished company, Polaris Securities, filed a civil action against Yuanta Securities, claiming that Yuanta Securities should bear the damages jointly and severally with its employee.	NT\$39,769,051	June 2013	Yuanta Securities, ○ Chih Lin and Plaintiff ○ Chiao Meng.	The claimed amount was NT\$25,718,846 on June 25, 2013 at the first place, and then was increased to NT\$40,310,002 on June 30, 2015 and decreased to NT\$39,769,051 on August 12, 2015. The Taiwan Taipei District Court has rendered the judgment dismissing the Plaintiff's claim on October 21, 2016. The Plaintiff filed an appeal against the judgment. The appeal is pending trial by the Taiwan High Court now.	Upon evaluation, no material effect would be produced to Yuanta Securities' operation or shareholders' equity.
Seventy-Day Adventist Church Taiwan Conference and Taiwan Adventist Hospital claimed the damages against two (2) persons including Yuanta Securities, et al. regarding the dispute over the purchase and sale contract of land and parking lots.	NT\$952,511,840	January 2018	Yuanta Securities and the other person, and Seventy-Day Adventist Church Taiwan Conference and Taiwan Adventist Hospital	The plaintiff initiated a mediation procedure against Yuanta Securities on January 9, 2018 and initially claimed \$574,000,000 for compensation (of which \$572,350,000 was claimed under a joint liability basis). On January 17, 2018, the claim was raised to \$952,511,840 (of which \$950,861,840 was claimed under a joint liability basis). The Taiwan Taipei District Court held that the mediation was not reached. The plaintiff then initiated a separate action for the same case on July 11, 2018 as claimed in the mediation. The case is now pending trial by the Taiwan Taipei District Court. Yuanta Securities has retained its attorneys-at-law to defend the case pursuant to laws.	Upon evaluation, no material effect would be produced to Yuanta Securities' operation or shareholders' equity.
Anbang Group Holdings Co. Limited and Anbang Life Insurance Co., Ltd. filed a counterclaim against Yuanta Securities (Korea) and other four entities in an arbitration proceeding.	About 1,143,200 million won	June 2017	Yuanta Securities (Korea) and the other four entities, and the petitioners who filed the counterclaim including Anbang Group Holdings Co. Limited and Anbang Life Insurance Co., Ltd.	Anbang Group Holdings Co., Limited and Anbang Life Insurance Co., Ltd. claimed 698,000 million won initially. Thereafter they amended their claim amount to 1,143,200 million won in their latest filing. Yuanta Securities (Korea) denied the allegations by Anbang Group Holdings Co. Limited and Anbang Life Insurance Co., Ltd. The arbitration is processed in accordance with the arbitration rules.	Upon evaluation, no material effect would be produced to Yuanta Securities (Korea)'s operation or shareholders' equity.
Yuanta Securities (Hong Kong) raised a litigation proceeding against the account executive, claiming the guarantee liability owed by the account executive.	About HK\$135 million	June 2017	Yuanta Securities (Hong Kong) and its former account executive	Yuanta Securities (Hong Kong) has incurred damages from a non-performing margin loan because the securities as the collateral therefor was suspended for trading. These margin clients were served by an account executive who entered into a guarantee with Yuanta Securities (Hong Kong) (the "Guarantee") under which the account executive agreed to guarantee all losses of Yuanta Securities (Hong Kong) in relation to the accounts of margin clients. Yuanta Securities (Hong Kong) has raised a litigation proceeding against the account executive as the guarantor. The account executive has denied its liability under the Guarantee. Currently, the case is pending in the court.	Upon evaluation, no material effect would be produced to Yuanta Securities (Hong Kong)'s operation or shareholders' equity.

Facts	Target Amount	Commencing Date of Litigation	Important Parties involved in the litigation	Status as of the date of publication of the annual report	Remarks
The former employee of Yuanta Securities (Thailand) (formerly known as KKTrade Securities Co., Ltd.) was suspected of committing a fraud. The clients filed a civil lawsuit against Yuanta Securities (Thailand) and the former employee for joint liability to pay the compensation.	About THB\$301 million	August 2017	Yuanta Securities (Thailand) and another person, and Plaintiff Mr. Amnaj ○○ and the other four (4) persons.	As part of the money was not remitted to the account of Yuanta Securities (Thailand), but rather directly to the account of the former employee from the plaintiffs, the liability of the claim amount is denied by Yuanta securities (Thailand). Yuanta Securities (Thailand) has retained lawyers to proceed in subsequent proceedings for defense.	Upon evaluation, no material effect would be produced to Yuanta Securities (Thailand)'s operation or shareholders' equity.
Yuanta Savings Bank (Korea), a subsidiary of Yuanta Bank, considered that the complaint filed by Defendant Trust Investment with Korean Financial Services Commission in March 2016 claiming that Yuanta Savings Bank (Korea) overcharged the Defendant in a loan project and should refund the Defendant ₩4billion should be groundless. Accordingly, it filed an action with the Seoul Central District Court for a declaratory judgment of non-existence of the obligation to clarify the dispute.	Impacted amount:4,024,468,690 won (about NTS114,295,000)	September 2016	Defendant : Trust Investment	1. Yuanta Bank reached an agreement with the original shareholder of Yuanta Savings Bank (Korea) (formerly known as HanShin Savings Bank), AON BGN Limited Liability Company, in this regard, upon merger and acquisition of HanShin Savings Bank, agreeing that the original shareholder should pledge 5 billion won to Yuanta Bank to cover the damages to be caused by lawsuit. As of the record date for the said merger and December 23, 2018, the Company has stated the indemnification assets and contingent liabilities totaling 4,024,469 thousand WON based on the claim amount, recorded as "other assets-net" and "liability reserve". 2. The Seoul Central District Court rendered the judgment in favor of the plaintiff, Yuanta Savings Bank (Korea), in the first instance on June 16, 2017. In the second instance, the Seoul High Court still rendered the judgment in favor of Yuanta Savings Bank (Korea) on May 25 2018. The defendant, Trust Investment, filed an appeal with the Seoul Supreme Court accordingly. By March 13, 2019, the case is still pending trial by the Supreme Court in Korea.	Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity.
SPM (BVI) CO., LTD. and its affiliate, HYC Co., Ltd., filed a civil action against Ta Chong Bank claiming revocation of the arbitration award dated September 8, 2017 rendered by the arbitration tribunal of the Chinese Arbitration Association, Taipei.	US\$8,659,000 and interest thereon	October 2017	Plaintiff: SPM (BVI) CO., LTD. And HYC CO., LTD. Defendant : Ta Chong Bank (Ta Chong Bank was merged with Yuanta Bank on January 1, 2018. Yuanta Bank subsequently assumed this litigation)	1. The plaintiffs engaged in the foreign exchange financial derivatives transactions with Ta Chong Bank from 2013 to 2015. As a result, the plaintiffs suffered losses from the transactions and, therefore, filed a petition for arbitration with the Chinese Arbitration Association, Taipei claiming that Ta Chong Bank should pay US\$8,659 thousand plus interest as compensations. The arbitration tribunal rendered the arbitration award dismissing the plaintiffs' claim on September 8, 2017. The plaintiffs filed the civil action claiming revocation of the arbitration award in October 2017. 2. The Taiwan Taipei District Court ruled in favor of Yuanta Bank on August 20, 2018 and which ruling became conclusive. This case is concluded.	Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity.

Facts	Target Amount	Commencing Date of Litigation	Important Parties involved in the litigation	Status as of the date of publication of the annual report	Remarks
Due to the dispute arising from the foreign exchange financial derivatives transactions between SINO UNITED INTERNATIONAL CO.,LTD. and PLOSA INTERNATIONAL CO.,LTD. on the one side, and Ta Chong Bank, on the other side, the two (2) companies filed a civil action claiming damages against Ta Chong Bank.	First claim: US\$3,123,399.47 plus interest Alternative claim: US\$1,445,000 plus interest	June 2016	Plaintiff: SINO UNITED INTERNATIONAL CO.,LTD. and PLOSA INTERNATIONAL CO.,LTD. Defendant : Ta Chong Bank (Ta Chong Bank was merged with Yuanta Bank on January 1, 2018. Yuanta Bank subsequently assumed this litigation)	1. Due to losses arising from settling the foreign exchange financial derivatives transactions with Ta Chong Bank, the plaintiffs filed a legal action with the Taipei District Court, claiming that Ta Chong Bank should compensate said losses. 2. The judgment was rendered in favor of Yuanta Bank for the first instance on January 26, 2018. SINO and PLOSA disagreed with the judgment and filed an appeal. The Taiwan High Court sustained the judgment for of the first instance to render the judgment in favor of Yuanta Bank in the second instance on March 12, 2019.	Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity.
Due to the drastic market fluctuation on February 6, 2018, the risk indicator over the account of a customer of Yuanta Futures, ○ Hua Li, was less than 25%. Upon settlement, the account suffered the over loss amounting to NT\$42,435,140. Yuanta Futures reported the customer's breach of contract.	1st instance: NT\$42,435,140	13 July 2018	Plaintiff: Yuanta Futures Defendants: Customer ○ Hua Li, and his agent, ○ Jun Kuo	1. A provisional attachment has been obtained and executed. 2. The defendants petitioned for transfer of jurisdiction. As a result, the Taiwan Taipei District Court ruled that the case should be transferred to the Taiwan Ciaotou District Court. The case is pending for the time being.	Upon evaluation, no material effect would be produced to the Company's operation or shareholders' equity.

2. The subsidiary, Yuanta Securities Investment Trust, handled the discretionary investment under the domestic investment contract for Bureau of Labor Funds, Ministry of Labor (formerly known as LABOR PENSION FUND SUPERVISORY COMMITTEE, reformed as of February 17, 2014, hereinafter referred to as the "Bureau"). Because the manager Chu who previously worked for the discretionary investment department of Polaris Securities Investment Trust and then resigned from Polaris Securities Investment Trust committed misconduct with respect to the trading of domestic stocks under the discretionary investment mandate by the Bureau from 2011 to 2012, the Bureau filed a criminal action with monetary claim against Yuanta Securities Investment Trust and the manager Chu with the Taipei District Court on January 28, 2014 under a joint and several liability claim. In order to prevent its interests and rights from being injured, Yuanta Securities Investment Trust has appointed its attorney-at-law to handle the case. The Taipei District Court, Taiwan has rendered the judgment against the case involving the manager Chu for the first instance of the criminal case, ruling that the case should be transferred to the civil court for trial. The Bureau reduced the joint and several liability claim Yuanta Securities Investment Trust and Chu to NT\$108,410,956 on September 5, 2016. After Taiwan High Court rendered its judgment of the second instance of the criminal case, the Bureau reduced its claim to NT\$71,575 thousand on April 28, 2017. Upon evaluation the attorney-at-law considered that Chu was held guilty for breaching the trust obligation owed to Yuanta Securities Investment Trust in said 1st instance and 2nd instance criminal judgment and that the Bureau was not held as the principal entrusting Chou to handle the case. Besides, the earlier transactions damaging the Bureau's right involving the breach of trust referred to in the Criminal Code and the insider's trading in violation of the Securities and Exchange Act, as stated in the

indictment, could not be proven. Therefore, the attorney-at-law determined that whether the Bureau may claim damages in the criminal action with monetary claim, and how to prove the cause-and-effect relation between the damages and offense and to calculate the damages should remain questionable, and the case can be evaluated more concretely only after the court renders its judgment.

(XI) Other significant risks and response actions: None.

VII. Crisis Management and Emergency Response

The company has established policy and procedural rules for crisis management within relevant risk management mechanisms. Based on the said policy and procedural rules, a crisis emergency response task force is set up with the president or a vice president appointed by the president as its convener. Departmental supervisors then form a crisis management task force depending on the extent and nature of the incident, which analyzes and evaluates proposed response measures. Keeping abreast of the latest developments, the task force proposes or submits revised response plans to meet actual needs. In line with the policy and procedural rules, each subsidiary has also established a set of disaster emergency response measures for effective management.

VIII. Other Significant Events: None.

Seven. Special Items

I. Information on Affiliates

- (I) Consolidated business reports of affiliated enterprises
 1. Organizational chart of affiliates: See page 17.
 2. Basic information on affiliates

Units: \$1,000 (including NT\$, US\$, HK\$, CNY\$, KRW\$, PHP\$, GBP\$, IDR\$, THB\$, VND\$)
Data baseline date: 01/31/2019

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Yuanta Securities	1996.06.26	13-14F., No. 225, Sec. 3, Nanjing E. Rd., Taipei City	54,056,442	See Yuanta Securities business scope in "Four. Overview of Operations".
Yuanta Bank	1992.01.14	1-10F., No. 66 and 1F., 2F., 2F.-1, 7F. and 9F., No. 68, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City	73,940,390	See Yuanta Bank business scope in "Four. Overview of Operations".
Yuanta Life	2002.03.29	17F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City	9,624,045	See Yuanta Life business scope in "Four. Overview of Operations".
Yuanta Securities Finance	1980.03.10	12F., No. 66, Sec. 1, Dunhua S. Rd., Taipei City	4,000,000	See Yuanta Securities Finance business scope in "Four. Overview of Operations".
Yuanta Venture Capital	2002.12.13	10F., No. 66, Sec. 1, Dunhua S. Rd., Taipei City	2,460,000	See Yuanta Venture Capital business scope in "Four. Overview of Operations".
Yuanta Futures	1997.04.09	11-12F., No. 225, Sec. 3, Nanjing E. Rd., Taipei City	2,322,763	See Yuanta Futures business scope in "Four. Overview of Operations".
Yuanta Securities Investment Trust	1992.08.14	6F., No. 225, and 10-11F., No. 219, Sec. 3, Nanking E. Rd., Taipei City	2,269,235	See Yuanta Securities Investment Trust business scope in "Four. Overview of Operations".
Yuanta Asset Management	2003.04.16	10F.-1, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	1,000,000	See Yuanta Asset Management business scope in "Four. Overview of Operations".
Yuanta Securities Investment Consulting	1988.02.11	4F., No. 225, Sec. 3, Nanjing E. Rd., Taipei City	100,000	See Yuanta Securities Investment Consulting business scope in "Four. Overview of Operations".
Yuanta Securities Asia Financial Services	1996.06.11	Clarendon House 2 Church Street Hamilton HM11, Bermuda	US\$290,909	Investment holdings
Yuanta International Insurance Brokers	2001.07.05	2F.-1, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	5,000	Insurance broker

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Yuanta I Venture Capital	2002.12.19	10F., No.66, Sec. 1, Dunhua S. Rd., Taipei City	850,000	Venture capital services
Yuanta International Leasing	2012.11.15	7F., No.69, Baoqing Rd., Zhongzheng Dist., Taipei City	600,000	Leasing services
Yuanta Savings Bank (Philippines)	1997.11.05	Ground Floor, Chatham House Building, 116 Valero corner Rufino Streets, Salcedo Village, Makati City, Philippines	PHP\$1,000,000	Deposit, loan and foreign exchange
Yuanta Savings Bank (Korea)	1988.06.20	542, Gangnam-daero, Gangnam-gu, Seoul, Korea	KRW\$67,580,120	Deposit and loan
Yuanta Securities (HK)	1992.10.22	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong	HK\$2,268,133	Securities exchange, futures contract trading, advice on securities, advice on futures contract, advice on corporate finance, asset management
Yuanta Finance (HK)	2014.12.31	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, HK	HK\$50,000	Credit loan business
Yuanta International Investment (HK)	2015.01.12	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, HK	HK\$50,000	Offering of financial instruments
Yuanta Securities Holdings (BVI)	2002.11.06	Tropic Isle Building P.O.Box 438, Road Town, Tortola, British Virgin Islands.	US\$10	Investment holdings
Yuanta Hong Kong Holdings (Cayman)	1996.11.05	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	US\$10,074	Investment holdings
Polaris Securities (HK)	1993.07.08	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong	HK\$9,910	Securities exchange, futures contract trading, asset management
Yuanta Investment Management (Cayman)	1994.01.14	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands	US\$12,500	Investment management
GC Investment Consultant (Shanghai) (in liquidation)	2001.09.10	Suite A & B, 12F., No. 138, Putong Avenue, Putong New District, Shanghai City	CNY \$ 4,138	Investment advisory services
Yuanta Investment Consulting (Beijing)	2013.06.17	Rm. 706, No.113, Zhichun Str., Haidien District, Beijing 100080, P. R. China	CNY \$18,428	Investment management consulting, financial consultation, business management consulting, commercial information consultation, economic and trading consultation, merchandising, technical promotion, technical service
Yuanta Asia Investment	2014.04.10	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, VIRGIN ISLANDS, BRITISH	US\$35,000	Direct investment, venture investment fund, ventures investment fund raising and management, investment consulting and advice

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Yuanta Securities (Korea)	1962.06.04	Yuanta Securities Bldg. #76, Euljiro (Euljiro 2-ga), Jung-gu, Seoul, Korea	KRW1,062,543,940	Securities exchange, advice on securities, advice on futures contract, underwriting business, asset management, financial consulting, futures contract trading
Yuanta Investment	1989.04.22	12F, #76 Euljiro (Euljiro 2-ga), Jung-gu, Seoul, Korea	KRW32,003,805	Investment business
Yuanta Financial (HK)	2009.04.29	Unit 1010, 10/F, Corporation Park, 11 On Lai Street, Shatin, Hong Kong	HK\$189,540	Investment holdings
Heng Xin Asia Holdings	2011.06.03	Unit 1010, 10/F, Corporation Park, 11 On Lai Street, Shatin, Hong Kong	US\$1,692	Investment holdings
Yuanta Securities (Cambodia)	2010.02.24	4th Floor, Emerald Building, No. 64 (corner St. 178), Preah Norodom Blvd, Sangkat Chey Chumneah, Khan Daun Penh, Phnom Penh, Cambodia	US\$12,500	Guidance to underwriting, financial consulting
Yuanta Securities (UK) (in liquidation)	2015.04.27	18 St Swithin's Lane, London EC4N 8AD	GBP\$2,000	Brokerage services for institutional investors
PT Yuanta Sekuritas Indonesia	1989.11.22	Equity Tower 10th Floor, Unit EFGH, SCBD Lot 9, Jl. Jendral Sudirman Kav 52-53 Jakarta 12190, Indonesia	IDR\$478,816,000	Securities exchange, and underwriting
PT Yuanta Asset Management	2011.02.02	Equity Tower 10th Floor Unit B, SCBD Lot 9, Jl. Jendral Sudirman Kav 52-53 Jakarta 12190, Indonesia.	IDR\$45,200,000	Investment management
Yuanta Securities (Thailand)	1998.10.27	127 Gaysorn Tower, 14th-16th Floor, Ratchadamri Road, Lumpini, Pathumwa, Bangkok 10330	THB\$4,500,000	Securities brokerage and proprietary trading, underwriting, investment advisor, mutual fund management, private fund management, securities borrowing/lending, venture capital fund management, financial derivatives brokerage and proprietary trading
Yuanta Securities (Vietnam)	1999.12.28	Level 4, Saigon Centre Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	VND1,000,000,000	Brokerage, proprietary trading, underwriting and securities investment consulting business
Yuanta Futures (HK)	2010.12.02	Unit 1304, 13th/F, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong	US\$34,000	2nd Type: Futures contract trading; 5th Type: Advice on futures contract
SYF Information	2012.11.09	7F-4, No. 181, Fuxing N. Road, Taipei City	350,000	IT management, IT software service, IT software wholesale & retail
SYF Information (Samoa)	2012.11.15	Portcullis Chambers P. O. Box 1225, Apia, SAMOA	US\$5,800	Investment holdings

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
SYF Information (Shanghai)	2013.04.02	Room A113, 1F, Building 4, No. 88 North Zhangjiabang Road, Pudong New District, Shanghai City	CNY\$33,080	R&D and production of computer software, e-commerce software and financial software, sale of own products, and supply of the relevant technology consulting service; investment consulting services; wholesales, agency (other than auction) and import/export of metal materials (other than precious metals, rare metals and steel materials) and the products thereof, raw materials for chemical engineering (other than special chemicals and hazardous chemicals, etc.) and the products thereof, plastics and the products thereof, rubber products, mineral products (other than commodities under special control), wholesale of asphalt, commission agency (other than auction), and import/export. (Not involve state-run enterprise's trading management product but involve quota and products requiring license to be requested pursuant to the national requirements; for the scope approved pursuant to laws, the operating activities may be initiated upon approval of the related department.)

3. Information on shareholders presumed to have a controlling and dependent relationship: None.

4. Information on business scope of the company's affiliates and division of labor

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
Yuanta Securities	Securities services	Yes	<ol style="list-style-type: none"> 1. Yuanta Bank and Yuanta Securities have established an integrated cross-marketing relationship. 2. Yuanta Futures is appointed by Yuanta Securities to act the futures introducing broker of Yuanta Securities. 3. Yuanta Securities is appointed by Yuanta Futures to act as the securities introducing broker for Yuanta Futures. 4. Yuanta Securities sells mutual funds issued by Yuanta Securities Investment Trust. 5. Yuanta Securities sells insurance products of Yuanta International Insurance Brokers. 6. Yuanta Securities Investment Consulting provides research analysis reports and consulting services to Yuanta Securities.
Yuanta Bank	Commercial Bank	Yes	<ol style="list-style-type: none"> 1. Yuanta Bank has established a reciprocal integrated marketing relationship with Yuanta Securities, and acts as the primary bank for transaction settlement. 2. Yuanta Bank sells mutual funds issued by Yuanta Securities Investment Trust. 3. Yuanta Bank helps sell the insurance products of Yuanta Life.
Yuanta Life	Insurance Services	Yes	<ol style="list-style-type: none"> 1. Yuanta Bank acted as the primary correspondent bank of Yuanta Life. 2. Yuanta Bank acted as the custodian bank of discretionary investment accounts and quasi-discretionary investment accounts for the Asian Market Bond of Yuanta Life. 3. Yuanta Bank helps sell the insurance products of Yuanta Life. 4. Yuanta International Insurance Brokers helps sell the insurance products of Yuanta Life. 5. Yuanta Securities handles the domestic stock trading for Yuanta Life. 6. Yuanta Securities (HK) handles Hong Kong stock trading for Yuanta Life. 7. Yuanta Securities Investment Consulting provides securities investment research and analysis reports and information services to Yuanta Life. 8. Yuanta Securities Investment Trust manages discretionary investments in domestic stock, discretionary investments in foreign bond, and quasi-discretionary insurance policies on behalf of Yuanta Life. 9. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Financial Holdings. 10. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities. 11. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Bank.

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
			<p>12. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities Finance.</p> <p>13. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities Investment Trust.</p> <p>14. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities Investment Consulting.</p> <p>15. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Futures.</p> <p>16. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Venture Capital.</p> <p>17. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Asset Management.</p> <p>18. Yuanta Life refers to the insurance company engaged in providing group insurance products for Yuanta International Insurance Brokers.</p> <p>19. Yuanta Life refers to the insurance company engaged in providing group insurance products for Yuanta Asia Investment.</p> <p>20. Yuanta Life refers to the insurance company engaged in providing group insurance products for Yuanta International Leasing.</p> <p>21. Yuanta Life refers to the insurance company engaged in providing group insurance products for SYF Information.</p>
Yuanta Securities Finance	Securities finance services	Yes	<ol style="list-style-type: none"> 1. Yuanta Securities provides refinancing services for Yuanta Securities Finance. 2. Yuanta Securities Investment Consulting provides securities investment research and analysis reports and information services to Yuanta Securities Finance.
Yuanta Venture Capital	Venture capital services	Yes	Yuanta Venture Capital is a subsidiary wholly owned by the Company, which is primarily engaged in investment and disposition of domestic and foreign technology enterprises, manufacturers, service providers, the general industry, and other venture capital companies.
Yuanta Asset Management	Financial services	None	None
Yuanta Futures	Futures services	Yes	<ol style="list-style-type: none"> 1. Yuanta Futures is appointed by Yuanta Securities to act the futures introducing broker of Yuanta Securities. 2. Yuanta Securities is appointed by Yuanta Futures to act as the securities introducing broker for Yuanta Futures. 3. Yuanta Futures is the futures commission merchant of securities exchange for Yuanta Securities Investment Trust.

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
Yuanta Securities Investment Trust	Securities investment trust services	Yes	<ol style="list-style-type: none"> 1. Yuanta Securities is the fund sales agent and securities firm of fund transactions and fund trader for Yuanta Securities Investment Trust. 2. Yuanta Bank is the fund sales agent and fund trader for Yuanta Securities Investment Trust. 3. Yuanta Futures is the fund exchange futures firm and futures trust fund sales agent for Yuanta Securities Investment Trust. 4. Yuanta Securities Investment Consulting provides research analysis reports and consulting services to Yuanta Securities Investment Trust. 5. Yuanta Life provides the policyholders with fund & wealth management services for Yuanta Securities Investment Trust.
Yuanta Securities Investment Consulting	Securities investment consulting services	Yes	Yuanta Securities Investment Consulting provides securities investment research and analysis reports and information services to Yuanta Securities et al.
Yuanta Securities Asia Financial Services	Holdings	Yes	Yuanta Securities invested in Yuanta Securities Asia Financial Services in order to expand overseas operations and establish overseas branches.
Yuanta International Insurance Brokers	Insurance broker services Property insurance broker services	Yes	<ol style="list-style-type: none"> 1. Yuanta Securities is an insurance services sales channel for Yuanta International Insurance Brokers. 2. Yuanta International Insurance Brokers helps sell the insurance products of Yuanta Life.
Yuanta I Venture Capital	Venture capital services	Yes	Yuanta I Venture Capital was established by Yuanta Venture Capital to handle development, assessment, investment, and disposal matters in relation to invested projects and wholly owned by Yuanta Venture Capital.
Yuanta International Leasing	Leasing services	None	None
Yuanta Savings Bank (Philippines)	Banking services	None	None
Yuanta Savings Bank (Korea)	Banking services	None	None
Yuanta Securities (HK)	Securities services	Yes	Yuanta Securities handles domestic stock trading for Yuanta Securities (HK).
Yuanta Finance (HK)	Financial services	None	Yuanta Securities (HK) is the Group's securities firm in Hong Kong.
Yuanta International Investment (HK)	Financial services	None	None
Yuanta Securities Holdings (BVI)	Holdings	Yes	To develop its international business, Yuanta Securities invested in Yuanta Securities Holdings (B.V.I) to execute overseas investments, but is currently not operational.
Yuanta Hong Kong Holdings (Cayman)	Holdings	Yes	To develop its international business, invested in Yuanta HK Holdings (Cayman) to execute its overseas investments.

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
Polaris Securities (HK)	Securities services	None	None
Yuanta Investment Management (Cayman)	Financial services	None	None
GC Investment Consultant (Shanghai) (in liquidation)	Investment advisory services	None	None
Yuanta Investment Consulting (Beijing)	Investment advisory services	None	None
Yuanta Asia Investment	Investment management, Direct investment consulting	None	None
Yuanta Securities (Korea)	Securities services	Yes	1. Yuanta Securities (Korea) is the Group's securities firm engaged in trading securities in Korea. 2. Yuanta Securities handles domestic stock trading for Yuanta Securities (Korea).
Yuanta Investment	Financial services	None	None
Yuanta Financial (HK)	Securities services	None	None
Heng Xin Asia Holdings	Holdings	None	None
Yuanta Securities (Cambodia)	Securities services	None	None
Yuanta Securities (UK) (in liquidation)	Brokerage services for institutional investors	Yes	Help develop the brokerage services for institutional investors of Yuanta Securities (HK)
PT Yuanta Sekuritas Indonesia	Securities exchange Underwriting	Yes	1. PT Yuanta Sekuritas Indonesia is the securities firm appointed by the Yuanta Securities Investment Trust. 2. PT Yuanta Sekuritas Indonesia is the securities firm appointed by the Yuanta Securities (HK).
PT Yuanta Asset Management	Investment management	Yes	None
Yuanta Securities (Thailand)	Brokerage services for institutional investors	Yes	Yuanta Securities (Thailand) is the securities firm appointed by the Yuanta Securities (HK).
Yuanta Securities (Vietnam)	Securities services	None	None
Yuanta Futures (HK)	Financial services	Yes	Futures contract trading, futures contract consultation
SYF Information	Computer & IT management	None	None

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
SYF Information (Samoa)	Investment holdings	None	None
SYF Information (Shanghai)	Software development, wholesale of computer, software and auxiliary equipment, wholesale of metal and metal minerals, wholesale of other chemical engineering products, trading agents, and other unspecified wholesale products	None	None

5. Information on directors, supervisors and presidents of the company's affiliates

Units: 1000 shares; %

Data baseline date: 01/31/2019

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))					
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)				
Yuanta Securities	Chairman	Representative of Yuanta Financial Holdings: Ming Hong Ho	5,405,644	100%	-	-				
	Director	Tony Shen								
	Director	Ku Pin Huang								
	Director	Yung Ling Ma								
	Director	Yueh Tsang Lee								
	Director	Yu Chih Huang								
	Director	Ching Kuang Shen								
	Director	Lung Fan Lin								
Director	Rui Chen Ma									
Director	Chi Chang Chen									
Independent Director	Tu Mu Kuo			-	-					
Independent Director	Ching Shan Hung			-	-					
Independent Director	Sou Shan Wu			-	-					
Independent Director	Kun Hong Lai			-	-					
Independent Director	Chuan Li Chang			-	-					
Independent Director	Nai Kuan Huang			-	-					
President	Chi Chang Chen			-	-					
Yuanta Bank	Chairman	Representative of Yuanta Financial Holdings: Tony Fan	7,394,039	100%	-	-				
	Director	Song Erh Chang								
	Director	Michael Ma								
	Director	Jin Long Fang								
	Director	Hsien Tao Chiu								
	Director	Yu De Chuang								
	Director	Jin Sheng Duann								
	Director	Chung Yuan Chen								
	Director	Yu Feng Ko								
	Independent Director	Ming Ling Hsueh							-	-
	Independent Director	Yin Hua Yeh							-	-
	Independent Director	Ching Shan Hung							-	-
Independent Director	Chwo Ming Yu			-	-					
Independent Director	Kuang Hsi Hsu			-	-					
President	Yu De Chuang			-	-					

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))			
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)		
Yuanta Life		Representative of Yuanta Financial Holdings:	962,405	100%	-	-		
	Chairman	Chao Kuo Chiang						
	Director	Michael Ma						
	Director	Connie Lin						
	Director	Chieh Wu						
Director	Chien Weng							
Director	Hsu Shu Mai							
Director	Ming Lang Liu							
Director	T.Y.Chang							
Director	Yu Lan Cheng							
Director	Chun Cheng Cheng							
	Independent Director	Lai Ping Chi			-	-		
	Independent Director	Tu Mu Kuo			-	-		
	Independent Director	Yin Hua Yeh			-	-		
	President	Connie Lin			-	-		
Yuanta Securities Finance		Representative of Yuanta Financial Holdings:	400,000	100%	-	-		
	Chairman	Ting Hsien Huang						
	Vice Chairman	Chieh Wu						
	Director	Hsuan Min Kuo						
	Director	Ming Lang Liu						
	Director	Cheng Hua Sun						
	Supervisor	Wen Ching Chiu						
Supervisor	Shih Chen Huang							
	President	Rong Tin Hong			-	-		
Yuanta Venture Capital		Representative of Yuanta Financial Holdings:	246,000	100%	-	-		
	Chairman	Chien Weng						
	Director	Yu Chang						
	Director	Frank Kuo						
	Supervisor	Hsuan Min Kuo						
	President	Yu Chang			-	-		
Yuanta Futures		Representative of Yuanta Financial Holdings:	159,467	68.65%	-	-		
	Chairman	Tien Fu Lin					0	0%
	Director	Hsiao Ling Chou					3.144	0%
	Director	Vincent Chen					0	0%
	Director	Shao Hsing Kung					0	0%
	Director	Hsien Tao Chiu					0	0%
	Director	Yueh Tsang Lee					0	0%
	Independent Director	Chwo Ming Yu					0	0%
	Independent Director	Ching Shan Hung					0	0%
	Independent Director	Nai Kuan Huang					0	0%
	President	Hsiao Ling Chou					3.144	0%

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))			
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)		
Yuanta Securities Investment Trust		Representative of Yuanta Financial Holdings:	163,828	72.20%				
	Chairman	Tsung Sheng Liu						
	Vice Chairman	Yu Lan Cheng			3	0%		
	Director	Chao Tang Huang			0	0%		
	Director	Yueh Ching Tsao			58	0.03%		
	Director	Nian Ci Ho			135	0.06%		
	Supervisor	Hung Chuan Huang			0	0%		
	Supervisor	I Lin Yang			0	0%		
	President	Chao Tang Huang (Note 1)			58	0.03%		
Yuanta Asset Management		Representative of Yuanta Financial Holdings:	100,000	100%	-	-		
	Chairman	Vincent Chen						
	Vice Chairman	Ya Ping Chuang						
	Director	Sheng Hung Wang						
	Supervisor	Wen Ching Chiu					-	-
	President	Sheng Hung Wang	-	-				
Yuanta Securities Investment Consulting		Representative of Yuanta Financial Holdings:	10,000	100%	-	-		
	Chairman	Yi Cheng Peng						
	Director	Li Feng Chen						
	Director	Fu Jung Tu						
	Supervisor	Hsuan Min Kuo					-	-
	President	Li Feng Chen	-	-				
Yuanta Securities Asia Financial Services	Chairman	Tien Yi Huang	-	-	-	-		
	Vice Chairman	Ming Hong Ho						
	Director	Pei Shan Chen						
	Director	Vincent Chen						
	Director	Hsu Shu Mai						
	Director	Wei Cheng Huang						
	Director	Frank Kuo						
	Director	Feng Hsiang Kuo						
	Director	Hsuan Min Kuo						
	President	Pei Shan Chen	-	-				
Yuanta International Insurance Brokers		Yuanta Securities Representative:	500	100%	-	-		
	Chairman	Liao Chin Lin						
	Director	Yuan Shan Lin						
	Director	Yu Shun Yang						
	Supervisor	Ching Jen Chen					-	-
	President	Liao Chin Lin	-	-				
Yuanta I Venture Capital		Representative of Yuanta Venture Capital:	85,000	100%	-	-		
	Chairman	Chien Weng						
	Director	Yu Chang						
	Director	Frank Kuo						
	Supervisor	Hsuan Min Kuo					-	-
		President					Yu Chang	-

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)
Yuanta International Leasing		Representative of Yuanta Bank:	60,000	100%	-	-
	Chairman	Tsai Yu Chang				
	Director	Yeong Jen Chen				
	Director	Hsin Hui Tsai				
	Supervisor	Yu Ching Su			-	-
	President	Yu Sheng Chen			-	-
Yuanta Savings Bank (Philippines)		Representative of Yuanta Bank:	1,000,000	100%	-	-
	Chairman	Allen Wu				
	Director	T.Y.Chang				
	Director	Regina V. Saga				
	Independent Director	PAULINO Y. TAN			-	-
	Independent Director	ANNA-TERESA GOZON-VALDES			-	-
	President	Chun Lung Wu (proxy)			-	-
Yuanta Savings Bank (Korea)		Representative of Yuanta Bank:	13,516	100%	-	-
	Chairman of Board	Kuan Hsun Chiu				
	Representative director	JUNG, YOUNG-SEOK			-	-
	External director	PARK, CHANG-GYUN			-	-
	President	JUNG, YOUNG-SEOK			-	-
Yuanta Securities (HK)	Chairman	Vincent Chen	-	-	-	-
	Director	Frank Kuo				
	Director	Wen Ching Hsu				
	Director	Miao Ju Chen				
	Director	Chi Chang Chen				
	Director	Yi Ming Wang				
	Director	Pei Shan Chen				
	Director	Tsung Hsien Wen				
	Director	Ya Yen Wen				
Director	Feng Hsiang Kuo					
	President	Miao Ju Chen			-	-
Yuanta Finance (HK)	Director	Ya Yen Wen	-	-	-	-
	Director	Miao Ju Chen				
	Director	Tsung Hsien Wen				
	President	Tsung Hsien Wen				
Yuanta International Investment (HK)	Director	Miao Ju Chen	-	-	-	-
	Director	Che Jung Kuo				
	Director	Wu Kuang Yang				
Yuanta Securities Holdings (BVI)	Director	Wen Ching Hsu			-	-
	Director	Tai Yuan Tai				
Yuanta Hong Kong Holdings (Cayman)	Director	Yi Ming Wang			-	-
	Director	Tai Yuan Tai				
Polaris Securities (HK)	Director	Yi Ming Wang			-	-
	Director	Ya Yen Wen				
	Director	Shao Hsun Wen				
	Director	Tsung Hsien Wen				
Yuanta Investment Management (Cayman)	Director	Miao Ju Chen			-	-
	Director	Yi Ming Wang				
	Director	Tai Yuan Tai				

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)
GC Investment Consultant (Shanghai) (in liquidation)	Executive Director	Ku Pin Huang			-	-
Yuanta Investment Consulting (Beijing)	Executive Director	Representative of Yuanta Securities Asia Financial Services: Wen Ping Shih	-	100%	-	-
	Supervisor	Ming Jen Ku				
	President	Wen Ping Shih			-	-
Yuanta Asia Investment	Director	Representative of Yuanta Securities Asia Financial Services: Frank Kuo	35,000	100%	-	-
	Director	Vincent Chen				
	Director	Tai Yuan Tai			-	-
	Director	Hsiao Tsui Yu				
Yuanta Securities (Korea)	President	Hsiao Tsui Yu			-	-
	Director	Myung Suk SUH			0	0%
	Director	Wei Cheng Huang			0	0%
	Non-executive Director	Chi Chang Chen			0	0%
	Independent Director	Seong Cheol GWEON			0	0%
	Independent Director	Woo Kyu PARK			0	0%
	Independent Director	Won Choon HWANG			0	0%
	Independent Director	Jhin Young SHIN			0	0%
Yuanta Investment	President	Myung Suk SUH			0	0%
	President	Wei Cheng Huang			0	0%
	Director	Ki Suk YANG			-	-
Yuanta Investment	Director	Choong Hoon KIM				
	Non-executive Director	Guen Woo LEE				
	Supervisor	Sang Eun LEE			-	-
Yuanta Financial (HK)	President	Ki Suk YANG			-	-
	Director	Sang Eun LEE			-	-
Heng Xin Asia Holdings	Director	Sang Eun LEE			-	-
Yuanta Securities (Cambodia)	Director	Kyung Tae HAN			-	-
	Director	Yeo Cheol Yoon				
	Director	In Ho JUNG				
	Director	Guen Woo LEE				
	Director	Sim Dara				
Yuanta Securities (UK) (in liquidation)	President	Kyung Tae HAN			-	-
	Director	Pei Shan Chen (Liquidator)			-	-

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)
PT Yuanta Sekuritas Indonesia	Director	Surya Widjaja			4	1%
	Director	Luki Suryanto			0	0%
	Director	Helda Gunawan			0	0%
	Director	Setiawan Darmawidjaja			0	0%
	Commissioner	Tien Yi Huang			0	0%
	Commissioner	Mohamad Fiscana, Se, Mh			0	0%
	Commissioner	Tung Tai Yu			0	0%
	CEO	Surya Widjaja			4	1%
President	Surya Widjaja			4	1%	
Director						
PT Yuanta Asset Management	Director	James Enoch	-	-	-	-
	Director	Herliyan Dewabrata				
	Director	Herdianto Budiarno				
	Commissioner	Ai Khim Tay				
	Commissioner	Tsung Sheng Liu				
	CEO	James Enoch			-	-
President	James Enoch			-	-	
Director						
Yuanta Securities (Thailand)	Director	Charnsak Thanataecha			0	0%
	Director	Tien Yi Huang			0	0%
	Director	Pei Shan Chen			0	0%
	Director	Ai Khim Tay			0	0%
	Director	Chi Chang Chen			0	0%
	Director	Chao Ching Wang			0	0%
	Director	Tai Yuan Tai			0,001	0.000000006%
	Director	Feng Hsiang Kuo			0	0%
	Director	Boonporn			0	0%
	Director	Boriboonangsilp				
	Director	Pusit KaewmongKolsri			0	0%
CEO	Boonporn			0	0%	
CEO	Boriboonangsilp					
Yuanta Securities (Vietnam)	Chairman	Le Minh Tam			0	0%
	Director	Pei Shan Chen			0	0%
	Director	Feng Hsiang Kuo			0	0%
	Director	Chi Chang Chen			0	0%
	Director	Wei Ching Chien			0	0%
	Director	Jen Kai Chao			0	0%
	Controller	Ong Cheow Keng			0	0%
	Controller	Chia Hsiung Lu			0	0%
	Controller	Mac Huu Danh			0	0%
	CEO	Le Minh Tam			0	0%
Yuanta Futures (HK)	Director	Hsiao Ling Chou			-	-
	Director	Chun Chieh Wang				
	Director	Chun Hsing Jen				
	Director	Lai E,O Yen				
	Director	Chun Hung Chen				
	Director	Chun Hao Chang				
	President	Chun Hsing Jen			-	-
	Chief Operating Officer (COO)	Fu Chi Hsieh				
Commissioner	Chun Hung Chen					
SYF Information		Representative of Yuanta Futures:	35,000	100%	-	-
	Chairman	Chun Chieh Wang				
	Director	Hsiao Ling Chou				
	Director	Hsin Hsien Li				
Supervisor	Ching Ying Chen			-	-	

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)
SYF Information (Samoa)	Director Director Director	Representative of SYF Information: Chun Chieh Wang Hsiao Ling Chou Lai E,O Yen	5,800	100%	-	-
SYF Information (Shanghai)	Chairman Director Director Supervisor	Representative of SYF Information (Samoa): Chun Hsing Jen Hsiao Ling Chou Lai E,O Yen Ching Ying Chen	-	100%	-	-

Note 1: The President of Yuanta Securities Investment Trust, Mr. Chao Tang Huang, held the position as of March 29, 2019.

6. Operating profile of affiliated companies

Unit: NT\$1,000

Data baseline date: 12/31/2018

Company name	Capital	Total Assets	Total Liabilities	Net worth	Operating revenues	Operating profit	Current Profit and Losses (After-tax)	EPS (NT\$) (After-tax)
Yuanta Securities	54,056,442	335,805,633	240,368,541	95,437,092	20,347,315	6,776,041	8,888,331	1.64
Yuanta Bank	73,940,390	1,278,099,257	1,162,448,143	115,651,114	21,598,465 (Note 1)	10,016,649 (Note 1)	8,607,600	1.16
Yuanta Securities Finance	4,000,000	28,035,245	17,522,416	10,512,829	844,503	402,059	503,077	1.26
Yuanta Venture Capital	2,460,000	2,611,815	75,167	2,536,648	265,667	196,015	220,861	0.90
Yuanta Asset Management	1,000,000	3,080,779	1,147,530	1,933,249	298,681	182,112	153,915	1.54
Yuanta Futures	2,322,763	72,108,776	63,888,226	8,220,550	3,431,314	479,078	1,000,045	4.31
Yuanta Securities Investment Consulting	100,000	248,454	112,041	136,413	204,125	(1,300)	1,256	0.13
Yuanta Securities Investment Trust	2,269,235	4,978,302	753,499	4,224,803	2,538,278	1,371,576	1,005,530	4.43
Yuanta Life	9,624,045	239,390,357	228,365,372	11,024,985	47,938,641	(85,897)	276,802	0.32
Yuanta I Venture Capital	850,000	854,219	3,227	850,992	32,069	31,533	54,749	0.64
Yuanta International Leasing	600,000	576,688	5,499	571,189	165	(4,538)	(2,901)	(0.05)
Yuanta Savings Bank (Korea)	1,923,330	12,814,351	9,112,243	3,702,108	462,257 (Note 1)	202,946 (Note 1)	193,402	14.31
Yuanta Savings Bank (Philippines)	665,355	1,554,244	1,044,121	510,123	69,251 (Note 1)	(6,785) (Note 1)	(26,247)	(0.03)
Yuanta Futures (HK)	1,042,231	2,861,343	1,873,158	988,185	208,675	(55,115)	723	0.02
SYF Information	350,000	292,515	200	292,315	-	(1,084)	(4,506)	(0.13)
SYF Information (Samoa) Recall Taiwan Ltd.	178,251	151,019	-	151,019	-	(24)	(4,763)	(0.82)
SYF Information (Shanghai)	148,033	126,317	870	125,447	8,421	(5,343)	(5,329)	0.00
Yuanta Securities Asia Financial Services	8,940,510	36,498,746	4,175,326	32,323,420	134,036	(142,615)	1,800,620	6.19
Yuanta International Insurance Brokers	5,000	362,706	95,707	266,999	896,146	320,238	256,419	512.84
Yuanta Securities Holdings (BVI)	307	7,733	21	7,712	(25)	(152)	873	87.25
Yuanta Securities (HK)	8,900,152	31,246,851	23,614,914	7,631,937	1,964,134	278,791	325,217	0.14
Polaris Securities (HK)	38,887	46,566	1,785	44,781	144	(573)	(117)	(0.01)
Yuanta Investment Consulting (Beijing)	82,467	32,489	883	31,606	5,776	(2,570)	(2,513)	-
Yuanta Asia Investment	921,990	1,057,630	172,551	885,079	48,186	16,897	16,481	0.55
Yuanta Hong Kong Holdings (Cayman)	309,591	445,459	1,192	444,267	52	(427)	8,942	0.89
Yuanta Securities (UK) (Note 3)	77,760	40,875	1,808	39,067	71,201	(18,739)	(20,326)	(10.16)

Company name	Capital	Total Assets	Total Liabilities	Net worth	Operating revenues	Operating profit	Current Profit and Losses (After-tax)	EPS (NT\$) (After-tax)
Yuanta Securities (Thailand)	4,269,600	21,399,918	16,939,169	4,460,749	1,830,844	119,459	128,466	0.29
Yuanta Securities (Vietnam) (Note 4)	1,326,000	2,158,630	764,119	1,394,511	138,509	(9,808)	(3,125)	(0.03)
Yuanta Securities (Korea)	29,219,958	325,740,028	293,027,723	32,712,305	15,647,208	2,538,351	2,869,403	14.38
Yuanta Investment	880,105	2,217,690	55,979	2,161,711	145,994	30,187	44,278	6.92
Yuanta Financial (HK)	743,755	449,876	98	449,778	(774)	(2,144)	(2,214)	(0.12)
Yuanta International Investment (HK)	196,200	766,041	536,367	229,674	14,169	5,432	4,931	0.10
Yuanta Finance (HK)	196,200	1,073,446	837,255	236,191	36,184	9,886	5,778	0.12
Yuanta Investment Management (Cayman)	384,163	6,334,485	6,200,629	133,856	128,725	(38,034)	(37,068)	(2.97)
PT Yuanta Sekuritas Indonesia	1,011,738	2,233,155	1,415,058	818,097	283,056	23,356	20,972	43.78
GC Investment Consultant (Shanghai) (in liquidation)	18,516	24,800	302	24,498	0	177	177.184	-
PT Yuanta Asset Management	95,508	20,621	11,831	8,790	8,156	(16,377)	(16,279)	(361.76)
Yuanta Securities (Cambodia)	384,163	349,569	1,438	348,131	24,294	1,615	1,758	0.14
Heng Xin Asia Holdings Limited (in liquidation)	52,000	0	0	0	270	207	207	0.12

Note 1: Operating revenue for Yuanta Bank refers to net income, and operating profit refers to net profit before tax of the continuing operating departments.

Note 2: Foreign exchange rate on December 31, 2018

	(P Rate) January~December	End of December
HKD-->TWD	3.847880	3.924000
SGD-->TWD	22.355533	22.490000
USD-->TWD	30.158151	30.73300
CNY-->TWD	4.562050	4.475000
KRW-->TWD	0.027403	0.027500
PHP-->TWD	0.572567	0.584400
IDR-->TWD	0.002121	0.002113
GBP-->TWD	40.248156	38.880000
VND-->TWD	0.001311	0.001326
THB-->TWD	0.933171	0.948800

Note 3: The motion for dissolution and liquidation of Yuanta Securities (UK) was resolved and passed at the directors' meeting in July 2018.

Note 4: 85.24% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities, 14.76% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities, and a total of 100% held by both.

(II) Consolidated financial statements of affiliates: See Appendix for details.

(III) Affiliation report

1. Relationship between the controlling company and its subordinates

Unit: shares; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and supervisors representing the controlling company	
		Shares held	Shareholding ratio (%)	Quantity of pledged shares	Title	Name
Modern Investment	Mr. Rong Jou Wang and Mr. Tony Shen are statutory representatives of Modern Investment, and serve as Chairperson, Director/President of Yuanta Financial Holdings. According to Paragraph 2 of Article 369-2 of the Company Act they are empowered to control personnel, financial, and operational activities.	106,685,335	0.91%	9,500,000 (Pledged ratio 8.90%)	Chairman Director / President	Rong Jou Wang Tony Shen

Note: Said data were based on those available until December 31, 2018. Yuanta Financial Holdings had a total of 11,686,232,456 shares outstanding as of December 31, 2018.

2. Information on transactions:

- (1) Purchase (sales) transactions: None
- (2) Property transaction: None.
- (3) Capital financing: None.
- (4) Assets leasing: None.
- (5) Other important transactions: None.

3. Endorsements and guarantees: Not applicable to financial companies.

4. Other matters of financial or operational significance: None.

Declaration

It is hereby declared that the Affiliation Report for 2018 (from January 1, 2018 to December 31, 2018) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared by

Company Name: Yuanta Financial Holding Co., Ltd.

Chairman: Rong Jou Wang

Dated: March 25, 2019

Independent Auditors' Review of the Affiliation Report

(108)Zi-Hui-Zong-Zi No. 18007183

To: Yuanta Financial Holding Co., Ltd.

You declare that the Affiliation Report for 2018 was prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and that there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

We have compared the Affiliation Report prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with the notes to your financial statements 2018 and found that there were no significant inconsistencies in said declaration.

Pricewaterhouse Coopers Certified Public Accountants

Kuo, Puo-Ju

CPA

Chen, Hsien-I

Approval Letters from the Financial Supervisory Commission (formerly named) of the Executive Yuan:
Jin-Guan-Zheng-Shen-Zi No.1000035997

Approval Letters from the Securities and Futures Commission (formerly named) of the Ministry of Finance:

Approval Letter No.: (82) Tai-Cai-Zheng (6) No. 39230

Dated: March 25, 2019

PricewaterhouseCoopers Taiwan

27F, No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan

T:+886(2)2729 6666, F:+886(2)2729 6686, www.pwc.tw

II. Status of Securities in Private Placement: None.

III. Shares of the Company Held or Disposed of by Subsidiaries: None.

IV. Other Important Supplementary Information

(I) Key performance indices: capital adequacy and double leverage ratios for the past 5 years

Unit: NT\$1,000; %

Item		Year	2014	2015	2016	2017	2018
Capital adequacy	Group's net authorized capital		119,292,171	140,005,776	151,440,281	155,244,193	168,043,480
	Group's regulatory capital requirement		81,340,990	98,685,303	117,685,232	116,559,976	121,153,812
	Group's capital adequacy ratio (%)		146.66	141.87	128.68	133.19	138.70
Double leverage ratio (%)			110.91	108.56	105.75	115.45	111.73

(II) Financial information

1. Division (Business Unit)

2018

Unit: NT\$1,000

Item	Business Unit						
	Banking services	Securities services	Futures services	Securities Finance services	Insurance services	Other service	Consolidated total
Net interest income (loss)	14,348,275	3,860,148	488,305	686,056	6,866,080	(312,702)	25,936,162
Net non-interest income	7,209,295	30,950,066	1,976,222	45,310	32,202,964	2,959,554	75,343,411
Net profit	21,557,570	34,810,214	2,464,527	731,366	39,069,044	2,646,852	101,279,573
Bad debt expenses and guarantee liability provisions (reversals)	(666,380)	(101,023)	(89,136)	(2,004)	1,980	0	(856,563)
Net changes of reserve for insurance liabilities	-	-	-	-	(36,767,111)	155,331	(36,611,780)
Operating expenses	(11,089,869)	(23,672,224)	(1,156,934)	(143,025)	(1,246,545)	(2,303,061)	(39,611,658)
Continuing departments net income before tax	9,801,321	11,036,967	1,218,457	586,337	1,057,368	499,122	24,199,572
Income tax gains (expenses)	(1,438,055)	(1,546,324)	(245,537)	(76,952)	361,283	(755,749)	(3,701,334)
Consolidated net profit (loss) after tax	8,363,266	9,490,643	972,920	509,385	1,418,651	(256,627)	20,498,238

(III) Evaluation criteria and basis for assets and liabilities allowances

Net receivables: The Company's net receivables provision is calculated based on past collection experience and an assessment on the possibility of collection in the future. At the end of 2018, net receivables stood at approximately NT\$1,931,398,000, due primarily to the Group's use of linked filing of business income tax returns, which generated approximately NT\$1,010,687,000 in receivables from affiliates. Since there are no major abnormalities in the collectability of these receivables, an allowance was not made.

(IV) Accounting for asset impairment

According to IAS 36 "Impairment of Assets" and IAS 39 "Financial Instruments: Recognition and Measurement", the Company had no assets that required impairment testing as of December 31, 2018.

(V) Hedge accounting handling and objectives: the Company did not adopt hedge accounting, it was not applicable.

(VI) Earnings per share adjusted for employee stock bonuses (calculated based on market price):

Distribution of earnings for 2018 to be proposed in the upcoming shareholders' meeting does not include employee stock bonuses.

(VII) Endorsements and guarantees from affiliated companies, lending funds to other parties and transaction information for financial derivative products

The said procedures have been disclosed in the appendix to the annual report, and in this year's consolidated financial reports page 572 to 573, and page 464 to 475.

Eight. Significant Issues Which Might Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Past Year and Up to the Publication of this Annual Report: None.

**Appendix. The Latest Consolidated Financial Statement Audited and
Certified by CPAs**

Yuanta Financial Holdings and Its Subsidiaries
Consolidated Financial Report and Auditing Report
2018 and 2017
(Stock Code 2885)

Address: 6F., 10F., 12-13F., No.66, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City
TEL: (02) 2781-1999



PWCR18000334

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 December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yuanta Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Yuanta Group’s consolidated financial statements of the current period are stated as follows:

Impairment evaluation of bills discounted and loans

Description

For the accounting policy of the impairment evaluation of bills discounted and loans, please refer to Note 4(10); for critical accounting estimates and assumption uncertainty of expected credit loss on bills discounted and loans, please refer to Note 5; for the details on bills discounted and loans, please refer to Note 6(9) and 12(3). Total bills discounted and loans (including adjustment for discounts) and the allowance for credit losses, arising from Yuanta Commercial Bank Co., Ltd. of Yuanta Group, as at December 31, 2018, were NTD 742,936,170 thousand and NTD 11,906,235 thousand, respectively.

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

How our audit addressed the matter

We obtained and gained an understanding of Yuanta Commercial Bank Co., Ltd.'s policies, internal controls, and operation procedures in relation to the credit risk management and the impairment evaluation of bills discounted and loans and performed sample tests. We conducted the following procedures on the impairment evaluation of bills discounted and loans as at December 31, 2018: sample examined the classifications of each stage for expected credit losses recognized; sample tested the calculation of the probability of default, loss given default, and exposure at default; sample examined documents regarding management's individual evaluation of future cash flows and collateral value; and evaluated whether the provision for impairment loss amount complied with the competent authority's related regulations.

Fair value valuation of unlisted stocks

Description

For the accounting policy of unlisted stocks (accounted under financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5; for the details on unlisted stocks, please refer to Note 6(4). The carrying amount of the financial assets at fair value through other comprehensive income – unlisted stocks as at December 31, 2018, was NTD 17,312,168 thousand.

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

Impairment assessment of goodwill

Description

For the accounting policy of the impairment assessment of goodwill (intangible assets), please refer to Note 4(12) and Note 4(18); for the critical accounting estimates and assumption uncertainty of impairment assessment of goodwill, please refer to Note 5; for the details on goodwill, please refer to Note 6(15). Goodwill after accumulated impairment as at December 31, 2018, was NTD 30,050,122 thousand.

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

How our audit addressed the matter

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

Reserves for policy benefit and adequacy of insurance liabilities

Description

For the accounting policy of reserve for policy benefit and adequacy of insurance liabilities, please refer to Note 4(27); for critical accounting estimates and assumption uncertainty of adequacy of insurance liabilities, please refer to Note 5; for the details on insurance liabilities, please refer to Note 6(24). Reserve for policy benefit under insurance liabilities as at December 31, 2018, was NTD 218,464,791 thousand.

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

How our audit addressed the matter

The audit procedures we performed include understanding and assessing the policies, internal controls, and procedures relevant to reserve for policy benefit; sample examining authorization documents for the configuration of new products in order to confirm the accuracy of configurations for the reserves system of new products; sample inspecting the number of effective policies in the policy system and the actuarial

system in order to confirm the completeness of the calculations for reserve for policy benefit; sample examining the consistency between policy information of new products and information in the policy system in order to confirm the accuracy of policy information for calculating reserve for policy benefit. Our actuarial specialists assisted us in sample testing representative new products in the current period in order to confirm that the method and results of provisioning reserves were consistent with those of the insurance product statement submitted to the competent authority; performing trend analysis (excluding new products) on each insurance type and performed roll analysis on each product type in order to assess the reasonableness of reserve for policy benefit on the balance sheet date.

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

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

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

Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yuanta Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yuanta Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yuanta Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Yuanta Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.


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

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



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


Kuo, Puo-Ju


Chen, Hsien-I

For and on behalf of PricewaterhouseCoopers, Taiwan
March 25, 2019

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

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

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

	ASSETS	Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 65,535,411	3	\$ 64,007,570	3
11500	Due from Central Bank and call loans	6(2)				
	to other banks		48,216,712	2	54,390,950	2
12000	Financial assets at fair value through	6(3) and 12(15)				
	profit or loss		473,939,209	21	432,636,863	19
12100	Available-for-sale financial assets – net	12(15)	-	-	395,516,795	17
12150	Financial assets at fair value through	6(4)				
	other comprehensive income-net		215,135,236	9	-	-
12200	Investments in debt instruments at	6(5)				
	amortised cost-net		352,906,087	15	-	-
12500	Investments in bills and bonds under	6(6)				
	resale agreements		33,465,734	2	34,827,960	2
13000	Receivables – net	6(7)	143,272,794	6	175,314,970	8
13200	Current income tax assets		1,485,363	-	1,330,623	-
13300	Assets held for sale – net	6(8)	868,288	-	-	-
13500	Bills discounted and loans – net	6(9)	770,905,662	34	762,319,040	34
13700	Reinsurance contract assets – net	6(10)	580,130	-	435,887	-
14500	Held-to-maturity financial assets – net	12(15)	-	-	143,810,470	6
15000	Equity investments accounted for under	6(11)				
	the equity method – net		2,048,491	-	1,675,124	-
15100	Restricted assets – net		2,622,711	-	2,722,678	-
15500	Other financial assets – net	6(12)	62,025,243	3	93,469,307	4
18000	Investment property – net	6(13)	4,916,691	-	6,173,646	-
18500	Property and equipment – net	6(14)	21,871,922	1	22,630,593	1
19000	Intangible assets – net	6(15)	33,669,889	2	35,935,777	2
19300	Deferred income tax assets	6(44)	5,899,187	-	5,642,845	-
19500	Other assets – net	6(16)	47,769,165	2	40,804,112	2
	TOTAL ASSETS		<u>\$ 2,287,133,925</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>

(Continued)

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

LIABILITIES AND EQUITY		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
21000	Due to Central Bank and other banks	6(18)	\$ 22,047,274	1	\$ 13,520,162	1
22000	Financial liabilities at fair value	6(3) and				
	through profit or loss	12(15)	111,982,799	5	120,119,516	5
22500	Bills and bonds payable under repurchase	6(6)				
	agreements		218,570,425	10	197,101,189	9
22600	Commercial paper payable – net	6(19)	36,269,123	2	44,704,087	2
23000	Payables	6(20)	147,690,035	6	168,705,371	7
23200	Current income tax liabilities		5,327,403	-	5,667,788	-
23500	Deposits and remittances	6(21)	1,020,615,296	45	1,056,024,289	46
24000	Bonds payable	6(22)	66,756,009	3	65,890,879	3
24400	Other borrowings	6(23)	64,019,801	3	71,754,771	3
24600	Liabilities reserve	6(24)(25)	232,223,123	10	195,038,820	9
25500	Other financial liabilities	6(26)	79,276,919	3	70,098,914	3
29300	Deferred income tax liabilities	6(44)	3,705,743	-	3,518,474	-
29500	Other liabilities	6(27)	41,806,215	2	33,403,394	2
	TOTAL LIABILITIES		<u>2,050,290,165</u>	<u>90</u>	<u>2,045,547,654</u>	<u>90</u>
31000	Equity attributable to owners of the parent company					
31100	Share capital					
31101	Common stock	6(28)	116,862,325	5	118,891,975	5
31500	Additional paid-in capital	6(29)	37,200,416	2	37,960,694	2
32000	Retained earnings					
32001	Legal reserve	6(30)	10,721,262	-	9,100,767	-
32003	Special reserve	6(30)	6,549,234	-	6,549,234	-
32011	Undistributed earnings		42,843,847	2	35,275,652	2
32500	Other equity					
32500	Other equity interest	6(32)	5,006,084	-	4,554,385	-
32600	Treasury shares	6(33)	(197,606)	-	(1,136,953)	-
39500	Non-controlling interests		<u>17,858,198</u>	<u>1</u>	<u>16,901,802</u>	<u>1</u>
	Total Equity		<u>236,843,760</u>	<u>10</u>	<u>228,097,556</u>	<u>10</u>
	TOTAL LIABILITIES AND EQUITY		<u>\$ 2,287,133,925</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>

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

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

	Items	Notes	For the years ended December 31,				Changes Percentage (%)
			2018		2017		
			AMOUNT	%	AMOUNT	%	
41000	Interest income		\$ 40,192,428	40	\$ 35,373,386	38	14
51000	Less: Interest expense		(14,256,266)	(14)	(12,315,107)	(13)	16
49600	Net interest income	6(34)	<u>25,936,162</u>	<u>26</u>	<u>23,058,279</u>	<u>25</u>	12
	Net non-interest income						
49310	Realised gain on financial assets at fair value through other comprehensive income	6(4)	2,166,751	2	-	-	-
49450	Net gain arising from derecognition of financial assets measured at mortgised cost	6(5)	312,178	-	-	-	-
49800	Net service fee and commission income	6(35)	22,281,465	22	20,441,508	22	9
49810	Net income from insurance operations	6(36)	34,675,722	34	32,400,843	35	7
49820	Gain on financial assets and financial liabilities at fair value through profit or loss	6(37) and 12(15)	6,204,410	6	16,569,800	18	(63)
49825	Gain on investment property		380,651	1	190,655	-	100
49830	Realised gain on available-for-sale financial assets	12(15)	-	-	3,445,892	4	(100)
49840	Realised gain on held-to-maturity financial assets	12(15)	-	-	193,133	-	(100)
49870	Foreign exchange gain (loss)		6,109,457	6	(7,240,193)	(8)	(184)
49880	Asset impairment losses	6(38)	(1,430,109)	(1)	(465,027)	(1)	208
49890	Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(11)	(9,700)	-	(89,207)	-	(89)
49895	Gain on reclassification under the overlay approach	6(3)	768,967	1	-	-	-
49921	Net gain on sale of non-performing loans		264,336	-	383,052	-	(31)
49945	Consultation service income		2,408,773	2	2,376,065	2	1
49999	Net other miscellaneous income	6(39)	<u>1,210,510</u>	<u>1</u>	<u>2,520,118</u>	<u>3</u>	(52)
49700	Total net non-interest income		<u>75,343,411</u>	<u>74</u>	<u>70,726,639</u>	<u>75</u>	7
	Net profit		101,279,573	100	93,784,918	100	8
58100	Provision for bad debt expenses, commitment and guarantee policy reserve	6(40)	(856,563)	(1)	(746,771)	(1)	15
58300	Net change in provisions for insurance liabilities	6(24)	(36,611,780)	(36)	(33,895,878)	(36)	8
	Operating expenses						
58501	Employee benefit expense	6(41)	(23,690,550)	(23)	(23,081,525)	(25)	3
58503	Depreciation and amortization	6(42)	(2,335,692)	(2)	(2,313,077)	(2)	1
58599	Other business and administrative expenses	6(43)	(13,585,416)	(14)	(13,332,223)	(14)	2
58500	Total Operating Expenses		<u>(39,611,658)</u>	<u>(39)</u>	<u>(38,726,825)</u>	<u>(41)</u>	2
61000	Consolidated income from continuing operations before income tax		24,199,572	24	20,415,444	22	19
61003	Income tax expense	6(44)	(3,701,334)	(4)	(2,559,332)	(3)	45
62500	Loss from discontinued operations (net of tax)	6(8)	-	-	(352,057)	-	(100)
69000	Consolidated net income		<u>20,498,238</u>	<u>20</u>	<u>17,504,055</u>	<u>19</u>	17

(Continued)

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

Items	Notes	For the years ended December 31,				Changes Percentage (%)
		2018		2017		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
69561	Losses on remeasurements of defined benefit plans	6(25)	(\$ 203,370)	-	(\$ 403,465)	- (50)
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	12(15)	(1,784)	-	-	-
69565	Change in fair value of financial liability attributable to change in credit risk of liability	6(32) and 12(15)	(214,480)	-	(3,017)	- 7009
69567	Gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(4)(32)	2,721,507	3	-	-
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(44)	126,176	-	65,212	- 93
Components of other comprehensive income that will be reclassified to profit or loss						
69571	Exchange differences on translation of foreign financial statements	6(32)	(38,056)	-	21,651	- (276)
69572	Unrealised gain on available-for-sale financial assets		-	-	418,406	- (100)
69573	Loss on effective portion of cash flow hedges		-	-	(1,968)	- (100)
69575	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	6(11)	-	-	(13,999)	- (100)
69578	Equity related to assets classified as held for sale		-	-	47,809	- (100)
69585	Loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	6(4)(32)	(3,767,163)	(4)	-	-
69587	Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	6(4)(32)	(47,093)	-	-	-
69590	Other comprehensive losses on reclassification under the overlay approach	6(3)(32)	(768,967)	(1)	-	-
69579	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(44)	223,015	-	46,979	- 375
69500	Other comprehensive (loss) income (net of tax)		(\$ 1,970,215)	(2)	\$ 177,608	- (1209)
69700	Total comprehensive income		\$ 18,528,023	18	\$ 17,681,663	19 5
Consolidated net income attributable to:						
69901	Parent company		\$ 18,679,208	18	\$ 16,204,948	17 15
69903	Non-controlling interests		1,819,030	2	1,299,107	2 40
			\$ 20,498,238	20	\$ 17,504,055	19 17
Consolidated comprehensive income attributable to:						
69951	Parent company		\$ 16,973,756	17	\$ 15,879,969	17 7
69953	Non-controlling interests		1,554,267	1	1,801,694	2 (14)
			\$ 18,528,023	18	\$ 17,681,663	19 5
Earnings per share (in New Taiwan Dollars)						
70000	Basic earnings per share	6(45)				
70001	Basic earnings per share from continuing operations		\$ 1.59		\$ 1.38	
70003	Basic loss per share from discontinued operations		\$ -		(\$ 0.01)	
71000	Diluted earnings per share					
71001	Diluted earnings per share from continuing operations		\$ 1.59		\$ 1.38	
71003	Diluted loss per share from discontinued operations		\$ -		(\$ 0.01)	

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

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

	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	Gains on effective portion of cash flow hedges	Unrealised gain (loss) on fair value of financial assets measured through other comprehensive income	Other comprehensive income on reclassification under the overlay approach	Change in financial liability attributable to change in credit risk	Equity related to assets held for sale	Treasury shares	Non-controlling interests	Total equity
For the year ended December 31, 2017															
Balance, January 1, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,357	\$ 6,549,234	\$ 26,132,832	\$ 2,085,028	\$ 6,608,175	\$ 1,602	\$ -	\$ -	\$ (461)	\$ -	\$ 1,498,603	\$ 18,384,690	\$ 219,794,565
Consolidated net income for the year	-	-	-	-	16,204,948	-	-	-	-	-	-	-	-	1,299,107	17,504,055
Other comprehensive income (loss) for the year	-	-	-	-	(355,076)	(443,005)	429,912	(1,602)	-	-	(3,017)	47,809	-	502,587	177,608
Total comprehensive income (loss) for the year	-	-	-	-	15,849,872	(443,005)	429,912	(1,602)	-	-	(3,017)	47,809	-	1,801,694	17,681,663
Appropriation of 2016 earnings:	-	-	-	-	(1,341,410)	-	-	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	-	-	-	-	(5,365,642)
Retirement of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(939,347)	(75,222)	(1,014,569)
Disposal of company's shares by subsidiaries recognized as treasury share transactions	-	-	-	-	-	-	-	-	-	-	-	-	1,291,513	-	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	9,484	-	158,234
Equity related to assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,009
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	47,809	-	-	-	-	(47,809)	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,656
Balance, December 31, 2017	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	\$ 2,528,033	\$ 7,085,896	\$ -	\$ -	\$ -	\$ (3,478)	\$ -	\$ (1,136,953)	\$ 16,901,802	\$ 228,097,556
For the year ended December 31, 2018															
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	\$ 2,528,033	\$ 7,085,896	\$ -	\$ -	\$ -	\$ (3,478)	\$ -	\$ (1,136,953)	\$ 16,901,802	\$ 228,097,556
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	(7,085,896)	-	8,821,188	389,832	62,367	-	-	(45,113)	(883,944)
Balance, January 1, 2018, after retrospective restatement	-	-	-	-	18,679,208	(2,527,962)	-	-	8,821,188	389,832	58,889	-	-	16,858,689	227,213,612
Consolidated net income for the year	-	-	-	-	18,679,208	-	-	-	8,821,188	389,832	58,889	-	-	1,819,020	20,498,238
Other comprehensive income (loss) for the year	-	-	-	-	(47,168)	118,493	-	-	(967,891)	(720,199)	(88,687)	-	-	(264,763)	(1,970,215)
Total comprehensive income (loss) for the year	-	-	-	-	18,632,040	118,493	-	-	(967,891)	(720,199)	(88,687)	-	-	1,554,257	18,528,023
Appropriation of 2017 earnings:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(1,620,495)	-	-	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	-	-	-	(6,492,536)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(1,919,001)	-	(1,919,001)
Retirement of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	2,858,348	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68,420
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	554,758
Disposal of company's shares by subsidiaries designated at fair value through other comprehensive income	-	-	-	-	77,579	-	-	-	(77,579)	-	-	-	-	-	-
Balance, December 31, 2018	\$ 116,862,325	\$ 37,200,416	\$ 10,721,262	\$ 6,549,234	\$ 42,843,847	\$ 2,409,469	\$ -	\$ -	\$ 7,775,718	\$ (330,367)	\$ (29,798)	\$ -	\$ (197,606)	\$ 17,858,198	\$ 236,843,760

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

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

	For the years ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income from continuing operations before tax	\$ 24,199,572	\$ 20,415,444
Loss from discontinued operations before tax	-	(351,241)
Consolidated income before tax	24,199,572	20,064,203
Adjustments		
Income and expense item		
Depreciation	1,072,102	991,845
Amortization	1,263,590	1,334,875
Provisions for bad debt expense	1,801,185	867,995
Interest expense	14,256,266	12,333,835
Interest income	(40,192,428)	(35,483,501)
Dividend income	(2,499,000)	(2,359,861)
Impairment loss on financial assets	(9,073)	415,729
Profit reclassified by applying overlay approach	(768,967)	-
Impairment loss on non-financial assets	1,439,182	49,298
Share of the profit or loss of associates and joint ventures accounted for using the equity method	9,700	89,207
Loss on disposal of assets held for sale	-	143,699
Gain on disposal of investment property	(226,787)	(56,407)
Loss (gain) from disposal or retirement of property and equipment	16,222	(140,300)
(Gain) loss on sale of intangible assets	(5,381)	1,860
Net change in insurance liabilities	37,644,246	33,194,629
Rent expense	35,473	-
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in due from Central Bank and call loans to other banks	1,251,296	(2,557,162)
Increase in financial assets at fair value through profit or loss	(26,487,708)	(42,899,042)
Increase in available-for-sale financial assets	-	(118,048,844)
Decrease in financial assets at fair value through other comprehensive income	70,451,925	-
Increase in investments in debt instruments measured at amortised cost	(63,054,410)	-
Decrease (increase) in receivables	32,037,434	(36,827,079)
(Increase) decrease in bills discounted and loans	(12,180,785)	29,238,683
Increase in reinsurance contract assets	(144,234)	(20,233)
Increase in held-to-maturity financial assets	-	(23,279,639)
Decrease in restricted assets	99,967	2,779,103
(Increase) decrease in other financial assets	(19,153,786)	5,319,049
Decrease (increase) in other assets	1,053,526	(18,722,569)
Changes in operating liabilities		
Increase (decrease) in due to Central Bank and other banks	8,527,112	(15,326,160)
(Decrease) increase in financial liabilities at fair value through profit or loss	(5,153,400)	19,136,594
(Decrease) increase in payables	(21,137,648)	17,082,834
(Decrease) increase in deposits and remittances	(35,408,993)	3,994,168
(Decrease) increase in liabilities reserve	(623,368)	422,600
Increase (decrease) in other financial assets	9,357,994	(3,670,529)
Increase in other liabilities	8,402,820	12,298,856
Cash outflow used in operations	(14,126,356)	(139,632,264)
Interest received	39,230,119	35,010,969
Dividend received	2,480,516	2,407,790
Interest paid	(14,110,143)	(12,238,506)
Income tax paid	(3,665,414)	(1,806,421)
Net cash flows generated from (used in) operating activities	9,808,722	(116,258,432)

(Continued)

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

	For the years ended December 31,	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(\$ 459,868)	(\$ 159,637)
Proceeds from disposal, liquidation and capital reduction of investments accounted for using equity method	115,719	441,828
Acquisition of investment property	(44,166)	(185,514)
Proceeds from disposal of investment property	1,367,258	470,790
Acquisition of property and equipment	(1,136,408)	(3,167,680)
Proceeds from disposal of property and equipment	6,330	307,384
Acquisition of intangible assets	(279,244)	(199,621)
Proceeds from disposal of intangible assets	13,416	28,832
Proceeds from disposal of assets held for sale	-	4,366,353
Increase in other assets	(8,201,000)	-
Acquisition of subsidiaries (net of cash and cash equivalents received)	-	135,988
Net cash flows (used in) generated from investing activities	(8,617,963)	2,038,723
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in financial liabilities designated as at fair value through profit or loss on initial recognition	(3,153,250)	-
Increase in bills and bonds sold under repurchase agreements	21,469,236	3,767,055
(Decrease) increase in commercial paper payable - net	(8,374,385)	25,425,848
Proceeds from issuance of bonds	8,507,908	-
Repayments of bonds	(2,119,067)	(6,114,500)
Repayments of bank debentures	(5,500,000)	(6,380,000)
(Decrease) increase in other borrowings	(7,688,180)	25,825,807
Repayments of preference share liabilities	-	(4,000,000)
Cash dividends paid	(6,492,536)	(5,365,642)
Acquisition of treasury shares	(1,919,001)	(1,056,634)
Other financing activities	525	-
Decrease in non-controlling interests	(486,855)	(3,467,471)
Net cash flows (used in) generated from financing activities	(5,755,605)	28,634,463
Net effect of foreign exchange rate changes on cash and cash equivalents	(192,481)	(267,701)
Net decrease in cash and cash equivalents	(4,757,327)	(85,852,947)
Cash and cash equivalents at beginning of year	125,679,223	211,532,170
Cash and cash equivalents at end of year	\$ 120,921,896	\$ 125,679,223
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 65,535,411	\$ 64,007,570
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	21,920,751	26,843,693
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	33,465,734	34,827,960
Cash and cash equivalents at end of year	\$ 120,921,896	\$ 125,679,223

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

1. History and organization

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

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

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

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

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

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

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

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

These consolidated financial statements were reported to the Board of Directors and issued on March 25, 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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

A. Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’

To address the concerns about the different effective dates of IFRS 9, ‘Financial instruments’, and IFRS 17, ‘Insurance contract’, which may result in different bases for measuring assets and liabilities, this amendment allows insurers who meet specific requirements as set out in IFRS 4, ‘Insurance contract’ to adopt temporary exemption from IFRS 9, ‘Financial instruments’, or to use overlay approach under IFRS 9, ‘Financial instruments’ alternatively.

B. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

- (b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Yuanta Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ‘rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.
- (d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(15).

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the prior period financial statements (collectively referred herein as the

“modified retrospective approach”). On January 1, 2019, it is expected that right-of-use asset and lease liability will be increased by \$14,339,283 and \$6,309,944, and retained earnings, non-controlling interests, other assets and liabilities, net, will be decreased by \$95,849, \$55,695 and \$8,180,883, respectively.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 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

The consolidated financial statements of the Company and its subsidiaries (collectively referred

herein as the “Yuanta Group”) have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (IFRSs) as endorsed by the FSC.

(2) Basis of preparation

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

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets and financial liabilities at fair value through other comprehensive income/available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

(D) Various insurance liabilities, reinsurance reserve assets, and foreign exchange reserves are set aside and recognised in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Yuanta Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the third quarter of 2017 was not restated. The financial statements for the year ended December 31, 2017 and the third quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’) and related financial reporting interpretations. Please refer to Note 12(15) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

All subsidiaries are included in the Yuanta Group’s consolidated financial statements (including structured entities). Subsidiaries are all entities controlled by the Yuanta Group. The Yuanta Group controls an entity when the Yuanta Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Yuanta Group obtains control of the subsidiaries and ceases when the Yuanta Group loses control of the subsidiaries. The Yuanta Group acquired subsidiaries in accordance with the Acquisition Method. Acquisition costs are measured at fair value based on assets acquired, issued equity instruments and incurred or undertaking liabilities, along with directly attributable acquisition costs.

Identifiable assets, liabilities and contingent liabilities that are acquired at business combinations are measured at original fair value, and shares of non-controlling interest are not considered. Acquisition costs that exceed fair value of identifiable assets recognised for shareholding ratio are recognised as goodwill; acquisition costs that are less than fair value of identifiable assets recognised for shareholding ratio are directly recognised in the consolidated statements of comprehensive income. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Yuanta Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Yuanta Group. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(BLANK)

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2018	December 31, 2017	
The Company	Yuanta Securities	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100.00	100.00	
"	Yuanta Bank	Commercial banking	100.00	100.00	
"	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	100.00	100.00	
"	Yuanta Life Insurance Co., Ltd. ("Yuanta Life")	Life insurance business	100.00	100.00	
"	Yuanta Futures Co., Ltd. ("Yuanta Futures")	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	68.65	
"	Yuanta Securities Investment Trust Co., Ltd. ("Yuanta Securities Investment Trust")	Securities investment trust	72.20	72.20	
"	Yuanta Venture Capital Co., Ltd. ("Yuanta Venture Capital")	Venture capital investments	100.00	100.00	
"	Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management")	Providing monetary debt management services for financial institutions	100.00	100.00	
"	Yuanta Securities Investment Consulting Co., Ltd. ("Yuanta Securities Investment Consulting")	Securities investment consultant	100.00	100.00	
"	Ta Chong Bank	Commercial banking	-	100.00	Note 1
Yuanta Securities	Yuanta Securities Asia Financial Services Limited ("Yuanta Securities Asia Financial Services")	Investment holding	100.00	100.00	
"	Yuanta International Insurance Brokers Co., Ltd. ("Yuanta International Insurance Brokers")	Insurance agency services	100.00	100.00	
Yuanta Securities Asia Financial Services	Yuanta Securities Holding (B.V.I) Co., Ltd. ("B.V.I.")	Investment holding	100.00	100.00	
"	Yuanta Securities (Hong Kong) Limited	Securities brokerage, dealing in securities and underwriting investment consultation	100.00	100.00	
"	Polaris Securities (Hong Kong) Limited ("P.S.H.K")	Securities brokerage and dealing in securities	100.00	100.00	
"	Yuanta Investment Consulting (Beijing) ("Yuanta Investment Consulting Beijing")	Investment consultation	100.00	100.00	
"	Yuanta Securities Korea Co., Ltd ("Yuanta Securities (Korea)")	Securities trading, providing opinions on securities and futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.62	54.20	
"	Yuanta Asia Investment Limited ("Yuanta Asia Investment")	Venture capital funds, venture capital fund raising management, and investment advisory services	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2018	December 31, 2017	
Yuanta Securities Asia Financial Services	Yuanta Hong Kong Holdings (Cayman) Ltd. ("Yuanta HK Holdings (Cayman)")	Investment holding	100.00	100.00	
"	Yuanta Securities (UK) Ltd. ("Yuanta Securities(UK)")	License in application	-	100.00	Note 2
"	Yuanta Securities Thailand Co., Ltd ("Yuanta Securities (Thailand)")	Securities brokerage, dealing in securities, underwriting and investment consultation	99.99	99.99	
"	Yuanta Securities Vietnam Joint Stock Co., Ltd. ("Yuanta Securities (Vietnam)")	Securities brokerage, dealing in securities, underwriting and investment consultation	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	
"	Yuanta Finance (Hong Kong) Ltd. ("Yuanta Finance (Hong Kong)")	Credit loan business	100.00	100.00	
"	PT Yuanta Sekuritas Indonesia ("Yuanta Securities (Indonesia)")	Securities trading and underwriting services	99.00	99.00	
"	PT Yuanta Asset Management	Investment management	0.002	0.002	
"	Yuanta Investment Management (Cayman)	Investment management	100.00	100.00	
"	Yuanta Securities (Vietnam)	Securities brokerage, dealing in securities, underwriting and investment consultation	14.76	49.19	Note 3
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	-	100.00	Note 4
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Investment management	99.998	99.998	
Yuanta Securities (Korea)	Yuanta Investment Co.,Ltd ("Yuanta Investment (Korea)")	Venture investment	54.62	54.20	
"	Yuanta Financial (Hong Kong) Limited ("Yuanta Financial (Hong Kong)")	Investment holding	54.62	54.20	
Yuanta Financial (Hong Kong)	Yuanta Securities (Cambodia) Plc. ("Yuanta Securities (Cambodia)")	Underwriting guidelines and financial advisory services	54.62	54.20	
"	Heng Xin Asia Holdings Limited ("Heng Xin Asia Holdings")	Investment holding	49.23	48.85	Note 6
Yuanta Asia Investment	Yuanta Liquid Plus Money Market Mutual Fund	Investment debt instrument	99.90	100.00	Note 5
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	-	-	Note 7
"	Reksa Dana Yuanta Fixed Income Fund	Investment debt instrument	65.81	-	Note 8
"	Reksa Dana Indeks Yuanta Sir-Kehati Index Fund	Investment debt instrument	98.35	-	Note 9
"	Reksa Dana Yuanta Equity Alpha Fund	Investment debt instrument	100.00	-	Note 9

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2018	December 31, 2017	
Yuanta Bank	Yuanta International Leasing Co., Ltd. ("Yuanta International Leasing")	Agency and leasing business of real estate and movables	100.00	100.00	
"	Yuanta Savings Bank (Philippines) Inc. (Yuanta Savings Bank (Philippines))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	
"	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	Note 10
Yuanta Futures	Yuanta Futures (Hong Kong) Limited ("Yuanta Futures Hong Kong")	Financial services	68.65	68.65	
"	SYF Information Limited ("SYF Information")	Information service	68.65	68.65	
SYF Information	SYF Information (Samoa) Limited ("SYF Information (Samoa)")	Investment holding	68.65	68.65	
SYF Information (Samoa)	SYF Information (Shanghai) Limited ("SYF Information (Shanghai)")	Information service	68.65	68.65	
Yuanta Venture Capital	Yuanta I Venture Capital Co., Ltd. ("Yuanta I Venture Capital")	Venture capital investments	100.00	100.00	

Note 1: The Board of Directors resolved the merger of the subsidiary, Yuanta Bank, and the fellow subsidiary, Ta Chong Bank, on September 14, 2016. The merger was approved by Financial Supervisory Commission pursuant to Jin-Guan-Yin-Kong-Zi Order No.10500320920 dated January 17, 2017 and became effective on January 1, 2018. Yuanta Bank is the surviving entity de jure while Ta Chong Bank dissolved thereafter.

Note 2: In July 2018, the Board of Directors approved the dissolution and liquidation of Yuanta Securities (UK). The 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)" in February 2018.

Note 4: Redeemed in the first quarter of 2018.

Note 5: Founded in the fourth quarter of 2017.

Note 6: In March 2018, the Board of Directors approved the liquidation of Heng Xin Asia Holdings.

Note 7: Subscribed in the first quarter of 2018 and redeemed in the fourth quarter of 2018.

Note 8: Subscribed in the first quarter of 2018.

Note 9: Subscribed in the fourth quarter of 2018.

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

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

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

December 31, 2017

Structured entities	Services
YK Lion Co., Ltd.	Asset-backing
FinalDS5th Co., Ltd.	Asset-backing
YK Sky Co., Ltd.	Asset-backing
TH 5th Co., Ltd.	Asset-backing
YK Edue Co., Ltd.	Asset-backing
YK Dway Co., Ltd.	Asset-backing
YK APT the 1st Co., Ltd.	Asset-backing
Y.K.S.W. Second Co., Ltd.	Asset-backing
YK Park Co., Ltd.	Asset-backing
YK JP the 2nd Co., Ltd.	Asset-backing
New Star Power 1st Co., Ltd.	Asset-backing
Y.K New NC 1st Co., Ltd.	Asset-backing
YK Ceramic Co., Ltd.	Asset-backing
YK Halfmoon 2nd Co., Ltd.	Asset-backing
Y.K New NC Second Co., Ltd.	Asset-backing
YK Arena Co., Ltd.	Asset-backing
YK Hessen Co., Ltd.	Asset-backing
ELF 5th Co., Ltd.	Asset-backing
YK Hyomoon Haneulchae Co., Ltd.	Asset-backing
YK Echo Co., Ltd.	Asset-backing
YK Obong Co., Ltd.	Asset-backing
YK Marble Co., Ltd.	Asset-backing
YK Indus Co., Ltd.	Asset-backing

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

D. As of December 31, 2018, subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2018	December 31, 2017	
Yuanta HK Holdings (Cayman)	GC Investment Consultant (Shanghai) Co., Ltd.	Investment consultation	100.00	100.00	Note
Yuanta Securities Asia Financial Services	Yuanta Securities(UK)	Institutional legal brokerage business	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 December 31, 2018 and 2017, the non-controlling interest amounted to \$17,858,198 and \$16,901,802, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2018		December 31, 2017	
		Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$ 14,344,843	45.38%	\$ 13,662,036	45.80%

The comprehensive income attributable to this non-controlling interest were \$861,759 and \$1,325,112 for the years ended December 31, 2018 and 2017, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries	
	December 31, 2018	December 31, 2017
Current assets	\$ 308,942,730	\$ 304,775,649
Non-current assets	16,215,392	19,980,810
Current liabilities	(287,739,396)	(288,989,774)
Non-current liabilities	(3,220,540)	(3,212,416)
Total net assets	<u>\$ 34,198,186</u>	<u>\$ 32,554,269</u>

Consolidated statements of comprehensive income

	Yuanta Securities (Korea) and its subsidiaries	
	For the years ended December 31,	
	2018	2017
Revenue	\$ 15,639,999	\$ 12,923,089
Profit before income tax	2,965,255	2,158,183
Income tax expense	(259,376)	(17,230)
Net income	2,705,879	2,140,953
Other comprehensive income (loss) (net of tax)	(735,008)	1,090,053
Total comprehensive income for the period	<u>\$ 1,970,871</u>	<u>\$ 3,231,006</u>

Consolidated statements of cash flows

	<u>Yuanta Securities (Korea) and its subsidiaries</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Net cash provided by (used in) operating activities	\$ 730,035	(\$ 6,550,159)
Net cash provided by investing activities	2,340,518	531,736
Net cash (used in) provided by financing activities	(5,503,591)	2,432,339
Effect of exchange rates on cash and cash equivalents	<u>458,591</u>	<u>(807,724)</u>
Decrease in cash and cash equivalents	(1,974,447)	(4,393,808)
Cash and cash equivalents, beginning of period	<u>18,766,384</u>	<u>23,160,192</u>
Cash and cash equivalents, end of period	<u>\$ 16,791,937</u>	<u>\$ 18,766,384</u>

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(A) Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

(B) Assets denominated in foreign currency are translated at the closing exchange rate at the balance sheet date. When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Any translation difference is recognised as gain and loss in the period.

(C) Non-monetary assets and liabilities denominated in foreign currencies:

a. Assets and liabilities carried at cost are re-translated at the exchange rates prevailing at the original transaction date.

b. Assets and liabilities held at fair value through profit or loss are re-translated at the exchange rates prevailing at the date at which the fair value is determined.

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

B. Translation of foreign operations

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

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

(5) Cash and cash equivalents

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

(6) Bills and bonds under repurchase or resale agreements

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

(7) Financial assets and liabilities

Effective 2018

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

A. Financial assets

All financial assets held by the Yuanta Group are classified into the following six categories: “bills discounted and loans”, “receivables”, “financial assets at fair value through profit and loss”, “financial assets at fair value through other comprehensive income”, “investments in debt instruments at amortised cost”, and “other financial assets–purchase of claim receivable”.

(A) Regular way purchase or sale

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

(B) Bills discounted and loans

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

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

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

(C) Receivables

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

Yuanta Group. Receivables not originated by the entity refer to those other than whom were originated by the entity.

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

- (D) Financial assets at fair value through profit or loss
- a. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income may be designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
 - b. At initial recognition and subsequent measurement, the Yuanta Group measures the financial assets at fair value and recognises the gain or loss in profit or loss.
 - c. The Yuanta Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Yuanta Group and the amount of the dividend can be measured reliably.
 - d. A financial asset held by subsidiary Yuanta Life is designated as a financial asset measured at fair value through profit or loss using the overlay approach, when the following conditions are met:
 - i. Financial asset is measured at fair value through profit or loss under IFRS 9, but would not have been entirely measured at fair value through profit or loss under IAS 39; and
 - ii. The financial asset is not held for activities unrelated to contracts in the scope of IFRS.For assets to which the overlay approach is applied, the amount that is excluded from profit or loss and recognized in other comprehensive income is the difference between the following two amounts:
 - i. Profit or loss recognized in accordance with IFRS 9; and
 - ii. Profit or loss recognized in accordance with IAS 39.
- (E) Financial assets at fair value through other comprehensive income
- a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Yuanta Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - i. The objective of the Yuanta Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - ii. The assets' contractual cash flows represent solely payments of principal and interest.
 - b. At initial recognition, the Yuanta Group measures the financial assets at fair value plus transaction costs. The Yuanta Group subsequently measures the financial assets at fair value:
 - i. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Yuanta Group and the amount of the dividend can be measured reliably.
 - ii. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

- (F) Investments in debt instruments at amortised cost
- a. Investments in debt instruments at amortised cost are those that meet all of the following criteria:
 - i. The objective of the Yuanta Group's business model is achieved by collecting contractual cash flows.
 - ii. The assets' contractual cash flows represent solely payments of principal and interest.
 - b. At initial recognition, the Yuanta Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- (G) Other financial assets
- Purchase of claim receivable — non-performing loans of financial institutions are measured by fair value of financial asset on initial recognition when being obtained by the Yuanta Group and will be subsequently measured by fair value with changes in fair value recognised as profit and loss in the period.
- B. Financial liabilities
- Financial liabilities held by the Yuanta Group include financial liabilities at fair value through profit and loss (including financial liabilities designated at fair value through profit and loss) and financial liabilities carried at amortised cost.
- (A) Financial liabilities at fair value through profit or loss
- Including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.
- Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:
- a. Hybrid (combined) contracts; or
 - b. They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.
- At initial recognition, the Yuanta Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Yuanta Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.
- (B) Financial liabilities carried at amortised cost
- Financial liabilities carried at amortised cost include liabilities not classified as financial liabilities at fair value through profit or loss, financial guarantee contracts, loan commitment with a lower-than-market interest rate and the financial liabilities incurred due to continuing engagement or that the transferring of a financial asset does not meet the requirement of derecognition.
- (C) Derecognition of financial assets
- The Yuanta Group derecognises a financial asset when one of the following conditions is met:
- a. The contractual rights to receive cash flows from the financial asset expire.

- b. The contractual rights to receive cash flows from the financial asset have been transferred and the Yuanta Group has transferred substantially all risks and rewards of ownership of the financial asset.
 - c. Risks and rewards of ownership of the financial asset have not been substantially transferred or retained, however, the control over the financial assets have not been retained.
- (D) Derecognition of financial liabilities
- a. A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.
 - b. The Yuanta Group derecognises an original financial liability and recognises a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences to the original terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Prior to 2018

Financial assets and liabilities

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

A. Financial assets

All financial assets held by the Yuanta Group are classified into the following four categories: “financial assets at fair value through profit and loss”, “available-for-sale financial assets”, “loans and receivables” and “held-to-maturity financial assets” .

(A) Regular way purchase or sale

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

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

- a. When the financial assets of the Yuanta Group are held to repurchase or resell or when the portfolio belongs to derivative instruments, or are held in a short-term profit seeking model, then they should be classified as financial assets held for trading and measured by fair value at initial recognition.
- b. Criteria to designate financial assets and financial liabilities as at fair value through profit or loss at initial recognition are as follows:
 - (a) The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
 - (b) The performance of financial instruments is assessed by fair value; or
 - (c) Hybrid (combined) instruments include embedded derivatives.
- c. Financial assets at fair value through profit or loss are recognised under “financial assets at fair value through profit or loss” in the consolidated balance sheet. Any change in fair value of financial assets at fair value through profit are recognised under “gain and loss of financial assets and liabilities at fair value through profit and loss” in the consolidated statement of comprehensive income

(C) Available-for-sale financial assets

Available-for-sale financial assets are measured by fair value plus the trading cost of acquisition upon initial recognition, and are subsequently measured by fair value with changes in fair value recognised as other comprehensive income. The cumulative valuation gain or loss is recognised as gain and loss in the period when it is derecognised from the financial assets.

Financial assets that were not designated as available-for-sale on initial recognition but meet the definition of loans and receivables are reclassified as held-to-maturity financial assets and bond investments without active market when the Yuanta Group has intention or ability to

hold such financial assets to the foreseeable future or maturity with the fair value on the reclassification date accounted for as new amortised cost. Those that have been recognised in other comprehensive income are amortised to the profit or loss at the financial asset's effective interest rate within the remaining period.

(D) Loans and receivables

- a. Loans and receivables include both those that were originated and not originated by the entity. Loans and receivables originated by the entity refer to cash, products or services directly provided to debtors by Yuanta Group. Loans and receivables not originated by the entity refer to those other than whom were originated by the entity.
- b. Loans and receivables are measured at initial fair value as the transaction price, and are recognised on the basis of fair value plus significant transaction cost, expense, significant service fee charged, discount or premium factor. Subsequently, the loans and receivables shall be measured using effective interest rate method. However, short-term receivables without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(E) Held-to-maturity financial assets

Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(F) Other financial assets

a. Financial assets measured at cost

Equity instruments traded in a non-active market are initially recognised by fair value plus acquisition cost. If the variability in the range of reasonable fair value estimate on the consolidated balance sheet date could vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the financial assets should be assessed by cost.

b. Bond investments in non-active markets

Bond investments in non-active markets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

c. Purchase of claim receivable

Non-performing loans of financial institutions are measured by fair value of financial asset on initial recognition when being obtained by the Yuanta Group and will be subsequently measured by fair value with changes in fair value recognised as profit and loss in the period.

B. Financial liabilities

Financial liabilities held by the Yuanta Group include financial liabilities at fair value through profit and loss (including financial liabilities designated at fair value through profit and loss) and financial liabilities carried at amortised cost.

(A) Financial liabilities at fair value through profit or loss

Financial liabilities held for trading purpose are designated as financial liabilities at fair value through profit and loss upon initial recognition.

A financial liability shall be classified as held for trading if it is incurred with a purpose of repurchasing or resale in a short period of time or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative instruments are also classified as held for trading, including the obligations of delivery of financial assets borrowed from

short seller.

Criteria to designate financial liabilities as at fair value through profit or loss at initial recognition are as follows:

- a. The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
- b. The performance of financial instruments is assessed by fair value; or
- c. Hybrid (combined) instruments include embedded derivatives.

Financial liabilities at fair value through profit and loss are recognised under financial liabilities at fair value through profit and loss in the consolidated statement of comprehensive income, and any change in fair value is recognised as “gain and loss on financial assets and liabilities at fair value through profit and loss” in the consolidated statement of comprehensive income. Except for the circumstances to avoid inappropriate accounting appropriation or except that lending commitments and financial guarantee contracts must be recognised in profit or loss, fair value movements arising from credit risk for financial liabilities designated as at fair value through profit or loss should be recognised in other comprehensive income.

(B) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost include liabilities not classified as financial liabilities at fair value through profit or loss, financial guarantee contracts, loan commitment with a lower-than-market interest rate and the financial liabilities incurred due to continuing engagement or that the transferring of a financial asset does not meet the requirement of derecognition.

C. Derecognition of financial assets

The Yuanta Group derecognises a financial asset when one of the following conditions is met:

- (A) The contractual rights to receive cash flows from the financial asset expire.
- (B) The contractual rights to receive cash flows from the financial asset have been transferred and the Yuanta Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (C) Risks and rewards of ownership of the financial asset have not been substantially transferred or retained, however, the control over the financial assets have not been retained.

D. Derecognition of financial liabilities

- (A) A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.
- (B) The Yuanta Group derecognises an original financial liability and recognises a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences to the original terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

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

- A. According to the “Rules Governing Securities Finance Enterprises” (RGSFE), margin loans primarily represent pecuniary financing to investors or refinancing to securities firms. The margin loans are accounted for as “Margin loans receivable” (recognised under “Receivables-net”) as incurred and such loans are secured by the securities purchased by the investors, and the Yuanta Group records these securities at par value under the memorandum accounts “securities held for collateral” and “liability for holding collateral securities”, and is not included in the balance sheets.

- B. According to Article 10 of the RGSFE, when providing margin loans to principals, the Yuanta Group shall obtain the margin pursuant to the ratio prescribed by the competent authority.
- C. Short sale stock loans represent securities financing affected by lending securities in custody that are received from margin loans, guarantee effects or borrowed securities, to investors. When the securities are lent to investors, the Yuanta Group records the par value of the securities lent under the memorandum account “short sale stock loans”. Additionally, according to Article 10 of the RGSFE, the investors need to deposit a regulated amount equal to a certain percentage of the proceeds from short sale stock financing or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Short sale stock deposits” (recognised under “Payables”). The Yuanta Group deals with these securities at par value under the memorandum account “Guarantee deposits”. The proceeds from sale of securities lent, less any dealer's commission, financing commission and securities exchange tax, are held by the Yuanta Group as collateral and recorded under “Short sale proceeds payable” (recognised under “Payables”).
- D. Securities borrowed represent securities borrowed from one broker/dealer to another, who must eventually return the same security as repayment. When the securities are lent to investors, the Yuanta Group records the par value of the securities borrowed under the memorandum account “securities borrowed”. The borrower needs to deposit an amount equal to a certain percentage of the proceeds from securities borrowed or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Refundable deposits for securities lending” (recognised under “Other assets-net”). The Yuanta Group deals with securities at par value under the memorandum account “Refundable collaterals”. When the securities are lent to investors, the Yuanta Group records the par value of the securities lent under the memorandum account “Short sale stock loans”. Additionally, a lender needs to deposit an amount equal to a certain percentage of the proceeds from securities lent or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Deposits received for securities lent” (recognised under “Other liabilities”). The Yuanta Group deals with these securities at par value under the memorandum account “Collaterals received”.
- E. “Security-based loans” are loans provided to borrowers by Yuanta Group in accordance with “Regulations Governing Securities Finance Enterprises”. Upon the occurrence of a loan, “Security-based loans” is recorded (under “Bills discounted and loans – net”) and the borrower pledges securities from margin trading, central government bonds and treasury bills and others that are approved by the competent authority as collateral. For the collateral, Yuanta Group records it in its memorandum under “Securities in custody” and its converse account “Collateral received”, which is not recorded in the general ledger.

(9) Financial instruments offsetting

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

(10) Impairment of financial assets

Effective 2018

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

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

Prior to 2018

Impairment of financial assets

- A. The Yuanta Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Yuanta Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (A) Significant financial difficulty of the issuer or debtor;
 - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (C) The Yuanta Group, for economic or legal reasons relating to the borrower’s financial difficulty granted the borrower a concession that a lender would not otherwise consider;
 - (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (E) The disappearance of an active market for that financial asset because of financial difficulties from the issuer;
 - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
 - (I) Others shall be assessed based on the indicators of the Yuanta Group’s internal policies.
- C. When the Yuanta Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Financial assets measured at amortised cost

The Yuanta Group assesses whether objective evidence exists which indicates impairment losses of material individual financial assets and impairment losses generated individually or as a group from immaterial individual financial assets. If the Yuanta Group decides that there is no objective evidence exist for the financial asset individually assessed (no matter it is material or not), the asset should be included in the financial asset portfolios sharing similar credit risk characteristics before the group assessment. Financial assets that are assessed individually with impairment recognised or continually recognised need not be included in the group assessment.

If there is any objective evidence that the financial asset is impaired, the impairment amount is the difference between the financial assets’ book value and the estimated future cash flow

(exclusive of the unexisting future credit loss) discounted using the original effective interest rate. The asset's book value is decreased by adjusting the account of allowance for bad debt, and loss amount is recognised under "bad debt expense and reserve for guarantee liabilities" or "asset impairment losses" depending on the nature of financial asset. If a financial asset uses floating rate, then the discounting rate used to assess impairment loss shall adopt the current effective interest rate as decided by the contract.

No matter the collateral is provided or not, by calculating the pledged financial assets to estimate the present value of future cash flow, the cash flow that may occur from the collateral can be reflected. However, the acquisition or selling cost regarding the collateral should be deducted.

Financial asset are categorized on the basis of similar credit risk characteristics in relation to collective assessment for impairment. The credit risk characteristics refer to the capability of a debtor to pay all the amounts at maturities according to the contract term (for example, asset type, overdue status, assessing procedure or rating process of the relevant credit risk may all be put into consideration). The debtor with specific representative characteristics chosen, of whom the capacity to pay amounts due as required by the contract, is closely correlated to the future cash flow estimate of each asset portfolio.

For financial assets assessed collectively, the estimate made on future cash flow is made on the basis of historical losses of the assets sharing similar credit risk characteristics within the assessment group. Historical loss experience is adjusted by the current observable information to reflect the effect on the current situation of the period in which the historical loss experience has not been reflected. Also, non-existing historical effects should be excluded.

The estimate of future cash flow movement reflects the movement in observable information of each period (such as change in real estate price, commodity price, payment status or the change in other factors giving rise to losses and loss amounts attributable to one or more events), and the two move in the same direction. The Yuanta Group regularly reviews the methods and assumptions used to estimate future cash flow to mitigate difference between the losses estimate and actual losses experience.

When a loan to other banks or clients is confirmed to be not recoverable, the book value and related allowance for bad debt should be written off. Once the Yuanta Group completes all the necessary legal procedures and the impairment amount is confirmed, the unrecoverable loans can be written off.

In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognised (for example, the upgraded credit rating of the debtor), the previously recognised impairment loss is reversed through the allowance for bad debt to the extent that the carrying amounts do not exceed the amortised cost that would have been determined had no impairment loss been recognised in prior years. The reversal is recognised as current profit and loss.

In addition, in accordance with Jin-Guan-Yin-Guo-Zi Order No. 10410001840, the provision ratio for Category One credit assets, allowance for doubtful accounts and guarantee reserve of credits provided to Mainland China should at least reach 1.5%.

In addition, in accordance with Jin-Guan-Yin-Guo-Zi Order No. 10300329440, the provision ratio for allowance for doubtful accounts of mortgage loans should at least reach 1.5%.

Allowance for doubtful accounts for accounts receivable, loans, and claims recoverable from reinsurers and due from reinsurers and ceding companies of reinsurance contract assets should be assessed and recognised in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', IFRS 4, 'Insurance contracts' and 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'.

(B) Available-for-sale financial assets

When the reduction of fair value of available-for-sale financial asset has been recognised in other comprehensive income and at the same time with objective evidence indicating that the impairment has incurred, even if the financial asset has not been derecognised, accumulative evaluation losses recognised in other comprehensive income shall be reclassified into gain and loss.

For equity instruments classified as available-for-sale assets, the impairment loss cannot be reversed through gain and loss. Any subsequent increase in fair value should all be recognised in other comprehensive income. Debt instruments that are classified as available-for-sale assets, if the fair value increases in the subsequent periods which can be objectively related to the incidence after the impairment loss has been recognised in gain and loss, can be reversed and recognised as gain and loss in the period.

(C) Financial assets measured at cost

If there is any objective evidence indicating impairment has been incurred on the financial asset carried at cost, impairment loss should be recognised as “asset impairment loss”, which is not reversible.

(11) Non-hedging and embedded derivatives

Effective 2018

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

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

Prior to 2018

Derivative financial instruments

Derivative instruments are recognised at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price, and evaluation techniques such as cash flow discounting model or option pricing model. All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Economic characteristics and risks of the embedded derivatives and the economic characteristics of the main contract should be examined for the embedded derivatives. If the two are not closely correlated and the main contract is not a financial asset or liability at fair value through profit and loss, the main contract and embedded derivatives should be respectively recognised unless the overall hybrid contract is designated as assets or liabilities at fair value through profit and loss. The embedded derivatives are the financial assets or liabilities at fair value through profit and loss.

(12) Impairment of non-financial assets

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

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

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

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

the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

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

(15) Lease

The lease contract of the Yuanta Group includes operating lease and finance lease.

A. Operating lease

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

B. Finance lease

(A) When the Yuanta Group is the lessee, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortised to finance leasing liabilities and the interest expense is recognised. Interest expense is calculated based on the beginning balance of finance leasing liabilities of each period using the leasing embedded interest rate or incremental borrowing interest rate and recognised as gains and losses. Finance leasing liabilities are recognised under “other financial liabilities”. Property and equipment acquired through finance leasing contract are measured by cost model.

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

(16) Investment property

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

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

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

When there is certain replacement occurring onto the investment property, the replacement cost should be recognised in the carrying amount of the investment property given that the criteria of

recognition can be met. The carrying amount of the replaced account should be derecognised.

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

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

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

(17) Property and equipment

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

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

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

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

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

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

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

(18) Intangible assets

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

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

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

Customer margin deposit account receives margins, premiums and differences from daily market

closing prices in accordance with “Regulations Governing Futures Commission Merchants”, which are all included in the customer margin deposit account.

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

(20) Bonds payable/ Preferred stock liability

A. Bank debentures payable

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

B. Corporate bonds payable/ Preferred stock liability

(A) Ordinary corporate bonds issued by the Yuanta Group are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the ‘interest expense’ over the period of bond circulation using the effective interest method.

(B) Convertible corporate bonds/ preferred stock liability issued by the Yuanta Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Yuanta Group’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Yuanta Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument (‘capital surplus – stock warrants’) in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds/ preferred stock liability are accounted for as follows:

- a. Call options and put options embedded in convertible corporate bonds/ preferred stock liability are recognised initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on financial assets or financial liabilities at fair value through profit or loss.’
- b. Bonds payable of convertible corporate bonds/ preferred stock liability is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preferred stock liability and presented as an addition to or deduction from bonds payable/ preferred stock liability, which is amortised in profit or loss as an adjustment to the ‘interest expense’ over the period of bond circulation using the effective interest method.
- c. Conversion options embedded in convertible corporate bonds/ preferred stock liability issued by the Yuanta Group, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus – stock warrants’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable – net’ as stated above. Conversion options are not subsequently remeasured.
- d. Any transaction costs directly attributable to the issuance of convertible corporate bonds/ preferred stock liability are allocated to the liability and equity components in proportion to the allocation of proceeds.

- e. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable/ preferred stock liability' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus — stock warrants.

(21) Provisions, contingent liabilities and contingent assets

- A. The Yuanta Group recognises liabilities when all of the following three conditions are met :
 - (A) Present obligation (legal or constructive) has arisen as a result of past event.
 - (B) The outflow of economic benefits is highly probable upon settlement.
 - (C) The amount is reliably measurable.
- B. The Yuanta Group does not recognise provisions for the future operating losses. If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions should be recognised when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.
- C. When the time value may have a significant impact on a currency, the reserve is measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the liabilities.
- D. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Yuanta Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Yuanta Group did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.
- E. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Yuanta Group. The Yuanta Group did not recognise any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(22) Financial guarantee contracts and loan commitment

Effective 2018

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

losses". The increase in liabilities due to financial guarantee contracts and loan commitments is recognised in "bad debt expenses, commitments and guaranty policy reserve".

- E. In addition to the assessment of provisions for losses for financial guarantee contract described above, subsidiary Yuanta Bank also assesses provisions for losses in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and other applicable laws. The greater of the two amounts is recognised and included in the guaranty policy reserve.

Prior to 2018

- A. The Yuanta Group initially recognises financial guarantee contracts at fair value on the date of issuance. The Yuanta Group charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.
- B. Subsequently, the Yuanta Group should measure the financial guarantee contract issued at the higher of:
- (A) the amount determined in accordance with IAS 37; and
 - (B) the amount initially recognised less, if appropriate, cumulative amortization recognised in accordance with IAS 18, "Revenue".
- C. The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgement combined with historical loss data based on the similar transaction experiences.
- D. The increase in liabilities due to financial guarantee contract is recognised in "bad debt expenses and reserve for guarantee liabilities".
- E. Assessment for above guarantee reserve is assessed and set aside according to "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets".

(23) Employee benefits

- A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.
- B. Pensions
- (A) Defined contribution plans
For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments. Within the 12 months after the end of the reporting period when the services are rendered, the total undiscounted short-term pension benefits which the Yuanta Group needs to pay in the future are recognised as expenses.
 - (B) Defined benefit plans
 - a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Yuanta Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Yuanta Group

- uses interest rates of government bonds (at the balance sheet date) instead.
 - b. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
 - c. Past service costs are recognised immediately in profit or loss.
- C. Deposits

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

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

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

(24) Classification of insurance contracts

- A. Insurance product should be classified in accordance with IFRS 4, "Insurance contracts".
- B. An insurance contract is a contract under which the Yuanta Group accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a future insured event adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held by the Yuanta Group. Non-insurance contracts (also called investment contracts), denote to insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred risks employed by the Yuanta Group here refers to any event or incident that leads to the Yuanta Group's additional significant payment.
- C. Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been significantly reduced during the coverage period. However, insurance contracts with a nature of financial instruments shall be reclassified as insurance contracts, if significant insurance risks have been transferred to the Yuanta Group.
- D. Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefits rather than guaranteed benefits, and this kind of right will need to meet the following criteria at the same time:
 - (A) additional benefits that are likely to be a significant portion of the total contractual benefits;
 - (B) the amount or timing of additional benefits is contractually at the discretion of the Yuanta Group; and
 - (C) additional benefits are contractually based on the performance of specified investment portfolio of the Yuanta Group.

- E. All insurance products of the Yuanta Group meet the definition of insurance contracts, except for some investment-linked products.

(25) Insurance contracts

A. Recognition and measurement

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

B. Liability adequacy test

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

C. Reinsurance

With the classification of reinsurance contracts, the Yuanta Group assesses the agreements under the deposit accounting given that the objective insurance risks of reinsurance agreements are not transferred to the reinsured. Calculation of reinsurance standards for inwards and outwards, reinsurance commissions, reinsurance payments and reinsurance premiums should be managed by reinsurance contracts signed by other reinsurance companies and stated on a monthly basis.

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

(26) Non-discretionary participation feature investment contracts

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

(27) Provision basis for various insurance liabilities

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

A. Unearned premium reserve

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

B. Claims reserve

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

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

C. Reserve for policy benefit

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

D. Special reserve

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

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

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

E. Premium deficiency reserve

Effective from 2001, if the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period over one year are less than the net premium in

compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. In addition, potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

F. Liability adequacy reserve

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

(28) Foreign exchange reserve

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

(29) 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.

(30) Share capital

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

(31) Interest income and expense

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

(32) Net service fee and commission income

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

- A. Brokerage service fee income and other related expenses are recognised at the date of securities transaction.
- B. Underwriting service fee income and expenses are recognised on an accrual basis under the agreed terms.
- C. Stock agency income is recognised monthly based on the contract terms.
- D. Futures commission income is the commission charged to the assigned futures merchants for the assistance provided during futures trading and recognised on an accrual basis during the trading period.

(33) Investment-linked products

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

(34) Business combinations

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

(35) Operating segment report

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

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

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

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

(1) Expected credit losses of bills discounted and loans

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

(2) Fair value valuation of unlisted stocks

Financial instruments with no active market or quoted price use valuation techniques to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in the market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation

models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to use only observable information as much as possible.

(3) Impairment assessment of goodwill

Yuanta Group assesses regularly the impairment of goodwill at the end of year. The recoverable amounts of related cash-generating units are determined based on value-in-use calculations. The calculations use estimate of expected future cash flows and discount rate. Please refer to Note 6(15) for details.

(4) Insurance contract liabilities

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

However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy testing is conducted by discounting the Company’s overall return on investment under the best estimate on valuation date. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash	\$ 5,934,752	\$ 5,230,534
Deposits in banks	54,995,362	53,910,739
Futures excess margin and cash equivalents	2,010,528	2,162,651
Excess settlement reserve fund	11,554	74,811
Checks for clearing	2,583,215	2,628,835
Total	<u>\$ 65,535,411</u>	<u>\$ 64,007,570</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Reserve for deposits - account A	\$ 15,998,321	\$ 18,741,857
Reserve for deposits - account B	26,044,008	27,221,590
Deposits by overseas branches to designated accounts of respective local central banks	1,919,157	1,803,495
Reserve for deposits	3,181,547	2,153,718
Call loans to banks	1,073,679	4,470,290
Total	<u>\$ 48,216,712</u>	<u>\$ 54,390,950</u>

Reserves due from Central Bank are calculated monthly at prescribed rates on the average daily

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

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

	<u>December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Commercial paper	\$ 29,999,858
Beneficiary certificates / securities	44,913,476
Stocks of companies listed on TSE or OTC	21,679,437
Emerging stocks	1,521,690
Government bonds	42,438,373
Financial bonds	100,223,063
Corporate bonds	79,313,336
Overseas bonds	7,605,311
Convertible corporate bonds	47,991,256
Derivative financial instruments	19,975,081
Structured products and others	11,762,666
Reserve for claims of customers' deposits with KSFC (Note 1)	67,887,652
Other marketable securities	4,337,263
Valuation adjustment	(5,709,253)
Total	<u>\$ 473,939,209</u>
	<u>December 31, 2018</u>
Financial liabilities held for trading	
Derivative financial instruments	\$ 23,695,380
Non-derivative financial instruments	21,377,218
Valuation adjustment of financial liabilities held for trading – non-derivative financial instruments	(1,095,200)
Financial liabilities designated as at fair value through profit or loss	
Structured products (Note 2)	53,558,458
Convertible bond asset swap not qualifying for derecognition (Note 2)	14,446,943
Total	<u>\$ 111,982,799</u>

Note 1: KSFC stands for Korea Securities Finance Corporation.

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

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

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

	<u>December 31, 2018</u>
Equity instruments	
Domestic stocks	\$ 2,641,728
Overseas stocks	<u>395,204</u>
	3,036,932
Debt instruments	
Overseas corporate bonds	835,289
Domestic beneficiary certificates	2,541,921
Overseas beneficiary certificates	<u>156,778</u>
	<u>\$ 6,570,920</u>

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

	<u>For the year ended December 31, 2018</u>
Profit or loss recognised in accordance with IFRS 9	(\$ 587,513)
Less: Profit or loss that would have been recognised under IAS 39	<u>(181,454)</u>
Loss from adopting the overlay approach	<u>(\$ 768,967)</u>
Effects on income tax	<u>\$ 48,768</u>

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

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

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

Items	December 31, 2018
Debt instruments	
Government bonds	\$ 28,344,500
Bank debentures	40,004,582
Corporate bonds	123,907,258
Commercial paper	134,014
Others	770,596
Valuation adjustment	(968,419)
Subtotal	<u>192,192,531</u>
Equity instruments	
Listed stocks	6,471,973
Unlisted stocks/Emerging stocks	5,250,907
Others	208,725
Valuation adjustment	<u>12,227,200</u>
Subtotal	<u>24,158,805</u>
Statutory deposits	(1,216,100)
Total	<u>\$ 215,135,236</u>

- A. As of December 31, 2018, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$1,216,100 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.
- B. The Yuanta Group elects to classify strategic equity investments not held for trading as financial assets measured at fair value through other comprehensive income. As of December 31, 2018, the fair value of such investments was \$24,158,805.
- 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 \$3,292,458, and the cumulative gain on disposal was \$73,128.
- 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 year ended December 31, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 2,721,507
Cumulative losses reclassified to retained earnings due to derecognition	\$ 77,579
Dividend income recognised in profit or loss	
Held at end of period	\$ 845,372
Derecognised in the current period	66,869
	<u>\$ 912,241</u>
<u>Debt instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ 5,100,525)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition	\$ 31,759
Reclassified due to derecognition	1,254,510
	<u>\$ 1,286,269</u>
Interest income recognised in profit or loss	<u>\$ 4,852,049</u>

E.Details of the Yuanta Group's financial assets at fair value through other comprehensive income pledged to others as collateral as of December 31, 2018 are provided in Note 8.

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

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

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

<u>Items</u>	<u>December 31, 2018</u>
Government bonds	\$ 97,800,954
Time deposits	112,526,281
Bank debentures	61,316,598
Corporate bonds	82,004,732
Subtotal	<u>353,648,565</u>
Less: Accumulated impairment	(142,478)
Statutory deposits	(600,000)
Total	<u>\$ 352,906,087</u>

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

	For the year ended December 31, 2018	
Interest income	\$	7,474,992
Impairment loss	(	22,466)
Gains on disposal		312,178
	<u>\$</u>	<u>7,764,704</u>

B. The consolidated company sold some of the financial assets at amortised cost in the period from January to December, due to factors such as mandatory redemption and consideration of credit risk. The disposal benefit was \$424,820.

C. As of December 31, 2018, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$600,000 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.

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

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

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Bills and bonds purchased under resale agreement	\$ 33,465,734	\$ 34,827,960
Interest rate range	0.37%~ 14.66%	0.31%~2.60%
Contract resale amount	<u>\$ 33,533,054</u>	<u>\$ 35,098,339</u>
Bills and bonds payable under repurchase agreement	\$ 218,570,425	\$ 197,101,189
Interest rate range	0.25%~4.10%	-0.1%~4.40%
Contract repurchase amount	<u>\$ 223,886,291</u>	<u>\$ 201,715,121</u>

As of December 31, 2018 and 2017, the collateral obtained for retractable notes and investments in bonds are governmental bonds and corporate bonds with a combined fair value of \$35,576,066 and \$26,042,055, respectively.

(7) Receivables - net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Interest receivable	\$ 8,135,539	\$ 7,173,230
Refinance guaranty receivable	12,013,104	11,097,673
Acceptances receivable	503,674	1,247,595
Factoring receivable	6,799,757	6,283,483
Margin loans receivable	66,230,975	83,873,104
Spot exchange receivable	5,155,632	2,936,871
Credit card receivable	10,840,137	12,130,890
Trading securities receivable	770,218	957,908
Settlement price	7,264,563	16,254,834
Settlement price receivable	15,556,933	25,045,414
Securities sold receivable	5,408,108	5,116,490
Other receivables	6,906,588	4,617,182
Subtotal	<u>145,585,228</u>	<u>176,734,674</u>
Less: Allowance for doubtful accounts	(<u>2,312,434</u>)	(<u>1,419,704</u>)
Total	<u>\$ 143,272,794</u>	<u>\$ 175,314,970</u>

1. Details of the Group's receivables-net pledged to others as collateral as of December 31, 2018, are provided in Note 8.
2. The Group recognised appropriate allowance for debts for receivables. For the year ended December 31, 2018, details are provided in Note 12(3).
3. Margin loans receivable uses the securities purchased through financing as collateral. As of December 31, 2018 and 2017, the annual interest rates of Yuanta Securities were both 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 6.65% ~ 9.55% and 7.25% ~ 9.55%, respectively; the annual interest rates range of Yuanta Securities (Hong Kong) were 2.38% ~ 12.88% and 1.94% ~ 12.75%, respectively; the annual interest rates range of Yuanta Securities (Indonesia) were both 18%; the annual interest rates range of Yuanta Securities (Thailand) were both 5.15% ~ 9.25%; the annual interest rates range of Yuanta Securities (Vietnam) were 9.86% ~ 14.00% and 9.86% ~ 11.68%, respectively.

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

- A. In order to improve the efficiency of asset utilization, Yuanta Bank approved the sale of its own real estate by the Board of Directors on October 25 and November 8, 2018, and the relevant assets were reclassified to “assets held for sale”. After remeasuring the fair value less costs to sell, the balance of assets held for sale is \$868,288, resulting in the impairment loss of \$2,665. 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.
- B. The assets and liabilities related to Ta Chong Securities have been reclassified as held for sale and presented as discontinued operations as it has met the definition of discontinued operations following the approval of Ta Chong Bank’s Board of Directors on March 10, 2017 to sell Ta Chong Securities, and the settlement was completed on August 28, 2017 (the date that control ceased). The assets and liabilities related to Ta Chong Securities have been derecognised, and gain or loss on disposal is recognised.
- C. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	January 1 to August 28, 2017
	<u>(Loss of control)</u>
Net interest income	\$ 91,387
Net service fee and commission income	223,374
Gain on financial assets and financial liabilities at fair value through profit or loss	101
Foreign exchange loss	(2,539)
Other non-interest income	7,516
Net profit	<u>319,839</u>
Operating expenses	(525,602)
Loss before tax of discontinued operations	(205,763)
Income tax expense	(816)
Loss after tax of discontinued operations	<u>(206,579)</u>
Pre-tax loss recognised on the actual disposal of disposal group	(145,478)
Income tax expense	<u>-</u>
After-tax loss recognised on the remeasurement of assets of disposal group	<u>(145,478)</u>
Loss on discontinued operations	<u><u>(\$ 352,057)</u></u>

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

(9) Bills discounted and loans - net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Bills discounted	\$ 289,927	\$ 203,290
Overdrafts	179,762	191,802
Short-term loans	71,480,877	68,540,281
Short-term loans secured	94,558,211	90,507,122
Medium-term loans	151,187,753	138,343,110
Medium-term loans secured	148,297,715	153,230,827
Long-term loans	8,413,501	8,857,060
Long-term loans secured	298,158,828	302,158,833
Import-export negotiations	33,411	64,446
Accounts receivable factoring	586,722	1,160,284
Automatic policy loans	1,267,384	1,161,810
Policy loans	4,908,038	4,369,658
Loans transferred to non-performing loans	<u>5,159,157</u>	<u>5,325,052</u>
Subtotal	784,521,286	774,113,575
Less: Allowance for credit losses	(13,606,991)	(11,786,569)
Less: Adjustment for discount	<u>(8,633)</u>	<u>(7,966)</u>
Total	<u>\$ 770,905,662</u>	<u>\$ 762,319,040</u>

The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables. As of changes in allowance for bad debts in relation to bills discounted and loans for the year ended December 31, 2018, please refer to Note 12(3).

(10) Reinsurance contract assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Claims recoverable from reinsurers	\$ 78,685	\$ 55,822
Due from reinsurers and ceding companies	105,371	106,546
Reinsurance Reserve Assets		
Ceded unearned premium reserve	366,325	262,226
Ceded claims reserve	<u>29,749</u>	<u>11,293</u>
Total	<u>\$ 580,130</u>	<u>\$ 435,887</u>

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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Associates:				
CR Yuanta Fund Management Company Limited	\$ 112,548	49.00%	\$ 203,156	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	22,242	100.00%	21,647	100.00%
Yuanta Security(U.K)	62,496	100.00%	-	-
TongYang Asset Management Corp.	716,023	27.00%	678,839	27.00%
Polaris Ocean Private Equity Fund	40,959	3.26%	41,938	3.26%
Yuanta SPAC II	-	-	1,306	0.37%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	20,222	16.22%	25,658	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	12,218	18.00%	30,939	18.00%
2011 KIF-TongYang IT Venture Fund	62,886	17.20%	71,556	17.20%
Hyundai-TongYang Agrifood Private Equity Fund	-	-	5,844	9.84%
TongYang Agri-Food Investment Fund-2nd	131,228	40.74%	116,121	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	225,030	10.71%	67,683	10.71%
KVIC-Yuanta 2015 Overseas Fund	344,269	44.00%	240,694	44.00%
TongYang China Paid in Capital Private Investment Trust 1	31,045	27.57%	37,773	27.57%
2016 KIF-Yuanta ICT Venture Fund	83,093	16.67%	29,608	16.67%
Yuanta Secondary No.2 Fund	149,295	12.28%	101,396	12.28%
Yuanta SPAC III	1,836	0.83%	966	4.76%
SJ-ULTRA V 1st FUND	26,914	34.48%	-	-
Yuanta SPAC IV	687	4.55%	-	-
Yuanta-HPNT Private Equity Fund	5,500	0.14%	-	-
	<u>\$ 2,048,491</u>		<u>\$ 1,675,124</u>	

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

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Net loss for the period from continuing operations	(\$ 9,700)	(\$ 89,207)
Other comprehensive loss (net of tax)	(1,514)	(12,208)
(12) <u>Other financial assets - net</u>		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets carried at cost (Note)	\$ -	\$ 1,395,010
Less: accumulated impairment	-	(345,640)
	<u>-</u>	<u>1,049,370</u>
Non-loans reclassified to non-accrual loans	905,206	818,104
Less: Provision for credit losses	(894,323)	(680,981)
	<u>10,883</u>	<u>137,123</u>
Purchase of claim receivable	1,889,910	1,941,977
Valuation adjustment on purchase of claim receivable	(22,502)	(49,678)
	<u>1,867,408</u>	<u>1,892,299</u>
Bond investments without active market (Note)	-	49,012,388
Customer margin deposit account	51,732,993	38,854,613
Investment-linked product assets	1,787,652	1,967,642
Securities borrowing and lending refundable deposits	1,089,676	408,912
Others	5,536,631	146,960
Total	<u>\$ 62,025,243</u>	<u>\$ 93,469,307</u>

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

- A. The Yuanta Group recognised interest income on bond investments without active market amounting to \$1,295,634 in profit or loss for the year ended December 31, 2017.
- B. As of December 31, 2017, details of the Yuanta Group's bond investments without active market pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk is provided in Note 12(3).
- D. The Group's investment-linked insurance products mainly comprise investments in products in relation to beneficiary certificate, variable universal life insurance and variable deferred annuities. As of December 31, 2018 and 2017, as well as for the years ended December 31, 2018 and 2017, details about the assets on insurance products, separated accounts were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investment-linked insurance product assets		
Cash in bank	\$ 564	\$ 815
Financial assets at fair value through profit or loss	1,785,110	1,956,984
Other receivables	1,978	9,843
	<u>\$ 1,787,652</u>	<u>\$ 1,967,642</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investment-linked insurance product liabilities		
Reserve for investment linked insurance product- insurance contract	\$ 1,777,818	\$ 1,947,981
Reserve for investment linked insurance product- investment contract	7,833	9,993
Other payables	<u>2,001</u>	<u>9,668</u>
	<u>\$ 1,787,652</u>	<u>\$ 1,967,642</u>

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenue on investment-linked insurance products		
Premium income	\$ 258,725	\$ 307,885
(Loss) gain on financial assets at fair value through profit or loss	(119,149)	154,634
Exchange (loss) gain	(2,626)	6,802
Interest income	6,935	2,583
Other income	<u>8,046</u>	<u>13,786</u>
	<u>\$ 151,931</u>	<u>\$ 485,690</u>
Expenses on investment-linked insurance product		
Claims and policy benefit payments	\$ 230,793	\$ 261,522
Net change in reserve for investment- linked insurance product- insurance contract	(172,789)	130,727
Administrative expenses and other expenses	<u>93,927</u>	<u>93,441</u>
	<u>\$ 151,931</u>	<u>\$ 485,690</u>

(13) Investment property - net

	<u>December 31, 2018</u>			
<u>Assets</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Land and land improvements	\$ 3,218,216	\$ -	(\$ 411,843)	\$ 2,806,373
Buildings	<u>3,304,070</u>	<u>(1,109,855)</u>	<u>(83,897)</u>	<u>2,110,318</u>
Total	<u>\$ 6,522,286</u>	<u>(\$ 1,109,855)</u>	<u>(\$ 495,740)</u>	<u>\$ 4,916,691</u>
	<u>December 31, 2017</u>			
<u>Assets</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Land and land improvements	\$ 4,281,448	\$ -	(\$ 410,450)	\$ 3,870,998
Buildings	<u>3,457,647</u>	<u>(1,070,362)</u>	<u>(84,637)</u>	<u>2,302,648</u>
Total	<u>\$ 7,739,095</u>	<u>(\$ 1,070,362)</u>	<u>(\$ 495,087)</u>	<u>\$ 6,173,646</u>

Change in investment property of the Yuanta Group:

	For the years ended December 31,	
	2018	2017
Cost		
At January 1	\$ 7,739,095	\$ 7,588,899
Additions	44,166	185,514
Disposals	(1,194,643)	(443,945)
Reclassifications	149,323	172,540
Assets reclassified as held for sale	(153,100)	-
Foreign exchange adjustment	(62,555)	236,087
At December 31	<u>\$ 6,522,286</u>	<u>\$ 7,739,095</u>
	For the years ended December 31,	
	2018	2017
Accumulated depreciation		
At January 1	(\$ 1,070,362)	(\$ 1,003,447)
Depreciation	(73,001)	(75,817)
Disposals	54,172	29,562
Reclassifications	(34,176)	5,006
Assets reclassified as held for sale	3,921	-
Foreign exchange adjustment	9,591	(25,666)
At December 31	<u>(\$ 1,109,855)</u>	<u>(\$ 1,070,362)</u>
	For the years ended December 31,	
	2018	2017
Accumulated impairment		
At January 1	(\$ 495,087)	(\$ 432,112)
Recovery (Impairment)	5,384	(3,306)
Reclassifications	(6,037)	(59,669)
At December 31	<u>(\$ 495,740)</u>	<u>(\$ 495,087)</u>

A. The fair value of the investment property held by the Yuanta Group as of December 31, 2018 and 2017 were \$7,298,237 and \$8,344,684, respectively, according to the result of valuation by an independent valuation expert using the income method, comparison method, market approach and land development analysis approach. As of December 31, 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 December 31, 2017, the fair value included the amounts of \$4,588,816 and \$3,755,868 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.

B. For the years ended December 31, 2018 and 2017, rental income from the lease of the investment property was \$153,864 and \$133,492, respectively.

C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

(14) Property and equipment - net

Change in property and equipment of the Yuanta Group:

Cost	Land and land improvements		Buildings		Machinery and computer equipment		Transportation equipment	Miscellaneous equipment	Construction in progress	Total
At January 1, 2018	\$ 15,066,741	\$ 7,536,070	\$ 3,680,986	\$ 233,742	\$ 1,726,420	\$ 360,914	\$ 28,604,873			
Additions	-	446	300,557	33,299	183,707	618,399	1,136,408			
Disposals	-	-	(306,809)	(48,841)	(323,486)	(448)	(679,584)			
Reclassifications	(43,879)	(114,715)	312,879	5,975	255,040	(527,239)	(111,939)			
Assets reclassified as held for sale	(621,380)	(212,407)	-	-	-	-	(833,787)			
Translation difference	(7,795)	(21,536)	(18,644)	970	10,155	1,343	(35,507)			
At December 31, 2018	\$ 14,393,687	\$ 7,187,858	\$ 3,968,969	\$ 225,145	\$ 1,851,836	\$ 452,969	\$ 28,080,464			
Accumulated depreciation										
At January 1, 2018	\$ -	(\$ 2,219,726)	(\$ 2,507,142)	(\$ 119,413)	(\$ 1,012,913)	\$ -	(\$ 5,859,194)			
Depreciation	-	(180,790)	(481,621)	(32,428)	(304,262)	-	(999,101)			
Disposals	-	-	305,873	40,629	310,173	-	656,675			
Reclassifications	-	46,507	(8,348)	(802)	(66,429)	-	(29,072)			
Assets reclassified as held for sale	-	112,013	-	-	-	-	112,013			
Translation difference	-	6,064	18,741	(197)	(5,122)	-	19,486			
At December 31, 2018	(\$ -)	(\$ 2,235,932)	(\$ 2,672,497)	(\$ 112,211)	(\$ 1,078,553)	\$ -	(\$ 6,099,193)			
Accumulated impairment										
At January 1, 2018	(\$ 84,506)	(\$ 30,580)	\$ -	\$ -	\$ -	\$ -	(\$ 115,086)			
Recovery	-	-	-	-	357	-	357			
Reclassifications	5,463	572	-	-	(655)	-	(5,380)			
At December 31, 2018	(\$ 79,043)	(\$ 30,008)	\$ -	\$ -	(\$ 298)	\$ -	(\$ 109,349)			
Net carrying amount	\$ 14,314,644	\$ 4,921,918	\$ 1,296,472	\$ 112,934	\$ 772,985	\$ 452,969	\$ 21,871,922			

Cost	Land and land improvements		Machinery and computer equipment		Transportation equipment	Miscellaneous equipment	Construction in progress	Total
	Buildings							
At January 1, 2017	\$ 13,652,110	\$ 7,369,708	\$ 3,385,286	\$ 214,869	\$ 1,869,198	\$ 295,054	\$ 26,786,225	
Acquisition through combinations	-	9,665	1,698	2,141	11,473	-	24,977	
Additions	612,233	109,509	445,752	28,631	282,523	1,687,285	3,165,933	
Disposals	(135,043)	(25,049)	(235,974)	(28,011)	(398,611)	-	(822,688)	
Reclassifications	1,064,600	185,536	145,661	16,030	25,463	(1,621,350)	(184,060)	
Assets reclassified as held for sale	(66,419)	(158,054)	(122,371)	-	(53,662)	(33)	(400,539)	
Translation difference	(60,740)	44,755	60,934	82	(9,964)	(42)	35,025	
At December 31, 2017	\$ 15,066,741	\$ 7,536,070	\$ 3,680,986	\$ 233,742	\$ 1,726,420	\$ 360,914	\$ 28,604,873	
<u>Accumulated depreciation</u>								
At January 1, 2017	\$ -	(\$ 2,069,547)	(\$ 2,358,972)	(\$ 109,086)	(\$ 1,169,941)	(\$ -)	(\$ 5,707,546)	
Acquisition through combinations	-	(7,072)	(1,698)	(1,021)	(11,471)	-	(21,262)	
Depreciation	-	(177,812)	(427,218)	(29,099)	(281,899)	-	(916,028)	
Disposals	-	7,656	220,602	19,611	389,349	-	637,218	
Reclassifications	-	(7,692)	10,970	-	2,535	-	5,813	
Assets reclassified as held for sale	-	46,996	102,209	-	46,559	-	195,764	
Translation difference	-	(12,255)	(53,035)	182	11,955	-	(53,153)	
At December 31, 2017	\$ -	(\$ 2,219,726)	(\$ 2,507,142)	(\$ 119,413)	(\$ 1,012,913)	(\$ -)	(\$ 5,859,194)	
<u>Accumulated impairment</u>								
At January 1, 2017	(\$ 157,391)	(\$ 35,750)	-	-	-	-	(\$ 193,141)	
Disposals	13,825	4,561	-	-	-	-	18,386	
Reclassifications	59,060	609	-	-	-	-	59,669	
At December 31, 2017	(\$ 84,506)	(\$ 30,580)	-	-	-	-	(\$ 115,086)	
Net carrying amount	\$ 14,982,235	\$ 5,285,764	\$ 1,173,844	\$ 114,329	\$ 713,507	\$ 360,914	\$ 22,630,593	

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

(15) Intangible assets - net

Cost	Goodwill	Operating rights	Computer software	Customer relationship	Others	Total
At January 1, 2018	\$ 31,815,086	\$ 385,022	\$ 4,736,780	\$ 5,585,107	\$ 2,399,680	\$ 44,921,675
Additions	-	-	213,550	-	65,694	279,244
Disposals	-	-	(768,400)	-	(10,699)	(779,099)
Reclassifications	-	-	35,774	-	-	35,774
Translation difference	(2,456)	397	(95,174)	-	197	(97,036)
At December 31, 2018	\$ 31,812,630	\$ 385,419	\$ 4,122,530	\$ 5,585,107	\$ 2,454,872	\$ 44,360,558
<u>Accumulated amortization</u>						
At January 1, 2018	\$ -	(\$ 366,774)	\$ 3,908,593	(\$ 3,227,444)	(\$ 1,122,746)	(\$ 8,625,557)
Amortization	-	(1,641)	(446,469)	(437,143)	(288,966)	(1,174,219)
Disposals	-	-	762,971	-	2,664	765,635
Reclassification	-	-	48,324	-	-	48,324
Translation difference	-	(117)	90,249	-	1,726	91,858
At December 31, 2018	\$ -	(\$ 368,532)	\$ 3,453,518	(\$ 3,664,587)	(\$ 1,407,322)	(\$ 8,893,959)
<u>Accumulated impairment</u>						
At January 1, 2018	(\$ 325,199)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 360,341)
Impairments	(1,437,309)	-	-	-	(4,592)	(1,441,901)
Disposals	-	-	5,429	-	-	5,429
Translation difference	-	-	-	-	103	103
At December 31, 2018	(\$ 1,762,508)	\$ -	\$ -	\$ -	(\$ 34,202)	(\$ 1,796,710)
Net carrying amount	\$ 30,050,122	\$ 16,887	\$ 669,012	\$ 1,920,520	\$ 1,013,348	\$ 33,669,889

Cost	Goodwill	Operating rights	Computer software	Customer relationship	Others	Total
At January 1, 2017	\$ 31,669,655	\$ 386,318	\$ 4,485,922	\$ 5,585,107	\$ 2,205,004	\$ 44,332,006
Acquisition through combinations	134,312	-	11,881	-	190,805	336,998
Additions	-	-	181,048	-	18,573	199,621
Disposals	-	-	(84,421)	-	(37,602)	(122,023)
Reclassifications	-	-	69,731	-	-	69,731
Assets reclassified as held for sale	-	-	(65,628)	-	-	(65,628)
Translation difference	11,119	(1,296)	138,247	-	22,900	170,970
At December 31, 2017	\$ 31,815,086	\$ 385,022	\$ 4,736,780	\$ 5,585,107	\$ 2,399,680	\$ 44,921,675
Accumulated amortization						
At January 1, 2017	\$ -	\$ 365,514	\$ 3,406,911	\$ 2,564,906	\$ 1,058,069	\$ 7,395,400
Acquisition through combinations	-	-	(10,766)	-	-	(10,766)
Amortization	-	(1,641)	(486,766)	(662,538)	(62,564)	(1,213,509)
Disposals	-	-	72,303	-	156	72,459
Reclassifications	-	-	(10,152)	-	-	(10,152)
Assets reclassified as held for sale	-	-	55,934	-	-	55,934
Translation difference	-	381	(122,235)	-	(2,269)	(124,123)
At December 31, 2017	\$ -	\$ 366,774	\$ 3,908,593	\$ 3,227,444	\$ 1,122,746	\$ 8,625,557
Accumulated impairment						
At January 1, 2017	(\$ 309,106)	\$ -	\$ -	\$ -	(\$ 26,819)	(\$ 335,925)
Impairments	(18,458)	-	(5,429)	-	(22,105)	(45,992)
Disposals	-	-	-	-	18,872	18,872
Translation difference	2,365	-	-	-	339	2,704
At December 31, 2017	(\$ 325,199)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 360,341)
Net carrying amount	\$ 31,489,887	\$ 18,248	\$ 822,758	\$ 2,357,663	\$ 1,247,221	\$ 35,935,777

- A. Yuanta Group's goodwill all arose from business combination. In accordance with the accounting treatment under the Enterprise Merger and Acquisition Act, the excess of acquisition costs over the sum of the fair value of tangible and identifiable intangible assets less the liabilities assumed should be recorded as goodwill; of which goodwill arose from business combinations in 2017, please refer to Note 6(46).
- B. Goodwill is allocated to cash generating units as identified by operating segments. Recoverable amounts are determined according the value-in-use, which is calculated according to management's estimate of future cash flows for future periods. For cash flows that exceed the aforementioned future periods, the following estimated growth rates are used for calculations.

Goodwill of the Yuanta Group is tested annually for impairment at the end of each year. The 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 recoverable amount of cash-generating units of Yuanta Securities' investee (Yuanta Securities (Indonesia)) was lower than its book value. Therefore, an impairment loss on goodwill was recognized amounting to \$18,458. The remaining cash generating units were assessed to have recoverable amounts higher than their carrying amounts. The main assumptions used in calculating value-in-use are as follows:

		Yuanta Bank				
		Corporate finance	International finance	Consumer 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%
		Yuanta Securities				
		Brokerage Segment	Investment Bank Segment	Investment Segment	Yuanta Futures	Yuanta Securities Investment Trust
2018						
Growth rate		2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate		8.90%	8.80%	16.2%~17.6%	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.

		Yuanta Securities					
		Yuanta Bank	Brokerage Segment	Investment Bank Segment	Investment Segment	Yuanta Futures	Yuanta Securities Investment Trust
2017							
Growth rate		0.00%~3.70%	2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate		10.00%~10.90%	9.40%	9.40%	13.6%~19.3%	8.00%	14.80%

(16) Other assets - net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Refundable deposits	\$ 6,121,491	\$ 4,328,308
Refundable deposits for securities lending	18,838,091	21,292,145
Operating guarantee deposits and settlement fund	3,132,290	3,015,016
Prepaid expenses	8,957,534	817,834
Bank deposits - amounts held for settlement	9,882,204	9,957,043
Others	837,555	1,393,766
Total	<u>\$ 47,769,165</u>	<u>\$ 40,804,112</u>

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

(17) Non-financial asset impairment losses

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investment property	\$ 495,740	\$ 495,087
Property and equipment	109,349	115,086
Intangible assets - goodwill	1,762,508	325,199
Intangible assets - other	34,202	35,142

(18) Due to Central Bank and other banks

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Due to other banks	\$ 10,054	\$ 10,054
Overdrafts from other banks	2,470,385	136,640
Call loans from other banks	14,239,532	7,682,577
Redeposit from the directorate general of postal remittance	5,327,303	5,690,891
Total	<u>\$ 22,047,274</u>	<u>\$ 13,520,162</u>

(19) Commercial paper payable - net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Commercial paper payable	\$ 36,349,940	\$ 44,724,325
Less: Discount on commercial paper payable	(80,817)	(20,238)
Total	<u>\$ 36,269,123</u>	<u>\$ 44,704,087</u>

The annual interest rate of commercial paper payable as of December 31, 2018 and 2017 were 0.65%~2.45% and 0.508%~2.00%, respectively.

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

December 31, 2018	December 31, 2017
CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.
Sunny Bank Ltd.	Sunny Bank Ltd.
Hua Nan Commercial Bank Co., Ltd.	Hua Nan Commercial Bank Co., Ltd.
Taiwan Finance Corporation	Taiwan Finance Corporation
Union Bank of Taiwan Co., Ltd.	Union Bank of Taiwan Co., Ltd.
Mega Bills Finance Co., Ltd.	Mega Bills Finance Co., Ltd.
Ta Ching Bills Finance Corporation	International Bills Finance Corporation
Taishin International Bank Co., Ltd.	Ta Ching Bills Finance Corporation
Dah Chung Bills Finance Corp.	Taishin International Bank Co., Ltd.
Grand Bills Finance Corp.	Dah Chung Bills Finance Corp.
KGI Bank Co., Ltd.	Grand Bills Finance Corp.
Cathay United Commercial Bank Co., Ltd.	KGI Bank Co., Ltd.
Taiwan Business Bank Co., Ltd.	Bank Of Taiwan
KB Securities co.,Ltd.	HI Investment & Securities
Korea Asset investment	

(20) Payables

	December 31, 2018	December 31, 2017
Accounts payable	\$ 82,666,395	\$ 86,069,622
Demand remittance payable	5,150,513	2,937,800
Bankers' acceptances payable	503,674	1,246,741
Interests payable	2,316,566	2,194,254
Accrued expenses	9,319,402	8,766,728
Taxes payable	243,690	273,497
Collections payable for customers	769,254	844,485
Proceeds payable from underwriting	792,050	891,398
Due to reinsurers and ceding companies	209,340	140,506
Collateralized proceeds payable from securities lending	8,338,522	9,079,481
Consigned securities payable	3,784,722	14,058,046
Settled price	906,715	1,544,600
Securities purchased payable	3,263,268	1,694,231
Settlement payable	17,162,508	26,653,012
Deposits received on securities lending	7,478,545	8,185,499
Checks for clearing	2,582,721	2,629,283
SBL Refund payable	634,546	133,234
Other payables	1,567,604	1,362,954
Total	<u>\$ 147,690,035</u>	<u>\$ 168,705,371</u>

(21) Deposits and remittances

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Checking deposits	\$ 5,131,842	\$ 5,077,820
Demand deposits	126,750,942	133,582,476
Time deposits	306,729,865	334,966,774
Negotiable certificates of deposit	44,647,500	44,209,000
Savings deposits	537,013,130	537,813,143
Remittances	342,017	375,076
Total	<u>\$ 1,020,615,296</u>	<u>\$ 1,056,024,289</u>

(22) Bonds payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial bonds	\$ 38,000,000	\$ 43,500,000
Unsecured corporate bonds	28,253,562	19,750,000
Convertible corporate bonds	502,447	2,640,879
Total	<u>\$ 66,756,009</u>	<u>\$ 65,890,879</u>

A. The details of financial debentures as of December 31, 2018 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>First issue of subordinate financial debentures in 2012</u>
Par value	\$1,000,000
Stated interest rate	Fixed interest rate at 2.15%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Second issue of subordinate financial debentures in 2012</u>
Par value	\$1,000,000
Stated interest rate	Fixed interest rate at 2.05%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	<u>Third issue of subordinate financial debentures in 2012</u>
Par value	\$1,500,000
Stated interest rate	Fixed interest rate at 1.90%
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

	<u>Sixth issue of subordinate financial debentures in 2015</u>
Par value	\$2,000,000
Stated interest rate	Fixed interest rate at 2.08%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>First issue of subordinate financial debentures in 2016</u>
Par value	\$5,000,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
B. The details of unsecured corporate bonds as of December 31, 2018 were as follows:	
The Company	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015</u>
Par value	\$1,300,000
Stated interest rate	Fixed interest rate at 1.67%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(B)</u>
Par value	\$4,000,000
Stated interest rate	Fixed interest rate at 0.80%
Period	Five years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(C)</u>
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
	Yuanta Securities Asia Financial Services private placement of US dollar denominated unsecured corporate bonds
Par value	USD 50,000 thousand dollars
Stated interest rate	Fixed interest rate at 4.1%
Issuance date	August 2, 2018
Maturity date	August 2, 2023
Issuance area	Hong Kong

C. Convertible corporate bonds

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Convertible corporate bonds	\$ 440,000	\$ 2,565,758
Add: Premium on convertible bonds payable	<u>62,447</u>	<u>75,121</u>
Total	<u>\$ 502,447</u>	<u>\$ 2,640,879</u>

The details of convertible corporate bonds as of December 31, 2018 were as follows:

	<u>Tong Yang Securities 84th issue of unsecured subordinated convertible corporate bond</u>
Par value	KRW 16,000,000 thousand dollars
Stated interest rate	Fixed interest rate at 2.0%
Issuance date	May 31, 2013
Maturity date	May 31, 2019
Issuance area	Korea

(23) Other borrowings

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Short-term borrowings		
Unsecured bank borrowings	\$ 14,441,894	\$ 21,275,909
Secured bank borrowings	4,463,922	1,549,568
KSFC secured borrowings	23,432,384	30,895,117
Issuance of short-term bond	17,735,049	15,244,177
Unsecured short-term bond	3,121,552	-
Long-term borrowings		
Unsecured bank borrowings	<u>825,000</u>	<u>2,790,000</u>
	<u>\$ 64,019,801</u>	<u>\$ 71,754,771</u>
Interest rate-short-term (%)	<u>0.65%~4.10%</u>	<u>0.60%~3.00%</u>

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

(24) Provisions for other liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Insurance liability	\$ 224,774,001	\$ 187,513,082
Reserve for foreign exchange fluctuation	893,568	510,241
Employee benefit liabilities reserve	5,750,994	6,190,491
Guaranteed policy reserve	197,579	275,664
Loan commitment reserve	53,569	-
Other reserves (Note)	<u>553,412</u>	<u>549,342</u>
Total	<u>\$ 232,223,123</u>	<u>\$ 195,038,820</u>

Note: A. For former TongYang Securities Inc.'s disputes with investors, incident to the sale of financial products issued by associates of the Tong Yang Group, for which investors have filed complaints with the competent authority of Korea, the competent authority of Korea, since July 31, 2014, has announced the results of the first mediation through

the subsequent tenth mediation, concluding total disputed sales of ₩697,000 million (approximately NT\$19.2 billion); of which former TongYang Securities Inc. was liable for compensations totaling ₩67,678 million (approximately NT\$1.9 billion). Starting from the end of September 2014, other than a minority of customers who filed complaints, disagreeing with the above-mentioned mediated results by the competent authority, former TongYang Securities Inc. has commenced paying compensations.

In addition, as of December 31, 2018, there are 10 litigations filed against former TongYang Securities Inc. and its subsidiaries related to the above-mentioned dispute on sold financial products, demanding compensations totaling ₩544,699 million (approximately NT\$15 billion); of which 2 were class actions, demanding compensation of ₩492,565 million (approximately NT\$13.5 billion) and ₩50,000 million (approximately NT\$1.4 billion). For the ₩492,565 million class action, the Seoul Central District Court and the Seoul High Court have adjudged, on September 30, 2016, and August 4, 2017, respectively, that it does not qualify as a class action and therefore have rejected the class action. The plaintiffs have filed an appeal, and on July 5, 2018, the Supreme Court remanded the case to the Seoul High Court for a retrial based on class action requirements. Additionally, the ₩50,000 million class action has been dismissed by the Seoul Central District Court and Seoul High Court on January 5, 2018 and October 17, 2018, respectively. The plaintiffs appealed for the third instance on October 22, 2018.

Former TongYang Securities Inc. has recognized a liability reserve of ₩93,400 million (approximately NT\$2.6 billion) on December 31, 2013 for the aforementioned sales dispute. Other than adjustments made for actual compensation payments, former TongYang Securities Inc., after comprehensively considering the status of litigations and compensations, has reversed ₩23,207 million (approximately NT\$640 million) in liability reserves as of December 31, 2018. As of December 31, 2018, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩ 6,054 million (approximately NT\$170 million).

Note: B. The reserve for litigation loss of Yuanta Bank is \$203,080, please refer to Note 9(7)A.

A. The components of insurance liabilities are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unearned premium reserve	\$ 458,865	\$ 283,691
Claims reserve	406,408	306,349
Reserve for policy benefit	218,464,791	180,815,233
Premium deficiency reserve	1,340,561	1,810,269
Other reserves	<u>4,103,376</u>	<u>4,297,540</u>
Total	<u>\$ 224,774,001</u>	<u>\$ 187,513,082</u>

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

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

December 31, 2018			
	Insurance contract	Financial instruments with discretionary participation features	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>
December 31, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 189	\$ -	\$ 189
Personal accident insurance	154,679	-	154,679
Personal health insurance	125,936	-	125,936
Group insurance	844	-	844
Investment-link insurance	2,043	-	2,043
	<u>\$ 283,691</u>	<u>\$ -</u>	<u>\$ 283,691</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 109,452	\$ -	\$ 109,452
Personal accident insurance	350	-	350
Personal health insurance	152,047	-	152,047
Investment-link insurance	377	-	377
	<u>\$ 262,226</u>	<u>\$ -</u>	<u>\$ 262,226</u>

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

	For the years ended December 31,	
	2018	2017
Unearned premium reserve		
At January 1	\$ 283,691	\$ 246,066
Provision	458,865	283,691
Current net change	(283,691)	(246,066)
At December 31	<u>\$ 458,865</u>	<u>\$ 283,691</u>
	For the years ended December 31,	
	2018	2017
Ceded unearned premium reserve		
At January 1	\$ 262,226	\$ 241,887
Increase	104,090	20,363
Current net change	9	(24)
At December 31	<u>\$ 366,325</u>	<u>\$ 262,226</u>

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

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

	December 31, 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>

	December 31, 2017		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 216,623	\$ 13	\$ 216,636
Personal accident insurance	5,160	14,319	19,479
Personal health insurance	39,316	24,557	63,873
Group insurance	-	6,359	6,359
Investment-link insurance	-	2	2
	<u>\$ 261,099</u>	<u>\$ 45,250</u>	<u>\$ 306,349</u>
Ceded claims reserve			
Personal life insurance	\$ 4,930	\$ -	\$ 4,930
Personal health insurance	6,363	-	6,363
	<u>\$ 11,293</u>	<u>\$ -</u>	<u>\$ 11,293</u>

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

	For the years ended December 31,	
	2018	2017
Claims reserve		
At January 1	\$ 306,349	\$ 264,393
Provision	406,302	306,362
Recovery	(306,349)	(264,393)
Loss (gain) on foreign exchange	106	(13)
At December 31	<u>\$ 406,408</u>	<u>\$ 306,349</u>
	For the years ended December 31,	
	2018	2017
Ceded claims reserve		
At January 1	\$ 11,293	\$ 7,847
Current net change	18,456	3,447
Gain on foreign exchange	-	(1)
At December 31	<u>\$ 29,749</u>	<u>\$ 11,293</u>

(C) Reserve for policy benefit:

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

December 31, 2018			
		Financial instruments with discretionary	
	Insurance contract	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>

December 31, 2017			
		Financial instruments with discretionary	
	Insurance contract	participation features	Total
Life insurance	\$ 162,172,149	\$ -	\$ 162,172,149
Health insurance	18,328,258	-	18,328,258
Annuity insurance	11,645	190,919	202,564
Investment-link insurance	58,841	-	58,841
	<u>\$ 180,570,893</u>	<u>\$ 190,919</u>	<u>180,761,812</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			3,138
Total			<u>\$ 180,815,233</u>

b.Changes in reserve for policy benefit:

	For the years ended December 31,	
	2018	2017
At January 1	\$ 180,812,095	\$ 146,956,725
Provision	42,156,401	38,393,574
Recovery	(4,996,004)	(3,802,384)
Loss (gain) on foreign exchange	487,131	(732,682)
At December 31	<u>\$ 218,459,623</u>	<u>\$ 180,815,233</u>

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

For the years ended December 31, 2018 and 2017, the interest expense, representing the cost related with delaying payments on contract liabilities over a period of time, are \$5,633,443 and \$4,887,235, respectively.

(D) Premium deficiency reserve:

a. Details of premium deficiency reserve are as follows:

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

	December 31, 2017		
	Insurance contract	Financial instruments with discretionary participation features	Total
Personal life insurance	\$ 1,807,577	\$ -	\$ 1,807,577
Personal health insurance	2,687	-	2,687
Group insurance	5	-	5
Total	<u>\$ 1,810,269</u>	<u>\$ -</u>	<u>\$ 1,810,269</u>

b. Change in premium deficiency reserve:

	For the years ended December 31,	
	2018	2017
Premium deficiency reserve:		
At January 1	\$ 1,810,269	\$ 2,390,230
Provision	(467,052)	(559,407)
Recovery	(7,730)	(10,993)
Loss (gain) on foreign exchange	5,074	(9,561)
At December 31	<u>\$ 1,340,561</u>	<u>\$ 1,810,269</u>

(E) Other reserves

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

	For the years ended December 31,	
	2018	2017
At January 1	\$ 4,297,540	\$ 4,490,665
Recovery	(194,164)	(193,125)
At December 31	<u>\$ 4,103,376</u>	<u>\$ 4,297,540</u>

B. Reserve for foreign exchange fluctuation

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

	For the years ended December 31,	
	2018	2017
At January 1	\$ 510,241	\$ 480,615
Provision		
Compulsory provision	182,191	97,450
Additional provision	683,364	428,154
Subtotal	1,375,796	1,006,219
Recovery	(482,228)	(495,978)
At December 31	\$ 893,568	\$ 510,241

(B) Effect of accounts eligible or ineligible for the foreign exchange reserve on the consolidated financial statements of Yuanta Life of the Group for the years ended December 31, 2018 and 2017 is as follows:

	For the years ended December 31, 2018		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 583,464	\$ 276,802	(\$ 306,662)
Earnings (losses) per share	0.67	0.32	(0.35)
Reserve for foreign exchange fluctuation	-	893,568	893,568
Total equity	11,755,147	11,024,985	(730,162)
	For the years ended December 31, 2017		
	Ineligible amount	Eligible amount	Impact
Net loss	(\$ 134,605)	(\$ 159,195)	(\$ 24,590)
Losses per share	(0.18)	(0.22)	(0.04)
Reserve for foreign exchange fluctuation	-	510,241	510,241
Total equity	12,132,826	11,709,326	(423,500)

(25) Employee benefit liabilities reserve

A. Defined benefit plans:

(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45~55 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Yuanta Group also established a special retention bonus plan applicable to certain employees. Except for Yuanta Securities Finance contributing retirement fund by 8% of the employees' monthly salaries and wages, the Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December

31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March. Yuanta Securities (Korea) and its subsidiary have a defined benefit plan or a defined contribution plan in accordance with the relevant laws and regulations applied by the local Korean government.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 7,553,115	\$ 7,207,305
Fair value of plan assets	(2,597,392)	(2,737,639)
	4,955,723	4,469,666
Net defined benefit assets	<u>37,377</u>	<u>131,744</u>
Net defined benefit liabilities	<u>\$ 4,993,100</u>	<u>\$ 4,601,410</u>

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017	\$ 6,867,725	(\$ 2,679,132)	\$ 4,188,593
Balance at January 1	370,206	-	370,206
Current service cost	117,140	(40,994)	76,146
Interest expense(income)	(184,490)	-	(184,490)
	<u>7,170,581</u>	<u>(2,720,126)</u>	<u>4,450,455</u>
Remeasurement:			
Return on plan assets(excluding amounts included in interest income or expense)	(549)	14,455	13,906
Change in demographic assumptions	(63,049)	-	(63,049)
Change in financial assumptions	4,159	-	4,159
Experience adjustment	420,531	56	420,587
	<u>361,092</u>	<u>14,511</u>	<u>375,603</u>
Pension fund contribution	(3,416)	(304,190)	(307,606)
Paid pension	(398,671)	281,875	(116,796)
Translation difference	77,719	(9,709)	68,010
Balance at December 31	<u>\$ 7,207,305</u>	<u>(\$ 2,737,639)</u>	<u>\$ 4,469,666</u>

(D)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenue, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2018	2017
Discount rate	0.90%~2.79%	1.00%~2.89%
Future salary increase rate	2.00%~6.00%	2.00%~6.00%

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

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

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 123,250)	\$ 127,672	\$ 114,202	(\$ 110,975)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 133,717)	\$ 138,718	\$ 124,773	(\$ 121,080)

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

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 278,925)	\$ 335,690	\$ 335,533	(\$ 283,864)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 228,331)	\$ 274,681	\$ 275,962	(\$ 233,360)

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

(F) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amounts to \$55,071.

B. Defined contribution plans:

(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) Effective July 1, 2005, a retirement plan was established by Yuanta Life, covering all its telemarketing representatives. Under the retirement plan, Yuanta Life recognises monthly an amount equal to 7% of the employees' monthly incentive bonuses as retirement pay. The retirement plan is contributed till July 2016. Cumulated amounts will be retained until telemarketing representatives retire, after which it will be paid in lump-sum to each telemarketing representative according to their respective entitled proportions under the plan. Effective August 1, 2008, Yuanta Life established an

“Incentive Award Plan”, which covered its sales agents. Under the “Incentive Award Plan”, Yuanta Life calculates monthly contributions based on the agent’s service years and a monthly commission effective for the first year. The “Incentive Award Plan” is contributed till June 2014. Cumulated amounts will be retained until sales agents retire, after which it will be paid in lump-sum to each sales agent according to their respective entitled proportions under the plan.

(C) Termination provisions

Ta Chong Bank’s share conversion agreement with the Company on March 22, 2016 includes the relevant terms guaranteeing the rights and interests of employees. After the approval of the FSC, Ta Chong Bank has accrued termination provisions of \$609,449 and \$1,465,674, respectively in 2018 and 2017 (recorded under termination provisions), and termination expenses \$792,882 in 2017 (recorded under employee benefit expense) in response to the aforesaid event. The present value of the termination provision obligation was calculated by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuations were as follow:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Discount rate(%)	1.10	1.25
Expected rate of salary increase(%)	2.00	2.00
Total application rate(%)	80.00	80.00

(D) Under the defined contribution plan, the Company and its domestic subsidiaries recognised pension expense of \$458,620 and \$440,069 for the years ended December 31, 2018 and 2017, respectively.

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

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

Yuanta Securities Asia Finance, Yuanta Securities (Hong Kong), Yuanta Investment Consulting Beijing and Yuanta Securities (UK) recognised pension expense of \$17,022 and \$19,063 for the years ended December 31, 2018 and 2017, respectively, based on the abovementioned pension plan. Under the defined contribution plan, Yuanta Securities (Korea) and its subsidiaries recognised pension expense of \$12,691 and \$13,221 for the years ended December 31, 2018 and 2017, respectively.

In accordance with the above-mentioned pension plan, Yuanta Securities (Indonesia) and Yuanta Securities (Thailand) and its subsidiaries recognised pension liabilities of \$121,247 and \$81,448 as of December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, pension expense were recognised amounting to \$34,471 and \$14,195, respectively.

In accordance with the above-mentioned pension plan, Yuanta Savings Bank (Philippines) has recognised employee benefit liabilities of \$6,036 and \$6,235, respectively, as of December 31, 2018 and 2017, and recognised pension expenses of \$1,662 and \$1,862 under other comprehensive income, respectively, for the years ended December 31, 2018 and 2017.

In accordance with the above-mentioned pension plan, Yuanta Savings Bank (Korea) has recognised employee benefit liabilities of \$3,335 and \$4,745, respectively, as of December 31, 2018 and 2017, and recognised pension expenses of \$7,282 and \$5,922

under other comprehensive income, respectively, for the years ended December 31, 2018 and 2017.

(26) Other financial liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Futures traders' equity	\$ 66,721,081	\$ 51,868,129
Structured deposit	10,740,531	16,208,486
Investment-linked products liabilities	1,787,652	1,967,642
Appropriated loan fund	21,684	53,402
Lease payables	5,971	1,255
Total	<u>\$ 79,276,919</u>	<u>\$ 70,098,914</u>

(27) Other liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Guarantee deposit-in and margin deposits	\$ 32,456,068	\$ 24,185,238
Underwriting share proceeds collected on behalf of customers	58,556	582,238
Collections in advance	1,285,565	1,209,727
Retention bonus payable	1,274,372	1,077,342
Refundable deposits	527,176	1,786,291
Refundable deposits-derivative transactions	5,027,308	3,681,999
Others	1,177,170	880,559
Total	<u>\$ 41,806,215</u>	<u>\$ 33,403,394</u>

(28) Share capital/Preferred stock liability

As of December 31, 2018, 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 December 31, 2017, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$118,891,975, respectively. The aforementioned total paid-in capital includes 11,889,198 thousand shares of common stock, each with a par value of \$10 dollars per share. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
January 1	\$ 11,889,198	\$ 11,998,648
Retirement of treasury share	(202,965)	(109,450)
December 31	<u>\$ 11,686,233</u>	<u>\$ 11,889,198</u>

Due to Ta Chong Bank became a 100% owned subsidiary, the Company issued 1,285,687 thousand shares of common stock with a par value of \$10 dollars per share and issued 100,000 thousand shares of non-cumulative privately-placed Class A registered preferred stock with a par value of \$10 dollars per share and issuance price of \$40 dollars per share. The total issuance price was \$4 billion. The capital increase date was on March 22, 2016.

The above-mentioned Class A preferred stock may be converted to common stock, under a one preferred stock for one common stock conversion rate, after a full year since its issuance.

Dividends of preferred stocks have a fixed annual dividend rate of 3.7% and are calculated based on \$40 dollars for each share. On the premise that dividends adhere to the stipulations within the Company’s Articles of Incorporation, dividends may be distributed annually in cash. In addition, starting from December 21, 2017, the Company may redeem each Class A preferred stock for \$40 dollars. When the Company conducts a capital reduction, existing stockholders’ equity specified in the original issuance terms of Class A preferred stock will be proportionally adjusted for compensation in order to maintain the stockholders’ equity of the existing stockholders of Class A preferred stock. The Company conducted capital reduction by redemption of Class A preferred stock based on the approval from the Competent Authority, and the capital reduction date was set on December 21, 2017.

(29) Capital surplus

As required by the Company Law, capital reserve of premiums exceeding the face value on issuance or the donation is to be used to offset any accumulated deficit. Alternatively, it may be used to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership provided that the Company has no accumulated deficit. In addition, as required by Securities and Exchange Act, only 10% of the aforementioned paid-in capital reserve shall be capitalized annually in total. Unless the earnings reserve is insufficient to offset the deficit, the capital reserve shall not be used.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Post 1998	\$ 4,041,698	\$ 4,111,739

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Additional-paid-in capital	\$ 33,617,492	\$ 34,200,072
Treasury share transactions	3,477,403	3,723,522
Others	105,521	37,100
	<u>\$ 37,200,416</u>	<u>\$ 37,960,694</u>

(30) Legal reserve and special reserve

As required by the Company Law, 10% of the current year’s earnings, after paying all taxes and offsetting any accumulated deficit, are set aside as a legal reserve until the reserve balance equals the total amount of capital. The legal reserve is to be used exclusively to offset any accumulated deficit or to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership and is not to be used for any other purposes. For legal reserve used in issuing new shares or distributing cash dividends, the amount of the legal reserve shall not exceed 25% of paid-in capital.

According to the SFB, upon the distribution of earnings, other than the setting aside of legal reserve, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders’ equity. For the cumulative decrease in stockholders’ equity of the prior period, the equal amount of special reserve set aside based on the undistributed earnings should

not be distributed. If there is any reversal of the decrease in stockholders' equity, the earnings may be distributed based on the reversal proportion.

According to Jin-Guan-Zheng-Fa Letter No. 10310006310 dated December 30, 2014, in order to maintain the stability of the Company's financial structure, the retained earnings arising from bargain purchase benefits of the acquisition by financial holding company or its subsidiaries shall be set aside as special reserve, and shall not be reversed within one year. After a year, the value of acquired assets are certified to be in likelihood of value at acquisition date without any sign of unexpected impairment by a certified public accountant, and the special reserve could be used in recovering accumulated deficit, or increasing the Company's capital.

(31) Undistributed earnings

A. According to the Company's Articles of Incorporation, the annual net income will be distributed as follows:

(A) Pay income tax;

(B) Offset prior years' deficits;

(C) Provide legal reserve and special reserve; and

(D) The remaining amount and prior years' undistributed earnings shall be resolved by the stockholders during their meeting.

B. In order to continuously expand operation scale and enhance the profitability, the Company follows its long-term financial planning and relevant Articles of Incorporation to adopt a dividend surplus policy. In principle, the dividend appropriation is based on annual earnings calculated based on the above Articles of Incorporation. After the retention of capital required according to the operation scheme, the remainder shall be distributed in the form of cash dividends. However, the cash dividends shall not be less than 40% of the annual earnings to be distributed.

C. Details of the earnings distribution for 2017 of the company resolved by the stockholders' meeting on June 15, 2018 and the appropriation for Class A preferred stock's dividends of \$115,246 (the preferred stock is a liability, and the dividends are recognised as expense in the current period) and the earnings distribution for 2016 resolved by the stockholders' meeting on June 8, 2017 are as follows:

	2017 earnings		2016 earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 1,620,495	\$ -	\$ 1,341,411	\$ -
Cash dividends	6,492,536	0.556315	5,365,642	0.44777

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

D. The earnings distribution for 2018 of the Company has been resolved by the Board of Directors on March 25, 2019. Details are as follows:

	2018 earnings	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 1,867,921	\$ -
Cash dividend	10,503,550	0.90

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

(32) Other equity items

	Translation gain and loss on the financial statements of foreign operating entities	Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk of the liability	Other comprehensive income on reclassification under the overlay approach	Total
Balance, January 1, 2018	(\$ 2,528,033)	\$ -	\$ 7,085,896	(\$ 3,478)	\$ -	\$ 4,554,385
Effects of retrospective application and retrospective restatement	71	8,821,188	(7,085,896)	62,367	389,832	2,187,562
Balance, January 1, 2018 after adjustments	(2,527,962)	8,821,188	-	58,889	389,832	6,741,947
Financial assets at fair value through other comprehensive income						
- Evaluation adjustment in the period	-	133,763	-	-	-	133,763
- Evaluation transferred to profit or loss	- (	1,286,269)	-	-	-	(1,286,269)
- Evaluation transferred to retained earnings	- (	77,579)	-	-	-	(77,579)
Other comprehensive income on reclassification under the overlay approach	-	-	-	- (	768,967)	(768,967)
Changes in translation difference of foreign operating entities	118,493	-	-	-	-	118,493
Effects on income tax	-	184,615	-	-	48,768	233,383
Evaluation of credit risk	-	-	-	(88,687)	-	(88,687)
Balance, December 31, 2018	(\$ 2,409,469)	\$ 7,775,718	\$ -	(\$ 29,798)	(\$ 330,367)	\$ 5,006,084

	Translation gain and loss on the financial statements of foreign operating entities	Available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk of the liability	Equities directly relating to assets held for sale	Total
Balance, January 1, 2017	(\$ 2,085,028)	\$ 6,608,175	\$ 1,602	(\$ 461)	\$ -	\$ 4,524,288
Equities directly relating to assets held for sale	-	47,809	-	-	(47,809)	-
Available-for-sale financial assets						
Evaluation adjustment in the period	-	2,201,636	-	-	-	2,201,636
Realised gain and loss in the period	- (	1,756,342)	-	-	47,809	(1,708,533)
Changes in translation difference of foreign operating entities	(426,169)	-	-	-	-	(426,169)
Cash flow hedges						
Effect on fair value	-	-	(1,968)	-	-	(1,968)
Effects on income tax	(16,836)	(15,382)	366	-	-	(31,852)
Evaluation of credit risk	-	-	-	(3,017)	-	(3,017)
Balance, December 31, 2017	(\$ 2,528,033)	\$ 7,085,896	\$ -	(\$ 3,478)	\$ -	\$ 4,554,385

(33) Treasury shares

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

Reason for buyback of shares	For the year ended December 31, 2018					
	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	(202,965)	-	-
Total	<u>\$ 1,136,953</u>	<u>84,586</u>	<u>134,000</u>	<u>(202,965)</u>	<u>15,621</u>	<u>\$ 197,606</u>
Reason for buyback of shares	For the year ended December 31, 2017					
	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
Subsidiary holds shares of the Company	1,300,997	110,254	-	(110,254)	-	-
Maintenance for the Company's credit	-	-	68,965	-	68,965	939,347
Total	<u>\$ 1,498,603</u>	<u>125,875</u>	<u>68,965</u>	<u>(110,254)</u>	<u>84,586</u>	<u>\$ 1,136,953</u>

Note : For the Company's share transfer acquisition plan with Ta Chong Commercial Bank Co., Ltd., shareholders with objections have demanded the Company to buy back their shares in accordance with Article 317 of the Company Act.

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(34) Net interest income

	For the years ended December 31,	
	2018	2017
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 19,323,925	\$ 18,971,426
Interest income from margin trade	5,155,472	4,611,741
Interest income on securities investment	12,371,930	8,982,222
Interest income from placement and call loan to other banks	1,628,564	1,127,794
Interest income on bills and bonds purchased under resale agreements	477,509	409,096
Recurring interest income from credit card	258,402	271,557
Other interest income	976,626	999,550
Subtotal	<u>40,192,428</u>	<u>35,373,386</u>
<u>Interest expense</u>		
Interest expense of deposit	(7,022,903)	(6,762,987)
Interest expense of Central Bank and other banks' deposit	(295,976)	(193,073)
Interest expense on due to the Central Bank and other banks' deposit	(1,342,303)	(947,638)
Interest expense on bills and bonds sold under repurchase agreements	(2,799,911)	(2,106,848)
Interest expense of structured instruments	(648,144)	(146,194)
Coupon rate of bank debenture	(954,716)	(1,045,523)
Coupon rate of corporate bonds	(399,468)	(450,674)
Coupon rate of commercial papers	(317,537)	(194,114)
Interest expense of margin purchase	(27,040)	(27,547)
Other interest expense	(448,268)	(440,509)
Subtotal	<u>(14,256,266)</u>	<u>(12,315,107)</u>
Total	<u>\$ 25,936,162</u>	<u>\$ 23,058,279</u>

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(35) Net service fee and commission income

	For the years ended December 31,	
	2018	2017
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 18,995,723	\$ 16,136,408
Service fee income on insurance brokerage and stock register	1,821,768	2,418,324
Service fee on credit cards	1,657,353	1,747,832
Service fee income on trust business	2,710,955	2,401,278
Service income on credit extension	1,096,165	1,365,456
Underwriting service income	826,100	842,971
Service income on margin trade	131,818	109,529
Commission – reinsurance allowance	111,286	109,029
Service income on foreign exchange	101,271	119,558
Service fee income on consigned settlement	43,099	37,826
Deposits and remittance and other service income	1,902,053	1,103,422
Subtotal	<u>29,397,591</u>	<u>26,391,633</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(1,980,992)	(1,530,782)
Service expense on trust business	(6,774)	(19,477)
Service expense on brokerage	(1,862,162)	(1,548,496)
Service expense on self-operation	(110,333)	(98,604)
Service charge – refinancing	(1,403)	(461)
Service fee expense on credit cards	(1,539,371)	(1,250,097)
Service expense on settlement	(521,059)	(443,380)
Futures commission expense	(521,103)	(306,143)
Underwriting service expense	(16,970)	(8,012)
Service expense on foreign exchange	(41,249)	(30,313)
Service expense on credit extension	(20,182)	(15,642)
Deposits and remittance and other service expense	(494,528)	(698,718)
Subtotal	<u>(7,116,126)</u>	<u>(5,950,125)</u>
Total	<u>\$ 22,281,465</u>	<u>\$ 20,441,508</u>

(36) Net income from insurance operations

	For the years ended December 31,	
	2018	2017
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 42,015,655	\$ 38,087,636
Less: Reinsurance premium ceded	(695,468)	(463,703)
Net changes of unearned premium reserve	(71,084)	(17,261)
Retention earned premium income	41,249,103	37,606,672
Investment-linked product income	151,931	485,690
Subtotal	<u>41,401,034</u>	<u>38,092,362</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 6,774,606)	(\$ 5,341,101)
Less: Claims recovered from reinsurers	<u>286,444</u>	<u>210,436</u>
Retention claims and policy benefits payments	(6,488,162)	(5,130,665)
Underwriting expenses	(5,317)	(5,707)
Expense from guaranty fund	(79,902)	(69,457)
Investment-linked product expenses	(151,931)	(485,690)
Subtotal	(6,725,312)	(5,691,519)
Total	<u>\$ 34,675,722</u>	<u>\$ 32,400,843</u>

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

	<u>For the years ended December 31, 2018</u>	
<u>Realized gain or loss on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$	209,619
Bonds		5,522,431
Stocks		459,623
Beneficiary certificates		1,312,997
Time deposits		14,694
Financial bonds payables	(	23,121)
Interest-linked instrument	(	470,261)
Exchange rate-linked instrument	(	2,024,584)
Other financial derivative instruments		4,476,425
Valuation loss on borrowed securities and bonds with resale agreements	(	216,560)
Loss from issuing call (put) warrants	(	12,373,255)
Issuing call (put) warrants expense	(	320,652)
Others		474,376
Subtotal	(	<u>2,958,268</u>)
<u>Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$	5,293
Bonds	(	4,011,500)
Stocks	(	2,453,301)
Beneficiary certificates	(	164,407)
Time deposits	(	5,518)
Financial bonds payables		10,982
Interest-linked instrument		1,287,095
Exchange rate-linked instrument	(	3,964,354)
Other financial derivative instruments	(	252,372)
Valuation gain on borrowed securities and bonds with resale agreements		1,204,559
Gain on issuance of call (put) warrants		16,292,703
Others		1,213,498
Subtotal		<u>9,162,678</u>
Total	\$	<u>6,204,410</u>

- A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the years ended December 31, 2018, including the loss on disposal, was \$9,571,693 and the issuing call (put) warrants expense, was \$320,652 and the dividend income was \$1,587,722 and the interest income was \$5,346,355.
- B. The Yuanta Group recognised net profit amounting to \$438,843 on financial liability designated as at fair value through profit or loss for the years ended December 31, 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”.

(38) Asset impairment losses

	For the years ended December 31,	
	2018	2017
Recovery on investments in debt instruments measured at fair value through other comprehensive income	(\$ 31,759)	\$ -
Impairment loss on investments in debt instruments at amortised cost	22,466	-
(Recovery gain) impairment loss on investment property	(5,384)	3,306
Impairment loss on available-for-sale financial assets	-	357,982
Impairment loss on intangible assets	1,441,901	45,992
Impairment loss on other financial assets	2,885	57,747
Total	<u>\$ 1,430,109</u>	<u>\$ 465,027</u>

(39) Net other miscellaneous income

	For the years ended December 31,	
	2018	2017
Borrowed stock revenue	\$ 991,411	\$ 874,603
Net gain on investments in debt instrument without active market	-	732,959
Net change of reserve for foreign exchange fluctuation	(383,327)	(29,627)
Other net income	602,426	942,183
Total	<u>\$ 1,210,510</u>	<u>\$ 2,520,118</u>

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

	For the years ended December 31,	
	2018	2017
Bad debt expense of accounts receivable	\$ 977,894	\$ 594,142
Bad debt expense of bills discounted and loans	899,410	687,693
Recovery of reserve for guarantee liabilities	(61,000)	(215,690)
Recognition of loan commitment reserve	(16,783)	-
Recovery of bad debt expense	(942,958)	(319,374)
Total	<u>\$ 856,563</u>	<u>\$ 746,771</u>

(41) Employee benefit expense

	For the years ended December 31,	
	2018	2017
Wages and salaries	\$ 20,415,592	\$ 19,330,318
Labor and health insurance fees	923,187	911,707
Pension costs	1,051,115	756,194
Termination benefits	22,441	810,424
Other employee benefit expenses	1,278,215	1,272,882
Total	<u>\$ 23,690,550</u>	<u>\$ 23,081,525</u>

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$2,872 and \$2,977, respectively; directors' and supervisors' remuneration was accrued at \$151,208 and \$132,223, respectively. The aforementioned amounts were recognised in salary expenses.

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

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange Corporation (TWSE).

(42) Depreciation and amortization

	For the years ended December 31,	
	2018	2017
Investment property depreciation	\$ 73,001	\$ 75,817
Property and equipment depreciation	999,101	904,792
Intangible asset amortization	1,174,219	1,211,102
Deferred assets amortization	89,371	121,366
Total	<u>\$ 2,335,692</u>	<u>\$ 2,313,077</u>

(43) Other business and administrative expenses

	For the years ended December 31,	
	2018	2017
Tax	\$ 3,141,852	\$ 2,996,049
Rental expense	1,800,303	1,836,530
Computer science expense	1,201,380	1,087,383
Commission expense	1,344,249	1,454,161
Professional expense	601,948	574,049
Postage and telephone costs	721,886	679,559
Miscellaneous expenses	651,061	672,113
Repairs and maintenance	459,992	519,130
Insurance	506,595	488,832
Security borrowing expenses	564,980	471,053
Advertising expenses	348,997	351,216
Others	2,242,173	2,202,148
Total	<u>\$ 13,585,416</u>	<u>\$ 13,332,223</u>

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(44) Income tax

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

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax:		
Income tax from current income period	\$ 2,531,571	\$ 2,372,269
Income tax on unappropriated earnings	787,986	659,691
Adjustments in respect of prior years	(137,019)	(845,092)
Total current tax	<u>3,182,538</u>	<u>2,186,868</u>
Deferred tax:		
Origination and reversal of temporary differences	529,118	372,464
Impact of change in tax rate	(10,322)	-
Total deferred tax	<u>518,796</u>	<u>372,464</u>
Income tax expense	<u>\$ 3,701,334</u>	<u>\$ 2,559,332</u>

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

	For the years ended December 31,	
	2018	2017
Translation gain and loss on the financial statements of foreign operating entities	\$ 30,700	(\$ 61,995)
Unrealised loss from investments in debt instruments measured at fair value through other comprehensive income	(204,947)	-
Unrealised gain from investments in equity instruments measured at fair value through other comprehensive income	22,754	-
Change in fair value of financial liability attributable to change in credit risk	(53,047)	-
Other comprehensive income on reclassification under the overlay approach	(50,988)	-
Fair value loss on available-for-sale financial assets	-	17,173
Share of profit of associates and joint ventures accounted for using equity method	(270)	(1,791)
Cash flow hedges	-	(366)
Losses on remeasurements of defined benefit plans	(65,457)	(65,212)
Impact of change in tax rate	(27,936)	-
Total	<u>(\$ 349,191)</u>	<u>(\$ 112,191)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2018	2017
Income tax from pretax income calculated at regulated tax rate	\$ 9,477,570	\$ 6,854,101
Additional 10% tax payment levied on undistributed earnings	787,986	659,691
Alternative minimum tax effects	603,422	388,803
Effects of items not recognized under relevant regulations	150,107	724,412
Temporary differences not recognized under deferred tax	(804,903)	(427,771)
Adjustments in respect of prior years	(137,019)	(845,092)
Use of prior years' unrealized tax losses in the current year	(26,989)	(374,517)
Adjusted effects on income tax exemption and other income	(6,338,518)	(4,422,176)
Land value increment tax	-	1,881
Impact of change in tax rate	(10,322)	-
Income tax expense	<u>\$ 3,701,334</u>	<u>\$ 2,559,332</u>

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

For the year ended December 31, 2018						
	January 1	Acquisition through business combinations	Recognised in profit or loss (Note 1)	Recognised in other comprehensive income (Note 1)	Others (Note2)	December 31
Temporary differences:						
-Deferred tax assets:						
Unrealised exchange loss	\$ 1,000,880	\$ -	(\$ 771,869)	(\$ 2,212)	\$ 1,998	\$ 228,797
Allowance for doubtful accounts in excess of tax limitation	146,471	-	(75,410)	-	285,197	356,258
Unrealized loss on litigation loss	11,730	-	2,070	-	-	13,800
Unrealized losses on financial instruments	12,265	-	724,952	142,570	133,205	1,012,992
Employee benefit expense and actuarial gains and losses on defined benefit plans	838,878	-	96,086	95,638	(31)	1,030,571
Deferred income on credit card	3,283	-	(436)	-	-	2,847
Tax loss carryforwards	2,204,949	-	(504,040)	-	(3,446)	1,697,463
Impairment of property	24,061	-	1,872	-	(13,452)	12,481
Goodwill amortization	-	-	48,237	-	-	48,237
Others	1,400,328	-	183,238	23,418	(111,243)	1,495,741
Subtotal	5,642,845	-	(295,300)	259,414	292,228	5,899,187
-Deferred tax liabilities:						
Unrealised exchange gain	(\$ 19,321)	\$ -	(\$ 269,150)	\$ -	\$ 19,025	(\$ 269,446)
Unrealised valuation gain on derivatives	(22,200)	-	-	-	22,200	-
Reserve for land value increment tax	(20,956)	-	-	-	(19,322)	(40,278)
Employee benefit expense and actuarial gains and losses on defined benefit plans	(5,977)	-	(921)	(98)	-	(6,996)
Unrealized gain on financial instruments	(989,427)	-	155,405	91,749	(106,204)	(848,477)
Goodwill amortization	(2,198,758)	-	(235,363)	-	30,868	(2,403,253)
Others	(261,835)	-	126,533	(1,874)	(117)	(137,293)
Subtotal	(3,518,474)	-	(223,496)	89,777	(53,550)	(3,705,743)
Total	\$ 2,124,371	\$ -	(\$ 518,796)	\$ 349,191	\$ 238,678	\$ 2,193,444

Note 1: Impact of change in tax rate included

Note 2: Impact of IFRS 9 adjustment included

	For the year ended December 31, 2017					
	January 1	Acquisition through business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Others	December 31
Temporary differences:						
-Deferred tax assets:						
Unrealised exchange loss	\$ 66,761	\$ -	\$ 934,119	\$ -	\$ -	\$ 1,000,880
Allowance for doubtful accounts in excess of tax limitation	526,415	-	(374,126)	-	(5,818)	146,471
Unrealized loss on litigation loss	11,730	-	-	-	-	11,730
Unrealized losses on financial instruments	10,740	-	-	1,530	(5)	12,265
Employee benefit expense and actuarial gains and losses on defined benefit plans	528,283	-	251,985	65,263	(6,653)	838,878
Deferred income on credit card	4,065	-	(782)	-	-	3,283
Tax loss carryforwards	3,809,781	-	(1,607,371)	-	2,539	2,204,949
Impairment of property	25,385	-	(1,324)	-	-	24,061
Others	<u>1,255,725</u>	<u>464</u>	<u>57,195</u>	<u>88,031</u>	<u>(1,087)</u>	<u>1,400,328</u>
Subtotal	<u>6,238,885</u>	<u>464</u>	<u>(740,304)</u>	<u>154,824</u>	<u>(11,024)</u>	<u>5,642,845</u>
-Deferred tax liabilities:						
Unrealised exchange gain	(\$ 149,354)	\$ -	\$ 149,354	\$ -	(\$ 19,321)	(\$ 19,321)
Unrealised valuation gain on derivatives	-	-	(22,200)	-	-	(22,200)
Reserve for land value increment tax	(20,956)	-	-	-	-	(20,956)
Employee benefit expense and actuarial gains and losses on defined benefit plans	(5,833)	-	(93)	(51)	-	(5,977)
Unrealized gain on financial instruments	(1,049,124)	(893)	102,811	(42,215)	(6)	(989,427)
Goodwill amortization	(1,980,010)	-	(275,425)	-	56,677	(2,198,758)
Others	<u>(673,898)</u>	<u>(530)</u>	<u>413,393</u>	<u>(784)</u>	<u>(16)</u>	<u>(261,835)</u>
Subtotal	<u>(3,879,175)</u>	<u>(1,423)</u>	<u>367,840</u>	<u>(43,050)</u>	<u>37,334</u>	<u>(3,518,474)</u>
Total	<u>\$ 2,359,710</u>	<u>(\$ 959)</u>	<u>(\$ 372,464)</u>	<u>\$ 111,774</u>	<u>\$ 26,310</u>	<u>\$ 2,124,371</u>

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

December 31, 2018					
Year incurred	Amount	Unused amount	Unrecognised		Usable until year
	filed/assessed/ Estimated		deferred tax		
			assets		
2009	Assessed	\$ 133,048	\$ 133,048		2019
2012	Assessed	372,588	372,588		2022
2013	Assessed	53,633	53,633		2023
2014	Assessed	74,275	74,275		2024

December 31, 2017					
Year incurred	Amount	Unused amount	Unrecognised		Usable until year
	filed/assessed/ Estimated		deferred tax		
			assets		
2008	Assessed	\$ 58,143	\$ 58,143		2018
2009	Assessed	156,869	156,869		2019
2012	Assessed	372,588	372,588		2022
2013	Assessed	53,633	53,633		2023
2014	Assessed	742,275	742,275		2024

As of December 31, 2018 and 2017, Yuanta Securities (Hong Kong)'s unused tax losses was \$1,218,242 and \$1,152,229, respectively; of which unrecognised deferred tax assets was \$806,816 and \$751,813, respectively. There were no expiration dates for the tax losses pursuant to local laws. As of December 31, 2018 and 2017, Yuanta Investment Consulting Beijing's unused tax losses was \$47,354 and \$49,455, respectively; of which unrecognised deferred tax assets was \$47,354 and \$49,455, respectively. The validity period for the tax losses pursuant to local laws was before 2023. As of December 31, 2018 and 2017, Yuanta Securities (Korea)'s unused tax losses was \$6,896,276 and \$8,332,379, respectively; of which unrecognised deferred tax assets was \$0 and \$3,674,486, respectively. The validity period for the tax losses pursuant to local laws was before 2025.

Yuanta Group has not estimated deferred tax liabilities for related taxes that may be payable due to Yuanta Securities Asia Financial Services' unrepatriated earnings, which as of December 31, 2018 and 2017, was \$4,321,956 and \$3,379,909, respectively. The above-mentioned unrepatriated earnings are expected to be used for reinvestment. As of December 31, 2018 and 2017, Yuanta Securities Asia Financial Services' unrepatriated earnings were \$21,609,780 and \$19,881,816, respectively. Yuanta Securities (Korea) also did not recognise deferred tax assets for foreign losses and liability reserves etc. accounted for under the equity method, which as of December 31, 2018 and 2017, was \$1,895,402 and \$4,495,039, respectively.

As of December 31, 2018, Yuanta Savings Bank (Philippines)'s unused loss deductions was \$106,813; the validity period for the loss deductions pursuant to local laws was before 2021. As of December 31, 2018, Yuanta Savings Bank (Korea)'s unused loss deductions was \$510,184; the validity period for the loss deductions pursuant to local laws was before 2026.

E. As of December 31, 2018, 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 2014
Yuanta Securities	Assessed through 2014
Yuanta Bank	Assessed through 2014
Yuanta Securities Finance	Assessed through 2014
Yuanta Venture Capital	Assessed through 2014
Yuanta Asset Management	Assessed through 2014
Yuanta Securities Investment Consulting	Assessed through 2014
Yuanta Futures	Assessed through 2016
Yuanta Securities Investment Trust	Assessed through 2014
Yuanta Life	Assessed through 2014
Yuanta International Insurance Brokers	Assessed through 2016
Yuanta International Leasing	Assessed through 2016
Yuanta I Venture Capital	Assessed through 2016

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

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

(A) Yuanta Securities

- a. With respect to the income tax returns of Yuanta Securities for the fiscal years from 2007 to 2014, the Tax Authority assessed to increase income tax payable by \$1,689,722. 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. Yuanta Securities's income tax returns through 2004 to 2006 have been assessed to levy additional tax by the Tax Authority. However, Yuanta Securities availed of administrative remedy by applying for a review of the administrative action with the Tax Authority, and was settled in the first half year of 2017. Yuanta Securities paid the additional tax amounting to \$360,744.
- c. For the income tax returns of the dissolved company, Polaris Securities Co., Ltd., for the fiscal years 2011 to 2012, the Tax Authority assessed to increase income tax payable by \$106,286. However, Polaris Securities disagreed with the assessments and had filed for administrative litigation, which is in progress. For conservatism purposes, Polaris Securities had recognized the income tax expense relating to the additional income tax payable.

(B) Yuanta Bank

For the income tax returns for the fiscal years from 2012 to 2014, 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. In the second half year of 2018, the assessment was finalised with additional tax amounting to \$46,911 and the payment has been made after the reporting date.

(D) Yuanta Venture Capital

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

(45) Earnings per share

	For the year ended December 31, 2018		
	<u>Amount after tax</u>	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 18,679,208	11,722,452	\$ 1.59
For the year ended December 31, 2017			
	<u>Amount after tax</u>	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 16,377,105	11,864,341	\$ 1.38
Loss attributable to discontinued operations of the parent	(172,157)		(0.01)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,204,948</u>		<u>\$ 1.37</u>
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 16,377,105	11,864,341	\$ 1.38
Loss attributable to discontinued operations of the parent	(172,157)		(0.01)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 16,204,948</u>		<u>\$ 1.37</u>

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

(46) Business combinations

A. In May 2017, Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) jointly acquired 18.12% shares of Yuanta Securities (Vietnam), and jointly hold a total of 62.80% shares including 44.68% shares that were originally held by Yuanta Securities Asia Finance. On June 12, 2017, Yuanta Securities (Vietnam)'s shareholders elected directors during their meeting as a result of Yuanta Securities Asia Finance and the person who has contractual relationship with Yuanta Securities Asia Finance jointly acquiring more than half of the directors positions of the company. Therefore, Yuanta Securities (Vietnam) is controlled by

Yuanta Securities Asia Finance. In July 2017, Yuanta Securities (Hong Kong) acquired 37.15% shares of Yuanta Securities (Vietnam), and Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) jointly hold a total of 99.95% shares of Yuanta Securities (Vietnam).

- B. June 12, 2017 was the valuation date for which the purchase price allocation analysis was conducted. Information on the consideration paid, fair values of assets obtained and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date for acquiring Yuanta Securities (Vietnam) are as follows:

	June 12, 2017
Acquisition consideration- cash paid	\$ 147,839
Fair value of previous ownership on acquisition date	357,152
Fair value of the identifiable assets acquired and liabilities assumed	
Current assets	820,406
Non-current liabilities	(145,646)
Total identifiable net assets	674,760
Fair value of the non-controlling interest	304,081
Goodwill	\$ 134,312

- C. Remeasuring the fair value of 44.68% ownership of Yuanta Securities (Vietnam) on consolidation date, Yuanta Securities Asia Finance recognised \$7,900 for loss on disposals of investments accounted under “net miscellaneous income (loss)” in the second quarter of 2017.

- D. If Yuanta Securities (Vietnam) had been consolidated as of January 1, 2017, the Yuanta Group’s operating revenue and profit before income tax for the year ended December 31, 2017 would be \$64,960,185 and \$15,744,634, respectively.

(47) Changes in liabilities from financing activities

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

7. Related party transactions

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

A. Names and relationship of related parties

Names of related parties	Relationship with the Group
Funds managed by Yuanta Securities Investment Trust	Security investment trust fund raised by the Yuanta Securities Investment Trust
Yuanta Construction Development Co., Ltd. (Yuanta Construction Development)	Related party in substance
Polaris Research Institute (Polaris Research)	"
Asia Carbons & Technology Inc. (Asia Carbons)	"
Hsu Tong Investment Co., Ltd. (Hsu Tong Investment)	Member of the Board
Antay Securities Co., Ltd. (Antay Securities)	The spouse of a director in Yuanta Group holds a key managing position in the entity.
Mercuries Life Insurance Co., Ltd. (Mercuries Life Insurance)	Major stockholders of Yuanta Group
Lo Sheng Feng Co., Ltd.	"
Yuanta Cultural & Education Foundation (Yuanta Foundation)	A director of Yuanta Group holds a key managing position
Yung Chin International Investment Co., Ltd. (Yung Chin International Investment)	"
He's Education Foundation	"
Sintronic Technology Inc. (Sintronic Technology)	"
He Xing Construction Co., Ltd. (He Xing Construction)(Note)	The close relative of one of Yuanta Group's management holds a key managing position in the entity.
Reuters Ltd. (Taiwan Branch) (Reuters)	The spouse of one of Yuanta Group's management holds a key managing position in the entity. (No longer a related party since June 30, 2018)
2011KIF-TongYang IT Venture Fund	Investments accounted for using equity method of Yuanta Securities (Korea)
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	"
TongYang Agri-Food Investment Fund-2nd	"
KVIC-Yuanta 2015 Overseas Fund	"
IBKC-TongYang Growth 2013 Private Equity Fund	"
Yuanta Secondary NO.2 Fund	"
Yuanta Secondary NO.3 Fund	"
Yuanta Diamond Funds SPC	"
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	" (A related party since November 23, 2018)
Yuanta SPAC II	" (No longer a related party since June 8, 2018)
Yuanta SPAC I	" (No longer a related party since September 8, 2017)
Other related parties	The Yuanta Group, 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.

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

B. Significant transactions and balances with related parties

(1) Deposits

December 31, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 11,793,135	1.16	0~6.065

December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,943,082	1.23	0.00~6.50

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the years ended December 31, 2018 and 2017, the range of interest rates on other related parties' demand savings deposits were 0.00% ~ 5.39% and 0.00% ~ 6.50%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2018 and 2017, interest expense on the above deposits were \$96,805 and \$57,174, respectively.

(2) Loans
Yuanta Bank and its subsidiaries

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
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Y ung Chin International Investment	35,800	33,907	33,907	-	Real estate	None
Other loans	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	-		

December 31, 2017

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	291	\$ 56,221	\$ 32,872	\$ 32,872	-	Credit loans, movables and deposits	None
Home mortgage loans	456	4,005,331	3,223,943	3,223,943	-	Real estate	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Y ung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
Other loans	Asia Carbons	3,000	2,083	2,083	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,488,727	3,488,727	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 0.00%~2.52% and 1.80%~2.80%, the interest rates on the remaining loans are ranging from 0.00%/~8.58% and 0.00%/~5.88% for the years ended December 31, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2018 and 2017, interest income resulting from the above loans amounted to \$55,055 and \$56,640, respectively.

(3)Property transactions

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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
Other related parties:				
Funds managed by Yuanta Securities				
Investment Trust		<u>\$ 2,994,640</u>		<u>\$ 2,738,051</u>
	<u>For the years ended December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Unrealized loss</u>	<u>Realized gain</u>	<u>Unrealized loss</u>	<u>Realized gain</u>
Other related parties:				
Funds managed by				
Yuanta Securities				
Investment Trust	<u>(\$ 85,162)</u>	<u>\$ 222,736</u>	<u>(\$ 193)</u>	<u>\$ 650,536</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 year ended December 31, 2018</u>					
	<u>Highest</u>	<u>Ending</u>	<u>Interest</u>	<u>Notional</u>		
	<u>balance</u>	<u>balance</u>	<u>rate (%)</u>	<u>amount</u>		
Company's directors:						
Others	\$ 481,040	\$ 280,041	0.35			
Others	6,146	6,146	1.80~2.25 (Note: USD)	USD	200	
Other related parties:						
Funds managed by Yuanta						
Securities Investment	442,253	-	4.10 (Note: CNY)	CNY	-	
Trust						
Funds managed by Yuanta						
Securities Investment	147,035	-	2.00~2.05 (Note: USD)	USD	-	
Trust						
Mercuries Life Insurance	2,055,757	2,055,757	0.31~0.38			
Others	806,837	746,014	0.35			
		<u>\$ 3,087,958</u>				

For the year ended December 31, 2017					
	Highest balance	Ending balance	Interest rate (%)	Notional amount	
Company's directors:					
Others	\$ 801,573	\$ 481,039	0.35		
Others	5,969	5,969	1.60~1.80 (Note: USD)	USD	200
Other related parties:					
Funds managed by Yuanta Securities Investment Trust	483,904	442,253	3.00~4.31 (Note: CNY)	CNY	96,800
Funds managed by Yuanta Securities Investment Trust	271,395	-	1.00~1.70 (Note: USD)	USD	-
Mercuries Life Insurance	2,720,315	1,330,191	0.31~0.33		
Others	760,561	745,793	0.35		
		<u>\$ 3,005,245</u>			

Interest expenses					
For the years ended December 31,					
	2018		2017		
Company's directors:					
Others	\$	1,341	\$	2,354	
Other related parties:					
Funds managed by Yuanta Securities Investment Trust		2,156		5,826	
Mercuries Life Insurance		2,063		784	
Others		2,615		2,571	
	\$	<u>8,175</u>	\$	<u>11,535</u>	

b. Bonds sold and purchased:

For the years ended December 31,					
	2018		2017		
	Bonds purchased	Bonds sold	Bonds purchased	Bonds sold	
Other related parties:					
Mercuries Life Insurance	\$ 3,331,420	\$ 7,021,211	\$ -	\$ 3,872,245	
Yuanta SPAC IV	21,313	-	-	-	
Yuanta SPAC III	18,287	-	18,554	-	
Yuanta SPAC I	-	-	23,258	-	
Yuanta SPAC II	-	-	21,650	-	
	<u>\$ 3,371,020</u>	<u>\$ 7,021,211</u>	<u>\$ 63,462</u>	<u>\$ 3,872,245</u>	

The above bond transactions were matched by the Electronic Bond Trading System of GreTai Securities Market.

c. Bonds transactions under repurchase agreements

For the year ended December 31, 2018

	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 47,329	<u>\$ 47,329</u>	2.1~3.25 (Note: USD)	USD 1,540

For the year ended December 31, 2017

	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 37,308	<u>\$ 37,308</u>	2.10~2.20 (Note: USD)	USD 1,250

Interest income

For the years ended December 31,

	2018	2017
Company's directors:		
Others	<u>\$ 1,160</u>	<u>\$ 620</u>

Note: For foreign currency repo trade.

(4) Structured notes

	December 31, 2018	December 31, 2017
Company's directors:		
Others	\$ 83,294	\$ 108,439
Other related parties:		
Others	<u>10,353</u>	<u>43,899</u>
	<u>\$ 93,647</u>	<u>\$ 152,338</u>

(5) Equity of futures traders

	December 31, 2018	December 31, 2017
Company's directors:		
Others	\$ 874,886	\$ 857,927
Other related parties:		
Funds managed by Yuanta Securities Investment		
Trust	22,878,227	13,888,715
Others	<u>33,518</u>	<u>14,889</u>
	<u>\$ 23,786,631</u>	<u>\$ 14,761,531</u>

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

	<u>Refundable deposits for securities lending</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 69,904	\$ 125,605
	<u>Refundable deposits receivable lending</u>	<u>December 31, 2018</u>
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ -	\$ 5,879
	<u>Security borrowing expenses</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 7,304	\$ 2,888

As of December 31, 2018 and 2017, borrowing expenses payable were \$566 and \$1,779, respectively.

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

	<u>Receivables from loans to employees</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Company's directors:		
Others	\$ 15,791	\$ 26,948
Other related parties:		
Others	240,153	243,731
	<u>\$ 255,944</u>	<u>\$ 270,679</u>
	<u>Interest income on loans to employees</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Company's directors:		
Others	\$ 720	\$ 934
Other related parties:		
Others	8,615	8,551
	<u>\$ 9,335</u>	<u>\$ 9,485</u>

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

	<u>Access service fees income</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ <u>423</u>	\$ <u>758</u>

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

(9)Receivable from agent fee income and agent fee income

	<u>Agent fee receivables</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
KVIC-Yuanta 2015 Overseas Fund	\$ 8,173	\$ 5,231
IBKC-TongYang Growth 2013 Private Equity Fund	7,483	3,571
TongYang Agri-Food Investment Fund 2nd	5,594	6,529
Yuanta Secondary No.3 Fund	533	-
2011 KIF-TongYang IT Venture Fund	-	9,118
Other	-	22,871
	\$ <u>21,783</u>	\$ <u>47,320</u>

	<u>Agent fee income</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Yuanta Secondary No.2 Fund	\$ 34,363	\$ 25,941
Yuanta Diamond Funds SPC	24,380	10,561
KVIC-Yuanta 2015 Overseas Fund	18,224	20,180
2016KIF-Yuanta ICT Venture Fund	16,442	14,817
IBKC-TongYang Growth 2013 Private Equity Fund	7,457	13,780
Other	17,797	36,777
	\$ <u>118,663</u>	\$ <u>122,056</u>

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

	<u>Receivable from stock custodian</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Others	\$ 34	\$ 69

	<u>Stock custodian income</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Others	\$ <u>490</u>	\$ <u>841</u>

(11) Investment refund receivable		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
2011KIF-TongYang IT Venture Fund	\$ 36,617	\$ 36,448
TongYang Agri-Food Investment Fund 2nd	33,537	33,427
IBKC-TongYang Growth 2013 Private Equity Fund	25,518	-
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	-	107,787
	<u>\$ 95,672</u>	<u>\$ 177,662</u>
(12) Margin loans receivable and security financing interest revenue		
	<u>Margin loans receivable</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Others	<u>\$ 1,379</u>	<u>\$ 1,786</u>
	<u>Security financing interest revenue</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Others	<u>\$ 93</u>	<u>\$ 74</u>
(13) Security-based loans and security-based loan interest income		
	<u>Security-based loans</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Others	<u>\$ 37,055</u>	<u>\$ 29,121</u>
	<u>Security-based loan interest income</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Others	<u>\$ 663</u>	<u>\$ 548</u>
(14) Other receivables		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Others	<u>\$ 620</u>	<u>\$ 121</u>
(15) Refundable deposits - self-regulatory organisation fund		
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Taiwan Securities Association	<u>\$ 300</u>	<u>\$ -</u>

(16) Other financial liabilities and Interest expense

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

	<u>Other financial liabilities</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Company's directors:		
Others	\$ 5,033	\$ 1,798
Other related parties:		
Others	<u>1</u>	<u>2</u>
	<u>\$ 5,034</u>	<u>\$ 1,800</u>
	<u>Interest expense</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Company's directors:		
Others	\$ 5	\$ -
Other related parties:		
Others	<u>19</u>	<u>1</u>
	<u>\$ 24</u>	<u>\$ 1</u>

(17) Accounts payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Antay Securities	<u>\$ 225</u>	<u>\$ 242</u>

(18) Other payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Company's directors:		
Others	<u>\$ 19</u>	<u>\$ 296</u>

(19) Stocks issued by fellow subsidiary

	<u>Ending balance</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties		
Sintronic Technology	\$ 151,345	\$ 124,328
Others	<u>9</u>	<u>1</u>
	<u>\$ 151,354</u>	<u>\$ 124,329</u>
	<u>For the year ended December 31, 2018</u>	
	<u>Unrealized (loss) gain</u>	<u>Realized (loss) gain</u>
Other related parties		
Sintronic Technology	(\$ 11,349)	(\$ 962)
Others	<u>-</u>	<u>186</u>
	<u>(\$ 11,349)</u>	<u>(\$ 776)</u>

		<u>For the year ended December 31, 2017</u>			
		<u>Unrealized (loss) gain</u>		<u>Realized (loss) gain</u>	
Other related parties					
Sintronic Technology		\$	6,057	\$	5,860
Others			-	(	15)
		<u>\$</u>	<u>6,057</u>	<u>\$</u>	<u>5,845</u>
(20)Credit transaction between the Yuanta Group and related parties:					
December 31, 2018					
Balance of guaranteed price from					
	<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>		
Company's directors:					
Others	\$	8,217	\$	36,859	\$
Other related parties:					
Others		<u>8,298</u>		<u>9,765</u>	<u>30,616</u>
	<u>\$</u>	<u>16,515</u>	<u>\$</u>	<u>46,624</u>	<u>\$</u>
December 31, 2017					
Balance of guaranteed price from					
	<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>		
Company's directors:					
Others	\$	5,237	\$	4,996	\$
Other related parties:					
Others		<u>2,431</u>		<u>4,698</u>	<u>38,498</u>
	<u>\$</u>	<u>7,668</u>	<u>\$</u>	<u>9,694</u>	<u>\$</u>
December 31, 2018					
December 31, 2017					
	<u>Security short-selling interest payable</u>	<u>Security financing interest receivable</u>	<u>Security short-selling interest payable</u>	<u>Security financing interest receivable</u>	
Company's directors:					
Others	\$	-	\$	667	\$
Other related parties:					
Others		<u>1</u>		<u>572</u>	<u>-</u>
	<u>\$</u>	<u>1</u>	<u>\$</u>	<u>1,239</u>	<u>\$</u>
			<u>\$</u>	<u>-</u>	<u>\$</u>
				<u>663</u>	<u>1,889</u>

		For the year ended December 31,			
		2018		2017	
		Security short- selling interest expenditures	Security financing interest revenue	Security short- selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	1	\$ 2,101	\$ 32	\$ 1,270
Other related parties:					
Others		2	1,152	4	691
	\$	3	\$ 3,253	\$ 36	\$ 1,961
(21)Futures commission expenses – futures introducing broker business and re-consignment business					
		For the years ended December 31,			
		2018		2017	
Other related parties:					
Antay Securities	\$		2,921	\$	1,945
(22)ETF redemption fees					
		For the years ended December 31,			
		2018		2017	
Other related parties:					
Funds managed by Yuanta Securities Investment Trust	\$		52,969	\$	38,658
(23)Information technology expense					
		For the years ended December 31,			
		2018		2017	
Other related parties:					
Reuters	\$		6,025	\$	11,384
(24)Operating expenses:					
		For the years ended December 31,			
		Nature	2018		2017
Other related parties:					
Yuanta Foundation		Donation expenditure	\$ 70,000	\$	50,000
Polaris Research		Donation expenditure	23,000		22,500
	\$		93,000	\$	72,500
(25)Premium income					
		For the years ended December 31,			
		2018		2017	
Other related parties:					
Others	\$		327,385	\$	320,978

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

	<u>Rental expenses</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
He Xing Construction	\$ <u> -</u>	\$ <u> 4,930</u>
	<u>Refundable deposits</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
He Xing Construction	\$ <u> -</u>	\$ <u> 250,000</u>

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

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Company's directors:		
Others	\$ 17,804	\$ 16,265
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	256,319	148,722
Others	<u>22,118</u>	<u>24,371</u>
	\$ <u> 296,241</u>	\$ <u> 189,358</u>

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

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Polaris Research	\$ 2,195	\$ 2,195
Yuanta Construction Development	663	581
Yuanta Foundation	<u>40</u>	<u>40</u>
	\$ <u> 2,898</u>	\$ <u> 2,816</u>

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

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

(30) Other operating income

(a) Dividend Income

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ <u>12,980</u>	\$ <u>11,098</u>

(b) Revenue from best-effort and underwriting (shown as "Net service fee and commission income")

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ <u>-</u>	\$ <u>4,116</u>

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

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term		
employee benefits	\$ 4,468,750	\$ 4,206,611
Termination benefits	36,560	27,785
Post-employment benefit	<u>206,290</u>	<u>142,537</u>
Total	\$ <u>4,711,600</u>	\$ <u>4,376,933</u>

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

(1) Yuanta Bank and its subsidiaries

(A) Deposits

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

<u>December 31, 2017</u>			
<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 47,270,287	4.34	0.00~6.50

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the years ended December 31, 2018 and 2017, the range of interest rates on other related parties' demand savings deposits were 0.00%~5.39% and 0.00%~6.50%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2018 and 2017, interest expense on the above deposits was \$329,480 and \$238,640, respectively.

(B) Loans

December 31, 2018

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
	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
Other loans	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	-		

UNIT: In thousands of NT Dollars

December 31, 2017

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	291	\$ 56,221	\$ 32,872	\$ 32,872	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	456	4,005,331	3,223,943	3,223,943	-	Real estate	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
Other loans	Asia Carbons	3,000	2,083	2,083	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,488,727	3,488,727	-		

UNIT: In thousands of NT Dollars

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 0.00%~2.52% and 1.80%~2.80%, the interest rates on the remaining loans are ranging from 0.00%~8.58% and 0.00%~5.88% for the years ended December 31, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2018 and 2017, interest income resulting from the above loans amounted to \$55,055 and \$56,640, respectively.

(C) Service fee income

	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Life	\$ 729,150	\$ 541,700
Yuanta Securities Investment Trust	9,254	13,172
Yuanta Securities	1,035	122
	<u>\$ 739,439</u>	<u>\$ 554,994</u>

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

	December 31, 2018	December 31, 2017
Fellow subsidiary:		
Yuanta Life	\$ 66,513	\$ 29,376
Yuanta Securities Investment Trust	380	400
	<u>\$ 66,893</u>	<u>\$ 29,776</u>

(D) Rental expense

Name	Purpose	For the years ended December 31,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 121,178	\$ 105,979
Yuanta Securities			
Finance	Office rental	2,537	2,537
Other related parties:			
He Xing Construction	Office rental	-	4,930
		<u>\$ 123,715</u>	<u>\$ 113,446</u>

As of December 31, 2018 and 2017, the above-mentioned transaction payment terms are based on a mutually signed contract. The related security deposits were \$6,710 and \$256,561, respectively.

(E) Current income tax assets/liabilities

	December 31, 2018	December 31, 2017
Parent company:		
Yuanta Financial Holdings		
Consolidated income tax refundable	<u>\$ 2,275,250</u>	<u>\$ 2,276,587</u>
Consolidated income tax payable	<u>\$ 312,073</u>	<u>\$ 477,017</u>

(F) Property transactions

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

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

For the year ended December 31, 2017			
	Type	Purchase price	Selling price
Fellow subsidiary:			
Yuanta Securities	Bond	\$ 508,141	\$ 50,109

B. Derivative trading

December 31, 2018						
						Balance sheet
Fellow subsidiary:	Derivative contract name	Contract period	Nominal principal	Current evaluation	Subject	Balance
Yuanta Life	Exchange contract	2018/10/17~2019/04/19	\$ 400,000	\$ 623	Financial assets at fair value through profit or loss	\$ 623

December 31, 2017						
						Balance sheet
Fellow subsidiary:	Derivative contract name	Contract period	Nominal principal	Current evaluation	Subject	Balance
Yuanta Life	Structured Products	2013/03/04~2025/05/05	\$ 34,347	\$ 484	Financial assets at fair value through profit or loss	\$ 484

(G) Other

- For the year ended December 31, 2017, Ta Chong Bank recognised interest expense of \$2,364,620 on the Ta Chong Bank's Class C registered convertible preferred stock, which was held by Yuanta Financial Holdings.
- On August 17, 2017, the Board of Directors of Ta Chong Bank on behalf of ordinary and preferred shareholders resolved to revise Ta Chong Bank's Articles of Incorporation in order to repurchase Series C convertible preferred shares. On September 30, 2017, Series C convertible preferred shares have been repurchased at maturity.
- On August 17, 2017, the Board of Directors of Ta Chong Bank approved to acquire 17,765,300 ordinary shares of Taiwan Depository and Clearing Corporation from Yuanta Securities Finance with a consideration totaled \$1,081,729. The stock acquisition was approved by the Competent Authority on September 27, 2017 and was settled on October 31, 2017.

(2) Yuanta Securities and its subsidiaries

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

		December 31, 2018		
		<u>Futures trading guarantees</u>		
		<u>Commissions receivable at period end</u>	<u>Self capital</u>	<u>Balance of excess futures guarantee deposits</u>
Fellow subsidiary:				
Yuanta Futures		\$ 18,768	\$ 1,240,997	\$ 2,191,639
		<u>December 31, 2017</u>		
		<u>Futures trading guarantees</u>		
		<u>Commissions receivable at period end</u>	<u>Self capital</u>	<u>Balance of excess futures guarantee deposits</u>
Fellow subsidiary:				
Yuanta Futures		\$ 24,335	\$ 671,815	\$ 2,068,468
		<u>Settlement and clearing service fees payable</u>		
		<u>December 31, 2018</u>	<u>December 31, 2017</u>	
Fellow subsidiary:				
Yuanta Futures		\$ 3,547	\$ 3,170	
		<u>For the year ended December 31, 2018</u>		
		<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:				
Yuanta Futures		\$ 254,622	\$ 40,618	\$ 101,867
		<u>For the year ended December 31, 2017</u>		
		<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:				
Yuanta Futures		\$ 246,221	\$ 38,170	\$ 76,842

(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:

	<u>December 31, 2018</u>	
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>8,550,303</u>	\$ <u>4,429</u>
	<u>December 31, 2017</u>	
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>12,237,236</u>	\$ <u>1,444</u>
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Other gains and losses – interest revenue (Note)</u>	<u>Other gains and losses – interest revenue (Note)</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>62,951</u>	\$ <u>46,290</u>

Note: Interests for demand deposits, time deposits and operating guarantee deposits were included.

(b) Yuanta Securities and its subsidiaries provided certificates of deposit to a related party as performance bond of the lines of credit and structured notes (recognised under “Other current assets”) amounting to \$629,000 and \$1,036,000, respectively, as of December 31, 2018 and 2017.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company:		
Yuanta Financial Holdings		
Consolidated income tax return receivables	\$ <u>682,431</u>	\$ <u>682,431</u>
Consolidated income tax return payables	\$ <u>632,703</u>	\$ <u>1,108,346</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>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>925,000</u>	\$ <u>975,000</u>

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

Yuanta Securities and its subsidiaries deposits cash with a related party as guarantee deposits for securities lending and refundable deposits receivable lending at period-end (shown as accounts receivable - related parties). Details were as follows:

	<u>December 31, 2018</u>		
	<u>Security lending deposits</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 69,904	\$ -	\$ 566
	<u>December 31, 2017</u>		
	<u>Security lending deposits</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 125,605	\$ 5,879	\$ 1,779
	<u>Security borrowing expenses</u>		
	<u>For the years ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	
Fellow subsidiary:			
Yuanta Securities Finance	\$ 2,012	\$ 1,301	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	7,304	2,888	
	<u>\$ 9,316</u>	<u>\$ 4,189</u>	

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

(G) Commission receivables and commission income

	<u>Commission receivables</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Life	\$ 41,893	\$ 22,148
Others	159	376
	<u>\$ 42,052</u>	<u>\$ 22,524</u>

	Commission income	
	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Life	\$ 438,694	\$ 350,979
Others	689	1,034
	<u>\$ 439,383</u>	<u>\$ 352,013</u>

(H) Investment refund receivable

Please refer to Note 7B(11).

(I) Pending settlements

As of December 31, 2018, Yuanta Securities had amounts held for settlement of \$1,487,493, which were deposited at its affiliate Yuanta Bank. Such deposits did not exist as of December 31, 2017.

(J) Property transactions

(a) Bonds transactions under repurchase agreements:

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

(b) Bonds sold and purchased:

	For the years ended December 31,			
	2018		2017	
	Bonds Purchased	Bonds Sold	Bonds Purchased	Bonds Sold
Parent company:				
Yuanta Financial Holdings	\$ 1,900,000	\$ -	\$ -	\$ -
Fellow subsidiary:				
Yuanta Bank	-	199,968	100,496	508,141
Ta Chong Securities	-	-	-	50,075
Other related parties:				
Mercuries Life Insurance	3,331,420	7,021,211	-	3,872,245
Yuanta SPAC IV	21,313	-	-	-
Yuanta SPAC III	18,287	-	18,554	-
Yuanta SPAC I	-	-	23,258	-
Yuanta SPAC II	-	-	21,650	-
	<u>\$ 5,271,020</u>	<u>\$ 7,221,179</u>	<u>\$ 163,958</u>	<u>\$ 4,430,461</u>

The above bond transactions were matched by the Electronic Bond Trading System of GreTai Securities Market.

(c) Bonds transactions under repurchase agreements

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

(K) Structured notes

Please refer to Note 7B(4).

(L) Customer margin deposit

	December 31, 2018	December 31, 2017
Fellow subsidiary:		
Yuanta Futures	<u>\$ 102,933</u>	<u>\$ 96,679</u>

(M) Brokerage service fee income

	For the year ended December 31,	
	2018	2017
Parent company:		
Yuanta Financial Holdings	\$ 768	\$ 376
Fellow subsidiary:		
Yuanta Bank	10,719	3,898
Yuanta Life	10,028	7,610
Others	4,203	8,580
Company's directors:		
Others	14,419	13,334
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	49,323	31,293
Others	19,535	16,971
	<u>\$ 108,995</u>	<u>\$ 82,062</u>

(N) Other operating expense - professional service expense

Yuanta Securities and its subsidiaries are provided investing strategies and advises by related parties as follows:

	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities Investment Consulting	<u>\$ 182,664</u>	<u>\$ 183,748</u>

Service fees are calculated based on mutual agreement.

(O) Non-operating revenue

(a) Rent revenue

	For the years ended December 31,	
	2018	2017
Parent subsidiary:		
Yuanta Financial Holdings	\$ 29,432	\$ 29,432
Fellow subsidiary:		
Yuanta Bank	32,453	21,389
Yuanta Futures	20,647	20,846
Yuanta Securities Finance	10,519	10,519
Others	14,500	15,934
Other related parties:		
Others	2,858	2,776
	<u>\$ 110,409</u>	<u>\$ 100,896</u>

(b) Rewarding income

	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Bank	<u>\$ 105,622</u>	<u>\$ 96,011</u>

(P) Funds and beneficiary certificates managed by fellow subsidiary

December 31, 2018 December 31, 2017

Other related parties:

Fund managed by Yuanta

Securities Investment Trust

\$ 2,688,585 \$ 2,149,321

For the years ended December 31,

2018

2017

Unrealized loss Realized gain Unrealized gain Realized gain

Other related parties:

Fund managed by

Yuanta Securities

Investment Trust

(\$ 78,478) \$ 244,138 \$ 323 \$ 657,041

(Q) Stocks issued by fellow subsidiary

December 31, 2018 December 31, 2017

Other related parties:

Sintronic Technology

\$ 151,345 \$ 124,328

Others

 9 1

\$ 151,354 \$ 124,329

For the years ended December 31,

2018

2017

Unrealised (loss) gain Realised (loss) gain Unrealised (loss) gain Realised (loss) gain

Parent company:

Yuanta Financial

Holdings

\$ - (\$ 16) (\$ 21,890) \$ 147,727

Other related parties:

Sintronic

Technology

(11,349) (962) 6,057 5,860

Others

 - 186 - (15)

(\$ 11,349) (\$ 792) (\$ 15,833) \$ 153,572

(R)Credit transaction

		December 31, 2018			
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance	
Company's directors:					
Others	\$	8,217	\$ 36,859	\$ 30,010	
Other related parties:					
Others		8,298	9,765	30,616	
	\$	<u>16,515</u>	<u>\$ 46,624</u>	<u>\$ 60,626</u>	
		December 31, 2017			
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance	
Company's directors:					
Others	\$	5,237	\$ 4,996	\$ 72,010	
Other related parties:					
Others		2,431	4,698	38,498	
	\$	<u>7,668</u>	<u>\$ 9,694</u>	<u>\$ 110,508</u>	
		For the years ended December 31,			
		2018	2017		
		Security short- selling interest payables	Security financing interest receivable	Security short- selling interest payables	Security financing interest receivable
Company's directors:					
Others	\$	-	\$ 667	\$ -	\$ 1,226
Other related parties:					
Others		1	572	-	663
	\$	<u>1</u>	<u>\$ 1,239</u>	<u>\$ -</u>	<u>\$ 1,889</u>
		For the years ended December 31,			
		2018	2017		
		Security short- selling interest expenditures	Security financing interest revenue	Security short- selling interest expenditures	Security financing interest revenue
Fellow subsidiary:					
Yuanta Futures	\$	3	\$ -	\$ 285	\$ -
Company's directors:					
Others		1	2,101	32	1,270
Other related parties:					
Others		2	1,152	4	691
	\$	<u>6</u>	<u>\$ 3,253</u>	<u>\$ 321</u>	<u>\$ 1,961</u>

(S) Others

(a) As of December 31, 2018 and 2017, the lines of credit Yuanta Securities and its subsidiaries have drawn in order to acquire Yuanta Bank were all \$4,600,000. The carrying amounts of land and building amounting to \$3,642,426 and \$3,678,840, respectively, were designated as collateral.

(b) For the years ended December 31, 2018 and 2017, fund management fee income from fund managed by Yuanta Securities and its subsidiaries amounted to \$24,380 and \$10,561, respectively. For the years ended December 31, 2018 and 2017, Yuanta Securities and its subsidiaries held fund balances of \$336,694 and \$164,071 respectively.

(c) Agent fee income

	Management fee revenue	
	For the years ended December 31,	
	2018	2017
Other related parties:		
Yuanta Secondary No.2 Fund	\$ 34,363	\$ 25,941
Yuanta Diamond Funds SPC	24,380	10,561
KVIC-Yuanta 2015 Overseas Fund	18,224	20,180
2016KIF-Yuanta ICT Venture Fund	16,442	14,817
IBKC-TongYang Growth 2013 Private Equity Fund	7,457	13,780
Others	17,797	36,777
	<u>\$ 118,663</u>	<u>\$ 122,056</u>

(3) Yuanta Securities Finance

(A) Bank deposits

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

	December 31, 2018	December 31, 2017
Fellow subsidiary:		
Yuanta Bank		
-Recognised in refundable deposits	\$ 100,000	\$ 100,000
-Recognised in cash and cash equivalents	3,611	3,192
	<u>\$ 103,611</u>	<u>\$ 103,192</u>

For the years ended December 31, 2018 and 2017, interest income resulting from the above deposits amounted to \$1,036 and \$1,038, respectively.

(B) Stock transactions:

No transaction in 2018.

	Transaction content	For the year ended December 31, 2017	
		Total transaction price	Gains (loss) on disposal of fund
Fellow subsidiary:			
Yuanta Securities	Settlement stock	\$ 936,740	\$ 799,874
Ta Chong Bank	Settlement stock	1,081,730	923,679
		<u>\$ 2,018,470</u>	<u>\$ 1,723,553</u>

(C) Current tax liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company:		
Yuanta Financial Holdings	<u>\$ 54,582</u>	<u>\$ 128,812</u>

(4) Yuanta Futures and its subsidiaries

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

	<u>December 31, 2018</u>		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,995,376</u>	<u>\$ 140,000</u>	<u>\$ 14,675,660</u>
	<u>December 31, 2017</u>		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,121,330</u>	<u>\$ 140,000</u>	<u>\$ 13,026,164</u>

(B) Customer margin account for leverage contracts

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Bank	<u>\$ 126,850</u>	<u>\$ 45,372</u>

(C) Equity of futures traders

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Securities	\$ 2,994,353	\$ 2,315,602
Yuanta Securities (Hong Kong)	419,049	446,634
Yuanta Securities (Korea)	149,755	96,090
Yuanta Bank	5,991	16,856
Company's directors :		
Others	874,886	857,927
Other related parties:		
Funds managed by Yuanta Securities		
Investment Trust	22,878,227	13,888,715
Others	33,518	14,889
	<u>\$ 27,355,779</u>	<u>\$ 17,636,713</u>

(D) Brokerage service fee income

	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 101,286	\$ 74,138
Yuanta Securities (Hong Kong)	4,304	2,928
Yuanta Securities (Korea)	1,412	970
Yuanta Bank	305	1,816
Company's directors :		
Others	3,385	2,931
Other related parties:		
Funds managed by Yuanta Securities		
Investment Trust	206,995	117,429
Others	2,584	7,400
	<u>\$ 320,271</u>	<u>\$ 207,612</u>

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

	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 254,622	\$ 246,221
Yuanta Securities (Hong Kong)	44	4,792
Other related parties:		
Antay Securities	2,921	1,945
	<u>\$ 257,587</u>	<u>\$ 252,958</u>

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

(F) Interest income

	For the years ended December 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Bank	\$ 156,500	\$ 168,830

Interest income arising from demand deposits, time deposits, customer guarantee deposits and operating guarantee deposits were included.

(5) Yuanta Securities Investment Consulting

(A) As of December 31, 2018 and 2017, Yuanta Securities Investment Consulting respectively deposited \$231,676 and \$223,071 to Yuanta Bank, amongst which, the operating guarantee deposits were both \$5,000, with annual interest rates were both 1.035%.

(B) Operating income

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities	\$ 173,966	\$ 174,970
Yuanta Bank	12,171	12,171
Yuanta Securities Finance	5,829	5,829
Yuanta Securities Investment Trust	4,651	4,651
Yuanta Futures	3,497	3,497
Yuanta Life	2,857	2,857
Other	229	1,600
	<u>\$ 203,200</u>	<u>\$ 205,575</u>

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

(6) Yuanta Securities Investment Trust

(A) Bank deposits

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Bank	<u>\$ 2,193,495</u>	<u>\$ 1,631,665</u>

(B) Management fee receivable and agent fee income

	<u>Management fee receivable</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	<u>\$ 210,114</u>	<u>\$ 201,467</u>
	<u>Agent fee income</u>	
	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	<u>\$ 2,352,876</u>	<u>\$ 2,328,547</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>December 31, 2018</u>	<u>December 31, 2017</u>
Yuanta Securities		
Investment Trust	\$ 106,662	\$ 291,186
Fellow subsidiary:		
Yuanta Securities	2,688,585	2,149,321
Yuanta Life	171,428	277,735
Yuanta Futures	19,710	-
Yuanta Securities Finance	8,255	19,809
Other related parties:		
Yuanta Foundation	-	2,217
	<u>\$ 2,994,640</u>	<u>\$ 2,740,268</u>

(7)Yuanta Life

(A)Bank deposits

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Bank (Note)	\$ 4,565,902	\$ 562,395

Note: Including other financial assets.

(B)Current income tax assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company:		
Yuanta Financial		
Holdings	\$ 2,013,188	\$ 1,452,397

The above represents consolidated income tax return receivable.

(C)Property transactions – beneficiary certificates

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other related parties:		
Funds managed by Yuanta Securities		
Investment Trust	\$ 171,428	\$ 277,735
	<u>For the year ended December 31, 2018</u>	
	<u>Purchase price</u>	<u>Proceeds on disposal</u>
Other related parties:		
Funds managed by Yuanta Securities		
Investment Trust	\$ 600,000	\$ 678,647
	<u>For the year ended December 31, 2017</u>	
	<u>Purchase price</u>	<u>Proceeds on disposal</u>
Other related parties:		
Funds managed by Yuanta Securities		
Investment Trust	\$ 1,190,000	\$ 969,367

(D) Payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company:		
Yuanta Financial Holdings	\$ 3,718	\$ 1,766
Fellow subsidiary:		
Yuanta Bank	59,918	29,989
Yuanta International Insurance Brokers	<u>41,893</u>	<u>22,148</u>
	<u>\$ 105,529</u>	<u>\$ 53,903</u>

(E) Premium income
Please refer to Note 7 B(25).

(F) Commission expense

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Bank	\$ 705,991	\$ 521,918
Yuanta International Insurance Brokers	<u>438,694</u>	<u>350,979</u>
	<u>\$ 1,144,685</u>	<u>\$ 872,897</u>

(8) Yuanta Ventures and subsidiary

(A) Bank deposits

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fellow subsidiary:		
Yuanta Bank	\$ 718,125	\$ 9,798
Yuanta Securities(Hong Kong)	<u>-</u>	<u>56,995</u>
	<u>\$ 718,125</u>	<u>\$ 66,793</u>

(B) Current tax assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company:		
Yuanta Financial Holdings	<u>\$ 103,850</u>	<u>\$ 72,918</u>

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

(BLANK)

8. Pledged assets

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

Items	December 31, 2018	December 31, 2017	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 167,917,825	\$ 160,607,163	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	67,887,652	73,168,453	Merchant business
	51,914	50,424	Guarantee deposits for notes
Available-for sale financial assets	-	2,737,764	Guarantees on asset disposal, OTC performance bonds, collateral for securities lending business and customer default fine
	-	1,496,356	Operating guarantee deposits
	-	29,473,729	Bonds under repurchase agreement
	-	164,200	Guarantee deposits with the courts
	-	60,000	Deposits for reserve of trust fund
	-	50,000	Deposits for guarantees in the Central Bank
	-	10,000	Operating guarantee deposits in Bank of Taiwan
	-	5,500,000	Overdraft guarantee for foreign currency settlement
Financial assets at fair value through other comprehensive income	2,980,099	-	- Claim reserve from trust fund, collateral for securities lending business and customer default fine
	1,615,154	-	- Operating guarantee deposits
	32,770,168	-	- Bonds under repurchase agreement, operating guarantee deposits, OTC performance bonds and guarantees on asset disposal
	31,102	-	- Collateral for provisional seizure
Held-to-maturity financial assets	-	801,354	Operating guarantee deposits and claim reserve from trust fund
	-	40,215	Stock borrowings
	-	64,362	Deposits for guarantees in the Central Bank
	-	600,000	Operating guarantee deposits
Financial assets at amortised cost	2,992	-	- Guarantee for operating activities
	40,117	-	- Stock borrowings
	63,248	-	- Deposits for guarantees in the Central Bank
	680,587	-	- Operating guarantee deposits
	186,813	-	- Claim reserve from trust fund
	11,342,500	-	- Overdraft guarantee for foreign currency settlement
	110,460	-	- Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	55,230	-	- Deposit guarantees of bills merchants
	477,298	-	- Collateral for provisional seizure
	5,192	-	- VISA international card payment reserves
	44,184	-	- Guarantee deposits from security underwriters
	11,046	-	- Guarantee deposits from security dealers
Other financial assets	-	88,298	Claim reserve from trust fund
	-	49,576	Deposit guarantees of bills merchants
	-	339,891	Collateral for provisional seizure
	-	39,661	Guarantee deposits from security underwriters
	-	9,915	Guarantee deposits from security dealers

Items	December 31, 2018	December 31, 2017	Purpose of pledge
Other financial assets	\$ -	\$ 4,452	VISA international card payment reserves
	-	98,109	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	-	10,126,382	Overdraft guarantee for foreign currency settlement
	-	445,694	Claim reserve from credit default loss
Accounts receivable	6,000	-	Collateral for provisional seizure
Restricted assets	2,154,999	2,279,915	Collateral for settlement limit, short-term loans, payable short-term bills and OTC derivative transactions
	380,646	37,284	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,086	1,060	Overdraft guarantee
	-	279,000	Collateral for settlement limit and structured products
	85,980	125,419	Dividends payable arising from stock agency business
Other assets	433,871	349,911	Operating guarantee deposits
	250,000	300,000	Stock borrowings
	2,144,672	1,284,435	Performance bond and rental deposits
	140,000	140,000	Deposits for guarantees in the Central Bank
	58,648	204,170	Underwriting share proceeds collected on behalf of customers
Property and equipment and investment property	3,624,348	3,439,445	Collateral for settlement limit and short-term loans; collateral for mortgage loans and leases
Treasury share of Yuanta Securities (Korea)	595,815	743,089	Collateral for securities lending business

9. Significant contingent liabilities and unrecognised contract commitments

(1) As of December 31, 2018 and 2017, capital expenditure for which contracts had been entered into but had not yet incurred was \$1,456,876 and \$453,178, respectively.

(2) Stocks entrusted to custody

As of December 31, 2018 and 2017, the stocks entrusted to Yuanta Securities Finance for custody by clients were both 7,483 thousand shares. The market value of these entrusted stocks on the reference dates was approximately \$77,070 and \$77,550, respectively.

(3) Operating leases

Please see Note 12(3)B(C)e.

(4) Settlements under proxies

Yuanta Securities had entered into several settlement proxy agreements with certain securities companies under which such companies agree to, if TWSE so directs, promptly act as the proxy of Yuanta Securities to fulfill Yuanta Securities' settlement obligations in Yuanta Securities' name where Yuanta Securities fails to fulfill its settlement obligations to TWSE. In this regard, Yuanta Securities also agrees to act as the settlement proxy for certain securities companies in the same manner.

(5) As of December 31, 2018, Yuanta Securities (Korea) entered into a bond purchase contract with Pospower Co.,Ltd.. Yuanta Securities (Korea) had committed to bond investments of up to ₩250 billion (NT\$ 6.9 billion), and had provided investors with a performance guarantee in relation to lease revenues attributed to IGIS Professional Private Real Estate Investment Trust with a guarantee limit of ₩100 million (approximately NT\$2.75 million).

(6) 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 dismiss the lawsuit brought forth by the plaintiffs (i.e. Yuanta Securities obtained a favorable decision in the case). However, the clients have filed an appeal, and the case is currently under review of the Taiwan High Court.
- B. With respect to the land and parking space sales dispute, Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated a mediation procedure against Yuanta Securities and the other party. On January 17, 2018, the claim amount therein was raised to \$952,511 (of which \$950,861 was subject to joint liability). The mediation was declared failed by the Taiwan Taipei District Court. On July 11, 2018, Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated another proceedings for the same claim and claimed the same amount. The case is currently under review of the Taiwan Taipei District Court. Yuanta Securities had retained lawyers to handle the case.
- C. As of December 31, 2018, of the total 23 litigations against Yuanta Securities (Korea) and its subsidiaries, 10 litigations were related to financial product sales disputes of former TongYang Securities Inc. (please refer to the explanation in Note 6(29)). The remaining 13 litigations were unrelated to financial product sales disputes with demanded compensation totaling ₩1,151,503 million (approximately NT\$31.7 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 sellers. The original claimed amount was ₩698,000 million (approximately NT\$19.2 billion). Thereafter, Anbang had made several changes to its claim amount and the latest amount claimed in its filing was ₩1,143,200 million (approximately NT\$31.4 billion). The allegations made by Anbang were denied. The arbitration will proceed in accordance with the arbitration rules. As of December 31, 2018, provisions of ₩1,429 million (approximately NT\$39 million) had been recognized for the abovementioned litigations unrelated to financial product sales disputes. Separately, there were 10 litigations where Yuanta Securities (Korea) acted as the plaintiff with the total claimed amount of ₩30,535 million (approximately NT\$840 million).
- D. Due to the fraudulent act committed by a former employee of KKTrade Securities Co., Ltd. as alleged, the affected clients filed a civil lawsuit against Yuanta Securities (Thailand) and the former employee for joint liability to pay the compensation of ฿301 million (approximately NT\$290 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 December 31, 2018, Yuanta Securities (Hong Kong)'s receivables from margin loan amounted to HK\$147,504 thousand (approximately NT\$580 million), which were secured by a listed security that was suspended for trading. These margin clients were served by an account executive who entered into a guarantee with Yuanta Securities (Hong Kong) (the "Guarantee") under which the account executive agreed to guarantee all losses of Yuanta Securities (Hong Kong) in relation to the accounts of these margin clients. Yuanta Securities (Hong Kong) has exercised its right of set-off under the Guarantee and transferred HK\$68,552 thousand (NT\$270 million) from the account executive's assets and the remaining loss of HK\$78,952 thousand (NT\$310 million) has been recognized. Yuanta Securities (Hong Kong) has initiated a litigation proceeding against the account executive for the full amount of the debt from those margin clients. Yet an award of compensation in the amount of HK\$135,191 thousand (approximately NT\$530 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 of the date of the approval of these financial statements, Yuanta Securities (Hong Kong) has considered external legal advice, and deemed that no provision in relation to the defence by the above account executive is necessary.
- (7) Other lawsuits- Banks
- A. Yuanta Bank and the seller (AON BGN Limited Liability Company) signed a share purchase agreement including an indemnification clause to the effect that the seller must indemnify Yuanta Bank against any losses resulting from or related to Yuanta Savings Bank (Korea)'s litigations. Information regarding the such lawsuit as of December 31, 2018 is as follows:
- In March 2016, Trust Investment (a borrower) petitioned to the Financial Services Commission of the Republic of Korea that Yuanta Savings Bank (Korea) overcharged expenses for prior loan cases and thus claimed Yuanta Savings Bank (Korea) should return ₩4 billion fees improperly received. 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 December 31, 2018, recognised compensatory assets and contingent liabilities resulting from the litigation were ₩4,024,469 thousand, accounted respectively under "Other assets-net" and "liability reserves". On June 16, 2017, the aforementioned case was adjudicated in favour of Yuanta Savings Bank (Korea) by the Seoul District Court, Korea. On May 25, 2018, the Seoul High Court upheld the district court's decision. Trust Investment, has appealed the case to the Supreme Court of South Korea. As of December 31, 2018, the aforementioned litigation is under review of Supreme Court of South Korea. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.
- B. Ta Chong Bank had conducted foreign exchange derivatives transactions with Sino United International Co., Ltd. and Plosa International Co., Ltd. As Sino United International Co., Ltd. and Plosa International Co., Ltd. disputed the loss in Target Redemption Forward (TRF) when closing position, they filed a complaint against Ta Chong Bank in the Taiwan Taipei District Court and alleged that Ta Chong Bank shall reimburse the loss in transactions (underlying claim: US\$3,123 thousand and its interest; alternative claim: US\$1,445 thousand and its interest). 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. On March 12, 2019, the court of the second instance adjudicated in favour of Yuanta Bank.

C. Yuanta Savings Bank (Korea) exercised its pledge right to acquire a 33.3% interest equity of Pentagon City because Yuanta Savings Bank (Korea) provided a credit loan to Pentagon City from 2006 to 2008. In September 2008, Pentagon City implemented the capital reduction on shares, held by Yuanta Savings Bank (Korea) and another shareholder, and 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 in such case, and thus claimed Yuanta Savings Bank (Korea) should return ₩19,599,160 thousand as unjustly received benefit (which amount represents consideration of shares in excess of 10% interest equity of Pentagon City in the said capital reduction). On November 2, 2018, Yuanta Savings Bank received the notice of court session and as of December 31, 2018, the case is still under review of the Seoul District Court. The subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

(8) Other lawsuits- Yuanta Securities Investment Trust

A. Yuanta Securities Investment Trust entered into the offshore fund master agent contract with Mellon Global Investments Limited. According to the contracts, 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.

B. Yuanta Securities Investment Trust was commissioned to handle discretionary investment businesses under domestic investment contracts for 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, which was restructured on February 17, 2014, herein referred to as the “Labor Pension”). Because the manager Qu of former Polaris Securities Investment Trust (hereinafter referred to as “Manager Qu”) was suspected of being involved in illegal activities from 2011 to 2012 while trading stocks for government funds, the Labor Pension, in accordance with the indictment decision issued by the Special Investigation Division of the Supreme Prosecutor Office, filed a civil claim on January 28, 2014 against Manager Qu and Yuanta Securities Investment Trust within the criminal proceedings, claiming joint and several liability for compensations. In order to protect its interests, Yuanta Securities Investment Trust has appointed a lawyer to assist in handling the case. After the aforementioned criminal charges against Manager Qu was adjudicated by the Taipei District Court of the first instance and the civil claim 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 the compensation claim to \$71,575 thousand after the Taiwan High Court of the second instance 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 based on a breach of trust by Manager Qu to the Company, while the Labor Pension is not be the principal of Manager Qu in the context of Manager Qu services provided. Furthermore, anticipatory trading that is considered a criminal breach of trust offense and insider trading 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, it is highly questionable whether the Labor Pension can claim damages, prove causation, and determine how damages are calculated; this case still requires further assessment by the court to render a substantive evaluation.

(9) Other lawsuits- Yuanta Life Insurance

As of December 31, 2018, Yuanta Life Insurance still has several insurance claim litigations in process. Yuanta Life Insurance has appointed lawyers to handle these cases and has provisioned an appropriate amount of claims reserve.

(10) Others

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Commitment of the securities under a repurchase agreement	\$ 223,886,291	\$ 201,715,121
Commitment of the securities under a resale agreement	33,533,054	35,098,339
Unused loan commitments	28,439,091	41,025,752
Credit commitment on credit card	121,111,167	127,897,664
Unused L/C balance	4,570,325	4,863,673
Other guarantees	15,773,127	25,253,767
Consignment collection for others	18,940,103	21,727,077
Trust assets	247,132,000	242,737,979
Items under custody	33,312,553	38,276,607

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

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

<u>December 31, 2018</u>			
<u>Trust Balance Sheet</u>			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 4,975,555	Payable - Customers' securities under custody	\$ 25,002,568
Stocks	11,850,920	Pecuniary trust	139,792,745
Funds (Note)	95,471,044	Securities trust	5,150,539
Bonds	21,952,306	Real estate trust	24,558,465
Structured products	13,461,657	Movables trust	7,020,000
Real estate	23,023,503	Money market fund	-
Movables	7,020,000	Net income	236,795
Customers' securities under custody	<u>25,002,568</u>	Retained earnings	<u>996,441</u>
Total trust assets	<u>\$ 202,757,553</u>	Total trust liabilities	<u>\$ 202,757,553</u>
<u>December 31, 2017</u>			
<u>Trust Balance Sheet</u>			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 5,076,850	Payable - Customers' securities under custody	\$ 28,251,052
Stocks	10,867,199	Pecuniary trust	128,479,492
Funds (Note)	96,624,017	Securities trust	5,238,734
Bonds	17,871,750	Real estate trust	22,574,545
Structured products	4,262,500	Movables trust	6,750,000
Real estate	22,254,051	Money market fund	-
Movables	6,750,000	Net income	293,854
Customers' securities under custody	<u>28,251,052</u>	Retained earnings	<u>369,742</u>
Total trust assets	<u>\$ 191,957,419</u>	Total trust liabilities	<u>\$ 191,957,419</u>

Note : Includes mutual funds in money market.

Trust Income Statement

	For the years ended December 31,	
	2018	2017
Trust revenue:		
Interest income	\$ 11,621	\$ 11,890
Investment income (Stock)	72,888	306,200
Investment income (Fund)	644	3,858
Dividend income	206,379	54,738
Rental income	-	189
	<u>291,532</u>	<u>376,875</u>
Trust expenses:		
Management fees	(20,910)	(51,886)
Tax expense	(31,778)	(25,398)
Insurance expense	(1,907)	(383)
Loss on investment	(60)	(5,223)
	<u>(54,655)</u>	<u>(82,890)</u>
Income before income tax	236,877	293,985
Income tax expense	(82)	(131)
Net income	<u>\$ 236,795</u>	<u>\$ 293,854</u>

Trust Property List

Invested items	December 31, 2018	December 31, 2017
	Book value	Book value
Bank deposits	\$ 4,975,555	\$ 5,076,850
Stocks	21,952,306	17,871,750
Funds	11,850,920	10,867,199
Bonds	13,461,657	4,262,500
Structured products	95,471,044	96,624,017
Real estate- land	16,518,032	19,797,665
- construction in progress	6,505,471	1,636,230
- buildings	-	820,156
Movables	7,020,000	6,750,000
Customers' securities under custody	25,002,568	28,251,052
	<u>\$ 202,757,553</u>	<u>\$ 191,957,419</u>

Foreign currency pecuniary trust and foreign currency trust operated by the Offshore Banking Unit (OBU) as of December 31, 2018 and 2017 were included in the trust balance sheet and schedule of trust property.

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

December 31, 2018			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,131,786	Payables	\$ 57,476
Stocks	7,215,549	Income tax payable	488
Funds	24,825,923	Trust capital-pecuniary trust	33,433,514
Bonds	-	Trust capital-securities trust	7,751,297
Structured products	10,952,805	Net income	652,928
Accounts receivable	248,096	Retained earnings	3,030,179
Prepayments	288	Deferred carryforwards	(551,435)
Total trust assets	<u>\$ 44,374,447</u>	Total trust liabilities	<u>\$ 44,374,447</u>
December 31, 2017			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,434,114	Payables	\$ 41,101
Stocks	8,520,859	Income tax payable	717
Funds	24,311,791	Trust capital-pecuniary trust	40,179,568
Bonds	14,588	Trust capital-securities trust	7,528,735
Structured products	16,163,402	Net income	2,018,341
Accounts receivable	335,554	Retained earnings	1,589,769
Prepayments	252	Deferred carryforwards	(577,671)
Total trust assets	<u>\$ 50,780,560</u>	Total trust liabilities	<u>\$ 50,780,560</u>

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Trust Income Statement

	For the years ended December 31,	
	2018	2017
Trust revenue:		
Interest income	\$ 532,076	\$ 420,102
Realised investment income	1,128,896	799,618
Unrealised	-	1,253,506
Foreign exchange gain	293,320	-
Rental income	85,507	92,981
Dividend revenue	273,298	267,044
	<u>2,313,097</u>	<u>2,833,251</u>
Trust expenses:		
Administrative expenses	(34,572)	(38,370)
Fees (Service charges)	(89,477)	(84,316)
Loss on investment	(1,527,872)	-
Loss on translation	-	(675,082)
Insurance premium	(2,877)	(3,587)
Others	(26)	(1,744)
	<u>(1,654,824)</u>	<u>(803,099)</u>
Income before income tax	658,273	2,030,152
Income tax expense	(5,345)	(11,811)
Net income	<u>\$ 652,928</u>	<u>\$ 2,018,341</u>

Trust Property List

Invested items	December 31, 2018	December 31, 2017
	Book value	Book value
Bank deposits	\$ 1,131,786	\$ 1,434,114
Stocks	7,215,549	8,520,859
Funds	24,825,923	24,311,791
Bonds	-	14,588
Structured products	10,952,805	16,163,402
Others	248,384	335,806
	<u>\$ 44,374,447</u>	<u>\$ 50,780,560</u>

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

December 31, 2017

Trust Balance Sheet

<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 749,102	Cash trust	\$ 54,254,160
Funds	44,677,688	Real estate trust	11,488,507
Bonds	8,827,370		
Real estate	11,488,507		
Total trust assets	<u>\$ 65,742,667</u>	Total trust liabilities	<u>\$ 65,742,667</u>

Trust Income Statement

	For the year ended December 31,
	2017
Trust revenue:	
Interest income	\$ 1,275
Realised investment income	-
	1,275
Trust expenses:	
Management charges	(32,091)
Loss before income tax	(30,816)
Income tax expense	(74)
Net loss	(\$ 30,890)

Trust Property List

	December 31, 2017
Invested items	Book value
Bank deposits	\$ 749,102
Bonds	8,827,370
Funds	44,677,688
Real estate trust	11,488,507
	\$ 65,742,667

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2018 and 2017 were included in the trust balance sheet and schedule of trust property.

10. Significant losses from disasters

(1) The Company:

None.

(2) Subsidiaries:

None.

11. Significant subsequent events

(1) The Company:

In response to the group organizational restructure and the management needs, the Company's Board of Directors approved on November 28, 2018 to transfer all the shares of Yuanta Securities Finance, totaling 400 million ordinary shares (including 186,667 thousand private placement shares) at a price of \$22.05 (in dollars) per share totaling \$8,818,069 (including private placement shares of \$4,115,099), 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.

(2) Subsidiaries:

For the significant subsequent events of Yuanta Securities Finance and Yuanta Securities, please refer to Note 11. (1) above. In addition, Mr. Ming Hong Ho resigned as Chairman of the Board of Yuanta Securities, effective on March 25, 2019, and Mr. Tony Shen as the new Chairman and Mr. Ming Hong Ho as the Vice Chairman of the Board were elected in accordance with laws by the Board on the same day. Except for the significant subsequent events mentioned above, no other subsidiaries have significant subsequent events.

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.

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B. Financial instruments measured at fair value

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

	December 31, 2018			December 31, 2017				
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Recurring fair value measurements								
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss								
Financial assets held for trading								
Stock investments	\$ 24,697,765	\$ 22,168,676	\$ 34,348	\$ 2,494,741	\$ 34,788,261	\$ 34,129,581	\$ -	\$ 658,680
Bond investments	302,653,840	88,571,370	213,785,334	297,136	221,289,802	74,939,880	146,349,922	-
Others	117,729,281	38,941,569	77,590,340	1,197,372	80,969,214	34,580,366	46,388,848	-
Financial assets designated as at fair value through profit or loss								
Fair value through other comprehensive income financial assets								
Equity Instruments	24,158,805	6,846,637	-	17,312,168	-	-	-	-
Liability Instruments	192,192,531	75,246,806	116,686,700	259,025	-	-	-	-
Available-for-sale financial assets (Note 1)								
Stock investments	-	-	-	-	28,146,015	11,123,502	14,077	17,008,436
Bond investments	-	-	-	-	219,639,019	56,711,912	162,102,912	824,195
Others	-	-	-	-	148,947,861	5,820,033	142,914,017	213,811
Other financial assets								
Purchase of claim receivable	1,867,408	-	-	1,867,408	1,892,299	-	-	1,892,299
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 20,282,018	\$ 20,282,018	\$ -	\$ -	\$ 22,454,862	\$ 19,250,990	\$ 2,057,532	\$ 1,146,340
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	\$ 28,858,323	\$ 7,649,105	\$ 6,249,426	\$ 14,959,792	\$ 93,342,782	\$ 4,211,759	\$ 78,134,240	\$ 12,996,783
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 91,700,781	\$ 1,453,763	\$ 29,650,109	\$ 60,596,909	\$ 97,664,654	\$ 2,750,459	\$ 23,731,768	\$ 71,182,427

Note 1: As of December 31, 2018 and 2017, 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 December 31, 2018, certain foreign debt held by the Company, totaling USD 318,564 thousand, 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 3,555 thousand, have been transferred from level 2 to level 1 since these assets now have steady sources for price information. As of December 31, 2017, a portion of government bonds denominated under NTD

held by the Company was determined to be non-active bond instrument investments in accordance with the Taipei Exchange's active securities standard, \$1,093,452 have been transferred from Level 1 to Level 2.

(BLANK)

(E) Movements of financial instruments classified into Level 3 of fair value are as follows:

a. Movements of financial assets classified into Level 3 of fair value are as follows:

Items	December 31, 2018		December 31, 2017				
	Gain and loss on valuation	Addition	Gain and loss on valuation	Reduction			
	Beginning balance	Purchased or issued	Other comprehensive income	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss	\$ 15,421,688	\$ -	\$ 22,237,528	\$ 1,306,108	(\$ 17,850,064)	(\$ 2,762,098)	\$ 18,949,041
Financial assets at fair value through other comprehensive income	19,570,959	(58,442)	14,925	437,405	(465,171)	(2,118,601)	17,571,193
Other financial assets- purchase of claim receivable	1,892,299	-	-	-	(52,068)	-	1,867,408
Total	<u>\$ 36,884,946</u>	<u>\$ 564,614</u>	<u>\$ 190,118</u>	<u>\$ 22,252,453</u>	<u>\$ 1,743,513</u>	<u>(\$ 4,880,699)</u>	<u>\$ 38,387,642</u>

December 31, 2017

Items	December 31, 2017		December 31, 2018				
	Gain and loss on valuation	Addition	Gain and loss on valuation	Reduction			
	Beginning balance	Purchased or issued	Other comprehensive income	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss	\$ 11,632,096	(\$ 2,362,185)	\$ -	\$ 23,267,367	\$ 411,092	(\$ 19,074,895)	(\$ 218,012)
Available-for-sale financial assets	18,933,364	1,564,163	(1,032,680)	2,005,677	272,997	(2,874,919)	(822,160)
Other financial assets- purchase of claim receivable	1,925,073	13,173	-	-	-	(45,947)	-
Total	<u>\$ 32,490,533</u>	<u>(\$ 784,849)</u>	<u>(\$ 1,032,680)</u>	<u>\$ 25,273,044</u>	<u>\$ 684,089</u>	<u>(\$ 21,995,761)</u>	<u>(\$ 1,040,172)</u>

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. As of December 31, 2018 and 2017, the gains on assets were \$825,885 and \$2,081,636, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of December 31, 2018 and 2017, the gains and (losses) on assets were \$228,769 and (\$290,041), respectively.

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

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

		December 31, 2017					
		Gain and loss on valuation		Addition		Reduction	
		Other				Transferred	
		comprehensive	Purchased	Transferred	Sold, disposed	from Level 3	
Items	Beginning	income	or issued	to Level 3	or settled	(Note)	Ending balance
Financial liabilities at fair value	balance	Gain and loss					
through profit or loss	\$ 54,420,640	(\$ 1,425,207)	\$ 2 \$ 199,956,164	\$ -	(\$ 180,622,904)	\$ 72	\$ 72,328,767

Above valuation gains and losses are recognised in gain and loss in the period. As of December 31, 2018 and 2017, the gains (losses) on liabilities were \$3,300,669 and (\$1,234,432), respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of December 31, 2018 and 2017, the gains (losses) on liabilities were \$4,488 and (\$2), respectively.

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

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

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

Items	Change in fair value recognised in current profit and loss		Change in fair value recognised in other comprehensive income	
	Favorable movements	Unfavorable movements	Favorable movements	Unfavorable movements
December 31, 2018				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 78,270	(\$ 75,744)	\$ -	\$ -
Derivative instruments	265,296	(265,296)	-	-
Financial assets at fair value through other comprehensive income	-	-	519,286	(404,236)
<u>Liabilities</u>				
Derivative instruments	\$ 265,285	(\$ 265,285)	\$ -	\$ -
December 31, 2017				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 298	(\$ 298)	\$ -	\$ -
Derivative instruments	221,664	(221,403)	-	-
Available-for-sale financial assets	-	-	90,102	(94,934)
Other financial assets- purchase of claim receivable	78,557	(78,557)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	\$ 11,464	(\$ 11,464)	\$ 1	(\$ 1)
Derivative instruments	224,930	(224,929)	-	-

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

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

December 31, 2018		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,494,741	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 0.9~10.88 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 0.73~10.88 <=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%

December 31, 2017		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Stock investments	\$ 658,680	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	11.91 ~ 21.93 1.09 ~ 4.93 <=40%
Derivative instruments (including futures and options in futures market)	12,996,783	1.Market method 2.Option Model 3.Hybrid Model 4.FDM 5.Monte Carlo Simulation 6.Equity Model by L. Anderson and D. Buffum	Price to book ratio multiple Discount for marketability Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.76 ~ 4.68 <=35% 0.35% ~ 3.60% 4.00% ~ 42.23% 0.13 ~ 0.93 0.47% ~ 7.45% 0.03% ~ 100% 20% ~ 55%
Available-for-sale financial assets				
Stock investments	17,008,436	1.Market method 2.Income method 3.Discounted cash flow 4.Residual income valuation model 5.Equity Model by L. Anderson and D. Buffum	Price to earnings ratio multiple Price to book ratio multiple Price-to-sales ratio multiplier Discount for marketability Expected growth rate Discount rate Stock price volatility Credit Spread Recovery rate	11.91 ~ 40.32 0.75 ~ 21.30 1.97 <=40% 0% ~ 2% 12.20% ~ 17.62% 13.16% ~ 57.20% 1.74% ~ 18.17% 20%
Bond investments	824,195	1.Market method 2.Hybrid Model 3.Monte Carlo Simulation 4.Equity Model by L. Anderson and D. Buffum 5.Discounted cash flow	Price to book ratio multiple Discount for marketability Credit Spread Recovery rate Stock price volatility Discount rate	0.76 ~ 4.68 <=35% 0.47% ~ 7.45% 20% 14.44% ~ 42.23% 0.67% ~ 9.15%
Other Other financial assets	213,811	Net asset value	N/A	N/A
Purchase of claim receivable	1,892,299	Recoverable amount	Contact rate Payment rate Discount rate	2.20% ~ 42.27% 1.85% ~ 42.15% 1.98% ~ 39.70%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	71,182,427	1.IR Model 2.Option Model 3.Hybrid Model 4.FDM 5.Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.35% ~ 3.60% 0.37% ~ 53.97% 0.13 ~ 0.93 0.37% ~ 0.51% 0.03% ~ 100% 25% ~ 55%
Bond issue	1,146,340	Hybrid Model	Credit Spread Discount for marketability	0% ~ 1% 0% ~ 1%

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

Except for quotations by counterparties, the Yuanta Group's risk management department is responsible for verifying that the fair value is the fair value of financial instruments classified into

Level 3. Risk management department assesses independency, reliability, consistency and representativeness of sources and inspects valuation model and valuation inputs for correction periodically to ensure that valuation procedure and results meet International Accounting Standards.

C. Financial instruments not measured at fair value

(A) Fair value information :

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

	December 31, 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	\$ -
<u>Financial liabilities</u>					
Bonds payable	66,756,009	69,575,579	-	69,575,579	-
<hr/>					
	December 31, 2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity financial assets - net (Note 1)	\$ 144,410,470	\$ 151,359,222	\$ 4,320,721	\$ 147,038,501	\$ -
Other financial assets (Note 2)	48,530,849	50,170,606	9,288,667	40,087,531	794,408
<u>Financial liabilities</u>					
Bonds payable	65,890,879	68,446,892	-	55,598,214	12,848,678

Note 1: Including the statutory deposits of \$600,000 of Yuanta Life of the Yuanta Group as of December 31, 2018 and 2017.

Note 2: The government bonds, corporate bonds, and bank debentures which are classified as debt instruments without active market.

(B) Financial valuation technique :

The assumptions and methods used to estimate the financial instruments not measured by fair value:

- a. The financial instruments such as cash and cash equivalents, due from Central Bank and call loans to other banks, investments in bills and bonds under resale agreements, receivables- net, other financial assets - net (not including debt instruments without active market), refundable deposits, due to Central Bank and other banks, payables, and deposits received. As the short maturities or future payment or receipt is close to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.
- b. Bills discounted and loans (including non-performing loans): The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to

assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

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

(3) Management objective and policy for financial risk

A. Risk management policy and structural organization

(A) The Yuanta Group's risk management organization structure includes the Board of Directors, the Audit Committee, the Risk Management Committee, senior management, the Risk Management Department, the Legal Compliance Department, the Legal Department and other business departments. The Board of Directors is the highest decision-making unit for risk management. Its primary responsibilities includes approving the Yuanta Group's risk management policy, important risk management systems, and annual risk limits, as well as supervising the enforcement of the risk management system. The Audit Committee should assist the Board of Directors in implementing its risk management responsibilities. Its primary responsibilities includes deliberating the Yuanta Group's risk management policy, important risk management systems, and annual risk limits, as well as assisting the Board of Directors in supervising the enforcement of the risk management system. The Risk Management Committee should assist the Audit Committee and Board of Directors in implementing their risk management responsibilities. Its primary responsibilities includes deliberating the annual risk limits, reviewing risk management reports, integrating and coordinating common risk management issues between subsidiaries, and promoting and communicating important risk management issues. Senior management should examine risks involved in operating activities and ensure the Yuanta Group's risk management system can thoroughly and effectively control related risks. The Risk Management Department is an independent department subordinated under the Board of Directors. The Risk Management Department's primary responsibilities includes developing the risk management system, establishing a method to effectively measure risk, establishing the risk management system, monitoring and analyzing risk and alerting

and reporting significant risks in a timely manner. The Legal Compliance department should implement legal compliance risk management. It should ensure that businesses of all units and the legal compliance risk management system comply with related regulations, as well as assist in evaluating possible legal compliance risks that all business units may be involved with. The Legal Department should implement legal risk management. It should assist in evaluating possible legal risk that business units, legal documents and contracts may be involved with. The risk management responsibilities of business departments are to comprehensively examine all risk management regulations before conducting their respective tasks and certainly comply with all risk management regulations.

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

(B) Risk management policy

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

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

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

(A) Credit risk

a. Source and definition of credit risk

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

b. Principle of credit risk management

In order to effectively consolidate credit distribution and control change in credit exposure, except for establishment of internal credit rating system and implementation of credit risk rating system, the Yuanta Group also establishes credit pre-warning program, carries out escalation procedures and effectively improves the time efficiency of credit incidence. Secondly, to benefit the control of credit risk concentration, the Yuanta Group has developed information system for significant amount exposure, which covers credit risks of credit and investment transactions, cross-

analyses and cross-consolidates by issuer and trading counterparty and monitors overall credit exposure. In addition, the Yuanta Group also involves in research and development of various credit risk model to strengthen quantitative mechanism of the Yuanta Group's credit rating. As such, the credit limits of the subsidiaries can be dynamically and reasonably allocated and transferred according to different business risks and asset characteristics.

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

c. Methods used in credit risk management

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

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

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

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

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

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

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

(b) Debt instruments investment and derivatives

The Yuanta Group manages the credit risk of debt instruments through consolidating external credit rating and internal credit rating model to establish internal credit rating system, and sets up credit limits for issuers and counterparties accordingly. Credit risk exposure of related business is consolidated for calculation to ensure that the overall credit risks are in

compliance with limits as approved by the Yuanta Group. In addition to the establishment of credit risk management and procedures, the credit risk model is also used to quantify credit risk so that credit risk can be reasonably and effectively controlled and evaluated, so can the overall credit risk be ensured within reasonable bearable capacity of the Yuanta Group's capital.

(c) Margin purchase and short sale

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

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

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

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

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

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

(b) Expected credit losses calculation

Impairment assessment is based on the calculation of expected credit losses, taking into account reasonable and supportable information about past

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

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

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

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

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

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

(A) Credit business

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

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

(B) Investments in debt instruments

At the balance sheet date, a debt instrument is considered to have significant increase in credit risk when both the internal and external

credit ratings of the credit reference subject are of non-investment grade and any one of the following conditions is met:

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

(C) Other financial assets

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

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

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

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

(A) Credit business

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

- bad debt.
 - j. Debtor has filed for bankruptcy, reorganization, or other debt clearance proceedings.
 - k. Debtor renews, extends the length of, and negotiates new payment terms on the loan in accordance with the Bankers Association Self-regulatory Rules for Debt Workouts.
 - l. Non-performing loans where a payment installment plan has been negotiated.
 - m. Loans classified as “in default” according to the Yuanta Group’s internal credit rating model.
- (B) Investments in debt instruments
 An investment in a debt instrument by the Yuanta Group is considered credit-impaired if any of the following conditions apply:
- a. Both internal and external credit ratings of the instrument are “in default.”
 - b. Principal or interest payments are not made in accordance with the agreement.
 - c. Bankruptcy, reorganization, or other debt clearance proceedings has been filed.
 - d. Other breaches of contract by the debtor as assessed on a case-by-case basis
- (C) Other financial assets
- a. Guarantee deposits: At the balance sheet date, the deposit has not been returned at maturity, and the number of past-due days is in line with the days recorded in the contract.
 - b. Call loans to (from) banks and due from the Central Bank, banks overdrafts, bills with a reverse repo and bond, commercial paper and time deposit and its interest receivable: At the balance sheet date, the date that the Yuanta Group received the payment from counterparties is over the collection date, unless the contractual terms specify it.
 - c. Remaining receivables: At the balance sheet date, the number of past-due days is over the days recorded in the contract, and receivables have been transfer to overdue receivables or have been provided the 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 12(3) for the maximum credit risk exposure of the consolidated balance sheet.

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

Bills discounted and loans

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

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.

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

December 31, 2018	Collateral (Note)	Net-settled general agreement	Total
<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
December 31, 2017	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables-other	\$ 414,139	\$ -	\$ 414,139
Bills discounted and loans	540,667,837	-	540,667,837
Financial assets at fair value through profit or loss	2,303,750	1,561,959	3,865,709
<u>For accounts off the balance sheet</u>			
Unused loan commitments	8,674,365	-	8,674,365
Unused credit commitment	116,779	-	116,779
Guarantees (including for non-performing loans)	6,478,887	-	6,478,887

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	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Privately owned businesses	\$ 665,559,450	31.06	\$ 628,005,869	29.72
Natural person	511,277,129	23.86	534,843,909	25.31
Financial institutions	554,322,458	25.87	519,525,208	24.59
Governmental institutions	401,765,394	18.75	416,027,230	19.69
Government-owned businesses	6,087,029	0.29	11,058,598	0.52
Others	3,566,900	0.17	3,581,146	0.17
Total	<u>\$ 2,142,578,360</u>	<u>100.00</u>	<u>\$ 2,113,041,960</u>	<u>100.00</u>

(b) Geographic location:

Geography location	December 31, 2018		December 31, 2017	
Taiwan	\$ 1,402,200,591		\$ 1,393,009,059	
Asia	537,021,420		453,904,701	
America	120,785,286		163,687,853	
Europe	65,047,965		77,618,815	
Oceania	17,336,638		24,496,221	
Africa	186,460		325,311	
Total	<u>\$ 2,142,578,360</u>		<u>\$ 2,113,041,960</u>	

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

(a) Credit business

For the year ended December 31, 2018, the reconciliation of the balance of allowance for bad debt is as follows:

Bills discounted and loans

Year ended December 31, 2018	12-month (Stage 1) expected credit losses	Lifetime (Stage 2) expected credit losses	Lifetime (Stage 3) expected credit losses	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Beginning balances	\$ 2,241,937	\$ 1,666,388	\$ 5,171,095	\$ 9,079,420	\$ 5,404,768	\$ 14,484,188
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(5,404)	6,343	939	-	-	-
-Transferred to credit-impaired financial asset	(17,935)	6,776	24,711	-	-	-
-Transferred to 12-month expected credit losses	170,933	32,806	138,127	-	-	-
-Financial assets derecognised in the current period	(741,317)	50,648	835,061	(1,627,026)	-	(1,627,026)
Impairment allowance for purchased or originated financial assets	658,707	44,352	363,124	1,066,183	-	1,066,183
Differences in impairment 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	-	-	-	-	1,417,283	1,417,283
Write-off as bad debt	(295,498)	181,729	1,327,689	(1,804,916)	-	(1,804,916)
Change in exchange and others	(253,437)	533,452	858,168	71,279	-	71,279
Ending balances	\$ 1,757,986	\$ 911,672	\$ 4,115,282	\$ 6,784,940	\$ 6,822,051	\$ 13,606,991

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

Bills discounted and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
The beginning balances	\$ 760,186,319	\$ 4,991,775	\$ 8,935,481	\$ 774,113,575
Changes from financial instruments recognised at the beginning:				
-Transferred to lifetime expected credit losses	(1,551,816)	1,553,281	(1,465)	-
-Transferred to credit-impaired financial asset	(2,011,420)	405,095	2,416,515	-
-Transferred to 12-month expected credit losses	4,191,520	(602,660)	332,770	3,256,090
-Financial assets derecognised in the current period	(278,391,242)	2,669,218	(1,571,110)	282,631,570
Impairment allowance for purchased or originated financial assets	331,133,277	2,246,809	612,662	333,992,748
Write-off as bad debt	(295,498)	181,729	(1,327,676)	(1,804,903)
Change in exchange and others	(41,562,258)	(208,801)	(633,595)	(42,404,654)
The ending balances	\$ 771,698,882	\$ 4,724,362	\$ 8,098,042	\$ 784,521,286

(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 December 31, 2018, the carrying amount of accounts receivable amounted to \$24,858,008, and the loss allowance is \$10,214 if taking into consideration the expected credit loss rate. For the year ended December 31, 2018, movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, are as follows:

	For the year ended December 31, 2018
January 1–IFRS 9	(\$ 8,086)
Provision for impairment	(2,128)
December 31	(\$ 10,214)

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

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	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	Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual 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
Year ended December 31, 2018	\$ 229,244	\$ 85,311	\$ 1,999,498	\$ 2,314,053	\$ 73,213	\$ 2,387,266	
Beginning balances							
Changes from financial instruments recognised at the beginning:							
-Transferred to lifetime expected credit losses	(221)	2,836	(2,615)	-	-	-	
-Transferred to credit-impaired financial asset	(101)	891	992	-	-	-	
-Transferred to 12-month expected credit losses	68,151	(24,644)	43,507	-	-	-	
-Financial assets derecognised in the current period	(23,876)	(3,145)	(17,014)	(44,035)	(-)	(44,035)	
Impairment allowance for purchased or originated financial assets	11,933	6,821	19,092	37,846	-	37,846	
Differences in impairment 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	-	-	-	-	26,161	26,161	
Write-off as bad debt	(85,332)	(27,211)	(84,217)	(196,760)	(-)	(196,760)	
Change in exchange and others	(29,331)	81,261	851,260	903,190	-	903,190	
Ending balances	\$ 170,467	\$ 120,338	\$ 2,723,489	\$ 3,014,294	\$ 99,374	\$ 3,113,668	

For the year ended December 31, 2018, there were no significant changes to the relate carrying amounts of allowance for bad debt for accounts receivable and other financial assets.

(c) Guarantee reserve and Loan commitment reserve

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Year ended December 31, 2018	\$ 94,717	\$ 7,794	\$ 64,956	\$ 167,467	\$ 162,925	\$ 330,392
Beginning balances						
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(46)	56	(10)	-	-	-
-Transferred to credit-impaired financial asset	(1)	-	1	-	-	-
-Transferred to 12-month expected credit losses	4,559	(4,139)	(420)	-	-	-
-Financial assets derecognised in the current period	(57,097)	(3,214)	(22,027)	(82,338)	-	(82,338)
Impairment allowance for purchased or originated financial assets	24,486	1,294	15,110	40,890	-	40,890
Differences in impairment 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	-	-	-	-	(37,451)	(37,451)
Change in exchange and others	(10,266)	17,711	(1,786)	5,659	-	5,659
Ending balances	\$ 56,352	\$ 19,502	\$ 55,824	\$ 131,678	\$ 125,474	\$ 257,152

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

(d) Bills and bonds investments

For the year ended December 31, 2018, the beginning balances of the accumulated impairment of financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost were \$140,469 and \$119,664, respectively; the ending balances were \$93,376 and \$142,478, respectively. The changes are attributed to changes in 12-month expected credit losses and were immaterial. In addition, there were no material changes to the related total carrying amounts.

(B) Market risk

a. Source and definition of risk

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

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

b. Risk management principle

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

c. Market risk assessment

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

VaR for a trading purpose:

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

Instrument type	For the year ended December 31, 2017			
	December 31, 2017	VaR Average	VaR Minimum	VaR Maximum
Interest rate	101,509	126,841	90,333	155,881
Equity securities	190,007	260,444	171,953	347,005
Foreign exchange	323,081	245,580	192,063	352,967
Commodity	16,617	24,096	7,969	129,582
Less: diversification effects	(186,600)	(225,044)	-	-
Total VaR	444,614	431,917	333,092	503,713

- (b) Non-trading purpose

Sensitivity analysis on interest rate:

	Interest rate shift	December 31, 2018	December 31, 2017
		Effect on other comprehensive income	Effect on other comprehensive income
Financial assets at fair value through other comprehensive income/available-for-sale financial assets-Bonds			
Yuanta Bank	Increase of 1 basis point	(\$ 17,288)	(\$ 25,732)
Yuanta Life	Increase of 1 basis point	(20,987)	(31,579)

- d. As of December 31, 2018 and 2017, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

	December 31, 2018		December 31, 2017	
	Carrying amount		Carrying amount	
	USD position	(NTD)	USD position	(NTD)
Foreign currency denominated financial assets				
Cash and cash equivalents	\$ 623,826	\$ 19,172,103	\$ 565,102	\$ 16,822,917
Financial assets at fair value through profit or loss	1,016,769	31,248,366	1,004,251	29,974,876
Financial assets at fair value through other comprehensive income	2,290,549	70,395,438	-	-
Held-to-maturity financial assets	-	-	2,786,242	83,163,756
Amortized cost financial assets	4,199,961	129,077,388	-	-
Bills discounted and loans	2,879,879	88,507,343	2,966,829	88,553,919
Foreign currency denominated financial liabilities				
Bills and bonds payable under repurchase agreements	1,153,667	35,455,638	1,334,315	39,826,638
Deposits and remittances	3,981,328	122,358,220	4,702,896	140,327,792
Other liabilities	570,907	17,545,695	553,396	16,517,772

Note: As of December 31, 2018 and 2017, USD to TWD exchange rates were 30.733 and 29.848, respectively.

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

	December 31, 2018		December 31, 2017	
	Carrying amount		Carrying amount	
	KRW position	(NTD)	KRW position	(NTD)
Effect on profit or loss				
Financial assets				
Cash and cash equivalents	\$ 580,352,736	\$ 16,249,877	\$ 637,072,906	\$ 17,774,334
Financial assets at fair value through profit or loss	2,377,560,734	66,571,701	2,644,460,498	73,780,448
Financial assets at fair value through other comprehensive income	175,973,792	4,927,266	-	-
Accounts receivable	150,048,003	4,201,344	304,848,612	8,505,276
Prepayments and other receivables	49,702,448	1,391,669	48,043,787	1,340,422
Other current assets	230,343,884	6,449,629	223,321,861	6,230,680
Non-current assets	581,049,219	16,269,378	656,756,945	18,323,519
Financial liabilities				
Financial liabilities at fair value through profit or loss	1,283,614,306	35,941,201	1,907,149,701	53,209,477
Bonds sold under repurchase agreements	3,631,148,556	101,672,160	3,267,723,425	91,169,484
Guarantee deposit-in and margin deposits	2,542,806	71,199	2,571,171	71,736
Other current liabilities	259,060,857	7,253,704	161,425,771	4,503,779
Non-current liabilities	98,656,643	2,762,386	154,469,886	4,309,710
Effect on profit or loss and equity				
Financial assets				
Equity investments accounted for under the equity method	67,316,543	1,884,863	52,486,779	1,464,381

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

(C) Liquidity risk

a. Source and definition of liquidity risk

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

b. Risk management principle

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

c. Assessment on liquidity risk

(a) Set up liquidity risk indicator and warning in order to control adverse element to the liquidity. At the same time, analysis and appropriate measures are made to mitigate the extent of effects.

(b) Assessments are regularly made to the assets and liabilities denominated in major currencies on the balance sheet and the cash inflow, cash outflow and liquidity gap off the balance sheet by different time period.

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

(a) Financial assets held for liquidity risk management

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

(b) Maturity analysis on non-derivative assets and liabilities

The following table illustrates the analysis made on cash outflow of non-derivative financial assets and liabilities of the Yuanta Group by the remaining maturity from the consolidated balance sheet date to the contract expiration date. While the amounts disclosed in the table are not made based on the consolidated cash flow, certain accounts may differ from the responding accounts in the

balance sheet.

(c) Maturity analysis on derivative financial assets and financial liabilities by date

i. Derivative financial instruments settled on a net basis

Derivative financial instruments of the Yuanta Group settled on a net basis include: equity options, non-delivery forward, interest swap settled by net cash flow and other interest contract.

ii. Derivative financial instruments settled on a gross basis.

Derivative financial instruments of the Yuanta Group settled on a gross basis include: FX options, foreign exchange forward contract, cross currency swaps, and foreign exchange swaps.

The following table illustrates the analysis made on cash inflow and outflow of financial assets and financial liabilities held by the Yuanta Group for liquidity risk management of major currencies by the remaining maturity from the financial reporting date to the contract expiration date.

(BLANK)

December 31, 2018

	December 31, 2018			
	0-90 days	91 days-1 year	Over 1 year	Total
Financial assets				
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	71,275,342	25,901,018	-	97,176,360
Cash outflow	(69,942,555)	(25,316,917)	-	(95,259,472)
Net settlement	1,048,295	499,343	2,035,859	3,583,497
Total	\$ 890,772,139	\$ 274,210,683	\$ 1,054,036,745	\$ 2,219,019,567
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	380,213,541	23,373,208	324,309,830	79,276,919
Other liabilities	34,179,110	1,449,470	2,381,972	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	\$ 1,180,658,060	\$ 487,323,923	\$ 53,635,481	\$ 1,721,617,464

December 31, 2017

	December 31, 2017		
	0-90 days	91 days-1 year	Over 1 year
Financial assets			
Non-derivative financial instruments			
Cash and cash equivalents	\$ 62,546,422	\$ 1,362,519	\$ 98,629
Due from Central Bank and call loans to other banks	34,723,838	10,088,513	9,578,599
Financial assets at fair value through profit or loss	337,411,059	36,060,440	59,195,364
Available-for-sale financial assets	136,767,685	35,308,708	223,440,402
Investments in bills and bonds under resale agreements	34,824,282	3,678	-
Receivables	140,586,585	33,740,311	2,407,778
Bills discounted and loans	141,011,788	149,122,493	483,979,294
Reinsurance assets	435,887	-	-
Held-to-maturity financial assets	2,569,597	2,596,169	138,644,704
Restricted assets	-	-	2,722,678
Other financial assets	39,996,265	1,992,088	52,161,935
Other assets	16,954,966	5,813,116	5,867,387
Derivative financial instruments			
Financial assets at fair value through profit or loss			
Gross settlement	16,688,949	3,641,627	1,158,754
Cash inflow	(15,530,585)	2,501,629	-
Cash outflow	623,507	473,010	540,853
Net settlement	\$ 949,610,245	\$ 277,701,043	\$ 979,796,377
Total			\$ 2,207,107,665
Financial liabilities			
Non-derivative financial instruments			
Due to Central Bank and other banks	\$ 9,797,387	\$ 3,712,775	\$ 10,000
Financial liabilities at fair value through profit or loss	9,317,142	7,249,381	2,684,468
Bills and bonds payable under repurchase agreements	126,209,351	34,380,971	36,510,867
Commercial paper payable	44,658,638	45,449	-
Payables	157,121,053	11,043,289	541,029
Deposits and remittances	365,544,964	390,472,947	300,006,378
Bonds payable	13,143,088	9,439,399	43,233,271
Other borrowings	71,403,717	351,054	-
Other financial liabilities	51,543,490	6,081,888	12,473,536
Other liabilities	26,527,964	980,632	2,144,932
Derivative financial instruments			
Financial liabilities at fair value through profit or loss			
Gross settlement	(18,516,789)	(5,144,437)	(603,317)
Cash inflow	19,762,484	6,222,774	1,785,898
Cash outflow	3,053	2,973	237,643
Net settlement	\$ 876,515,542	\$ 464,839,095	\$ 399,024,705
Total			\$ 1,740,379,342

Maturity analysis for above deposits and remittances are amortised to each period based on historical experience. Given that all the deposits and remittances have to be paid in the shortest possible time, As of December 31, 2018 and 2017, expenses on period of 0-90 days will increase by \$361,186,676 and \$370,082,218, respectively.

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

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

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

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

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

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

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

	December 31, 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)	1,351,874	3,045,035	3,438,511	7,835,420
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

	December 31, 2017			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 32,878,194	\$ 8,046,202	\$ 101,356	\$ 41,025,752
Non-revocable credit card commitments	127,163,399	272,946	461,319	127,897,664
Unused credit commitment	4,863,673	-	-	4,863,673
Guarantees	23,255,122	1,991,505	7,140	25,253,767
Lease contract commitment				
Operating lease expense (lessee)	1,338,544	2,995,111	83,337	4,416,992
Operating income (lessor)	93,882	120,520	-	214,402
Total financial lease expense (lessee)	472	79	-	551
Financial lease expense at present value (lessee)	472	52	-	524
Total financial lease income (lessor)	34,918	42,312	-	77,230
Financial lease income at present value (lessor)	32,653	37,603	-	70,256
Capital expenditure commitment	330,916	122,262	-	453,178

(D) Transfer of financial assets

Transferred financial assets not fully derecognised

A. The Yuanta Group has financial assets that are fully or partially derecognised through transactions of transfer of financial assets to others. When the Yuanta Group receives the contract right of cash flow from the financial assets, or retains the above rights but bears obligation to pay the cash flow to one or more recipients and the risks and compensation of rights are mostly transferred, the assets should be derecognised. If the Yuanta Group still retains most of the risks and compensation of rights, the Yuanta Group should continue recognise the financial assets. If the Yuanta Group does not transfer or retains most of the risks and compensation of rights and maintains control over the assets, the Yuanta Group should continue recognise the part of financial assets that are involved.

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

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

December 31, 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
December 31, 2017		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 10,508,423	\$ 9,547,733
Bond sold under repurchase agreements	203,906,676	197,101,189

(E) Offsetting financial assets and financial liabilities

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

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

A. Financial assets

December 31, 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

December 31, 2017

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements							
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)			Net amount (e)=(c)-(d)
				Financial instruments (Note 2)	Cash collateral received		
Derivative instruments	\$ 9,726,186	\$ -	\$ 9,726,186	\$ 6,491,296	\$ 1,527,039		\$ 1,707,851
Bonds purchased under resale agreements	34,827,960	-	34,827,960	34,337,060	490,805		95

B. Financial liabilities

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)			Net amount (e)=(c)-(d)
				Financial instruments (Note 3)	Cash collateral received		
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		-

December 31, 2017

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements							
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial assets set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)			Net amount (e)=(c)-(d)
				Financial instruments (Note 3)	Cash collateral received		
Derivative instruments	\$ 11,517,641	\$ -	\$ 11,517,641	\$ 8,127,795	\$ 1,923,966		\$ 1,465,880
Bonds sold under repurchase agreements	197,101,189	-	197,101,189	196,910,430	35,715		155,044

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.

A. Management of insurance risk

i. Risk management of policy underwriting

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

ii. Risk management of payment of claims

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

iii. Risk of product designing and pricing

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

b. Insurance risk concentration

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

c. Liability adequacy test

According to the relevant insurance regulation, the assumption factors adopted have been locked-in during pricing. However, the assumption may vary from the actual experience as time goes by. Pursuant to IFRS 4, ‘Insurance contracts’, the Yuanta Group should perform liability adequacy test accordingly to determine whether or not the recognised insurance liability is adequate. In respect of overall insurance contracts of the Yuanta Group As of December 31, 2018 and 2017, the liabilities will still be adequate on the assumption that the mortality, lapse, and expense rates all change by 10% and inflation rate changes by 1%.

If the discount rate of the liability adequacy test decreases by 10 basis points, the liability recognised is still deemed to be adequate and should not influence income before tax and other comprehensive income. If the discount rate of the adequacy test decreases significantly, the change would impact income before tax and other comprehensive income.

d. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risks primarily refer to the risk of a reinsurer’s failure to fulfil its obligations on the ceded business, which leads to its inability to share its stake of the

premiums, claims and other expenses. To manage this risk, the Yuanta Group will, all conditions being equal, foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance with the reinsurance risk management plan as set by the Yuanta Group. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees shall be paid on a net basis by deducting any receivables or share of payments recoverable from the reinsurer. In addition, the Yuanta Group will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Yuanta Group to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

After ceding the business, the Yuanta Group will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer leading to its failure to meet the minimum requirement of being an eligible reinsurer as stipulated by the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”, the Yuanta Group will disclose reinsurance reserve as required to monitor the adverse impacts from the downgraded reinsurer on the Yuanta Group.

Currently, the credit ratings of all reinsurance counterparties of the Yuanta Group have met the eligibility standards as stipulated by the regulations.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the Yuanta Group’s failure to realise the assets or to obtain sufficient funding in time to fulfil its obligations on insurance benefits payment. To manage the risk, the Yuanta Group regularly conducts maturity analysis on the insurance contracts and reviews the matching of assets and liabilities.

The table below shows the net liability cash flow analysis on the insurance portfolio of the Yuanta Group by maturity (excluding net cash flow from investing activities). The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future time point. The future actual amounts may vary as the actual experience may be different from the expected amounts.

Net cash flows used in (provided by) the insurance contracts:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than 1 year	(\$ 27,554,212)	(\$ 23,176,211)
1 ~5 years	10,217,813	(15,764,816)
5 ~15 years	82,539,172	78,131,729
More than 15 years	<u>473,006,357</u>	<u>440,488,107</u>
Total	<u>\$ 538,209,130</u>	<u>\$ 479,678,809</u>

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

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

(c) Market risk

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by

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

(4) Capital adequacy ratio:

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

Expressed In Thousands of New Taiwan Dollars

Financial Holding Company	Shareholding Ratio	December 31, 2017	
		Eligible capital	Minimum capital
Financial holding company	-	\$ 211,166,258	\$ 242,046,215
Bank subsidiaries	100.00%	126,838,489	77,995,459
Securities and Securities Finance subsidiaries	100.00%	52,283,752	22,585,913
Insurances subsidiaries	100.00%	9,253,636	5,907,844
Futures subsidiaries	68.65%	5,126,497	2,669,956
Venture capital subsidiaries	100.00%	2,267,379	1,124,332
Securities Investment Trust subsidiaries	72.20%	2,950,944	1,728,828
Other subsidiaries	100.00%	2,118,550	1,803,600
Deduction items		(256,761,312)	(239,302,171)
Subtotal		\$ 155,244,193	\$ 116,559,976
Capital adequacy ratio of the Consolidated Company		133.19%	

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

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

As of December 31, 2017, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 118,891,975
Additional paid-in capital	37,960,694
Legal reserve	9,100,767
Special reserve	6,549,234
Accumulated earnings	35,275,652
Other equity	4,554,385
Less: goodwill and other intangible assets	(4,453)
Less: deferred assets	(25,043)
Less: treasury shares	(1,136,953)
Total net eligible capital	\$ 211,166,258

(5) In accordance with Article 46 of the Financial Holding Company Act, the following table represents

the Company and its subsidiaries' provision of business credit or endorsements to, or other transactions with, the same individual, the same related party, or the same affiliated company.

(Expressed In Millions of New Taiwan Dollars)

December 31, 2018

Name	Total of business credit,	
	endorsements, or other transactions	Percentage of net value of the company (%)
Central Bank, R.O.C	\$ 120,269	54.92
Central Government, R.O.C	108,902	49.73
Hon Hai Precision Ind. Co., Ltd.	18,193	8.31
Taiwan Semiconductor Manufacturing Co., Ltd.	10,032	4.58
Chailease Finance Co., Ltd.	9,207	4.20
Taiwan Mobile Co., Ltd.	9,198	4.20
Far Eastern New Century Corporation	9,002	4.11
Cathay Financial Holding Co., Ltd.	8,940	4.08
Allianz Global Investors GmbH	8,512	3.89
HSBC Bank (Taiwan) Limited	8,068	3.68
China Steel Corporation	7,722	3.53
Highwealth Construction Corp.	7,260	3.31
CTBC Financial Holding Co., Ltd.	7,205	3.29
YangMing Marine Transport Corp.	6,891	3.15
Cheng Shin Rubber Ind., Co., Ltd.	6,760	3.09
Taiwan Power Company	6,373	2.91
Yuan Ding Investment Corp.	6,186	2.82
Dragon Steel Corporation	6,177	2.82
Taiwan Cement Corporation	6,059	2.77
China Airlines Ltd.	5,857	2.67
Shin Kong Financial Holding Co.,Ltd.	5,290	2.42
Nan Ya Plastics Corporation	5,141	2.35
Fubon Financial Holding Co., Ltd.	5,137	2.35
Taiwan Depository & Clearing Corporation	5,020	2.29
Formosa Plastics Corporation	5,013	2.29
Hua Nan Financial Holdings Co., Ltd.	4,889	2.23
Formosa Group (Cayman) Limited	4,843	2.21
EVA Airways Corporation	4,767	2.18
Shuohe Development Co., Ltd.	4,745	2.17
The Goldman Sachs Group, Inc.	4,621	2.11
JPMorgan Asset Management (Taiwan) Limited	4,556	2.08
Taiwan Futures Exchange	4,555	2.08
Far Eastone Telecommunications Co., Ltd.	4,143	1.89
USI Corporation	4,024	1.84
Chang Chun Petrochemical Co., Ltd.	4,008	1.83

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

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Taipei Financial Center Corp.	\$ 3,954	1.81
China Development Financial Holding Corp.	3,776	1.72
Nomura Asset Management Taiwan Limited	3,769	1.72
The Export-Import Bank of the Republic of China	3,700	1.69
Wavely Logistics Limited., Taiwan Branch	3,500	1.60
Asia Cement Corporation,	3,414	1.56
Fidelity Securities Investment Trust	3,354	1.53
Rich Development Inc.	3,317	1.51
JP Morgan Chase & Co	3,276	1.50
Fina Finance & Trading Co., Ltd	3,264	1.49
Radium Life Tech Co., Ltd.	3,213	1.47
Evergreen Marine Corp.	3,019	1.38
Total	489,121	223.36
Same related party:		
Mr. Fang and its related parties	10,042	4.59
Mr. Wu and its related parties	9,172	4.19
Mr. Ding and its related parties	7,047	3.22
Mr. Lin and its related parties	6,194	2.83
Mr. Lin and its related parties	6,105	2.79
Mr. Lin and its related parties	6,096	2.78
Mr. Huang and its related parties	6,004	2.74
Mr. Chen and its related parties	5,524	2.52
Mr. Song and its related parties	4,806	2.19
Mr. Chen and its related parties	4,690	2.14
Mr. He and its related parties	4,597	2.10
Mr. Wei and its related parties	4,083	1.86
Mr. Chang and its related parties	3,958	1.81
Mr. Chang and its related parties	3,748	1.71
Mr. Chang and its related parties	3,604	1.65
Mr. Kuo and its related parties	3,588	1.64
Mr. Lin and its related parties	3,568	1.63
Mr. Yang and its related parties	3,455	1.58
Mr. Yang and its related parties	3,429	1.57
Mr. Yang and its related parties	3,424	1.56
Mr. Zhong and its related parties	3,222	1.47
Mr. Chen and its related parties	3,020	1.38
Total	109,376	49.95
Same affiliated company:		
Far Eastern Group	23,928	10.93
Foxconn Technology Group	22,706	10.37
Formosa Plastic Group	20,842	9.52
Fubon Group	17,402	7.95
China Steel Corporation Group	14,980	6.84
Cathay Holdings Group	14,608	6.67
Chailease Group	13,856	6.33
CTBC Financial Holding Group	10,271	4.69
Taiwan Semiconductor Group	10,070	4.60
Shin Kong Group	8,521	3.89
Evergreen Group	8,376	3.82

(Expressed In Millions of New Taiwan Dollars)		
December 31, 2018		
Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same affiliated company:		
Yulon Group	\$ 7,478	3.41
Cheng Shin Group	7,375	3.37
HIGHWEALTH Group	7,370	3.37
Yang Ming Marine Transport Group	7,192	3.28
Taiwan Cement Group	7,118	3.25
Hua Nan Financial Holdings Group	6,839	3.12
China Development Group	6,267	2.86
China Airlines Group	5,974	2.73
CHANG CHUN Group	5,011	2.29
USI Group	4,525	2.07
Sinar Mas Group	4,352	1.99
Lealea Group	4,234	1.93
ASE Group	4,029	1.84
Taiwan Broadband (TBC) Group	3,777	1.72
RGE Group	3,539	1.62
Radium Life Tech Group	3,504	1.60
Vedan Group	3,482	1.59
Yong Feng Yu Group	3,396	1.55
BenQ Group	3,185	1.45
Uni-President Enterprises Group	3,001	1.37
Total	<u>267,208</u>	<u>122.02</u>
	<u>\$ 865,705</u>	<u>395.33</u>
(Expressed In Millions of New Taiwan Dollars)		
December 31, 2017		
Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Central Bank, R.O.C	\$ 141,903	67.19
Central Government, R.O.C	124,836	59.11
Hon Hai Precision Ind. Co., Ltd.	15,104	7.15
Taiwan Power Company	10,428	4.94
Taiwan Semiconductor Manufacturing Co., Ltd.	9,555	4.52
Allianz Global Investors GmbH	9,518	4.51
Cpc Corporation, Taiwan	8,229	3.90
Far Eastern New Century Corporation	7,864	3.72
CTBC Financial Holding Co., Ltd.	7,429	3.52
Cheng Shin Rubber Ind., Co., Ltd.	7,286	3.45
Taiwan Mobile Co., Ltd.	7,059	3.34
Micron Technology, Inc.	6,500	3.08
China Steel Corporation	6,328	3.00
Chailease Finance Co., Ltd.	6,320	2.99
Cathay Financial Holding Co., Ltd.	5,943	2.81
Fubon Financial Holding Co., Ltd.	5,880	2.78

(Expressed In Millions of New Taiwan Dollars)

December 31, 2017

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Radium Life Tech Co., Ltd.	\$ 5,865	2.78
JPMorgan Asset Management (Taiwan) Limited	5,837	2.76
Dragon Steel Corporation	5,663	2.68
Formosa Plastics Corporation	4,932	2.33
Shin Kong Financial Holding Co.,Ltd.	4,885	2.31
Nomura Asset Management Taiwan Limited	4,869	2.30
Yuan Ding Investment Corp.	4,689	2.22
Nan Ya Plastics Corporation	4,680	2.22
China Airlines Ltd.	4,517	2.14
The Export-Import Bank of Korea	4,063	1.92
The Export-Import Bank of the Republic of China	3,899	1.85
First Financial Holding Co.,Ltd.	3,892	1.84
FIL Securities Investment Trust Co., (Taiwan)	3,793	1.80
Taiwan Futures Exchange	3,718	1.76
Highwealth Construction Corp.	3,673	1.74
The Goldman Sachs Group, Inc.	3,627	1.72
United Microelectronics Corporation	3,540	1.68
Far Eastone Telecommunications Co., Ltd.	3,519	1.67
USI Corporation	3,514	1.66
Wavely Logistics Limited., Taiwan Branch	3,500	1.66
Chang Chun Petrochemical Co., Ltd.	3,499	1.66
Mega Financial Holding Company Ltd.	3,476	1.65
Yeashin Inter. Development Co., Ltd.	3,419	1.62
Rich Development Co., Ltd.	3,227	1.53
EVA Airways Corporation	3,219	1.52
Taiwan Depository & Clearing Corporation	3,218	1.52
International Bills Finance Corporation	3,038	1.44
Total	489,953	231.99
Same related party:		
Mr. Fang and its related parties	9,589	4.54
Mr. Lin and its related parties	6,202	2.94
Mr. Chung and its related parties	5,875	2.78
Mr. Lin and its related parties	5,698	2.70
Mr. Ding and its related parties	5,087	2.41
Mr. Wang and its related parties	5,063	2.40
Mr. Huang and its related parties	4,960	2.35
Mr. Chang and its related parties	3,905	1.85
Mr. Cheng and its related parties	3,860	1.83
Mr. He and its related parties	3,737	1.77
Mr. Kuo and its related parties	3,602	1.70
Mr. Song and its related parties	3,259	1.54
Mr. Yeh and its related parties	3,170	1.50
Total	64,007	30.31
Same affiliated company:		
Formosa Plastic Group	20,314	9.62
Far Eastern Group	19,237	9.11
Foxconn Technology Group	18,929	8.96

(Expressed In Millions of New Taiwan Dollars)

December 31, 2017

Name	Total of business credit,	
	endorsements, or other transactions	Percentage of net value of the company (%)
Same affiliated company:		
Fubon Group	16,037	7.59
Cathay Holdings Group	14,156	6.70
China Steel Corporation Group	12,895	6.11
CTBC Financial Holding Group	11,781	5.58
Taiwan Semiconductor Group	9,747	4.62
Chailease Group	9,730	4.61
Cheng Shin Group	7,983	3.78
Shin Kong Group	7,675	3.63
Radium Life Tech Group	6,138	2.91
Evergreen Group	5,905	2.80
Sinar Mas Group	5,590	2.65
Mega Holdings Group	5,401	2.56
First Financial Holding Group	5,283	2.50
CHANG CHUN Group	4,999	2.37
China Development Group	4,856	2.30
China Airlines Group	4,634	2.19
UMC Group	4,610	2.18
ASE Group	4,280	2.03
Hua Nan Financial Holding Group	4,125	1.95
YeaShin Group	4,088	1.94
USI Group	4,074	1.93
Taiwan Cement Group	3,769	1.78
HIGHWEALTH Group	3,703	1.75
Mercuries & Associates Holding Group	3,596	1.70
Uni-President Enterprises Group	3,571	1.69
Lealea Group	3,524	1.67
Waterland Holdings Group	3,418	1.62
Yang Ming Marine Transport Group	3,264	1.55
Yong Feng Yu Group	3,092	1.46
Supreme Electronics Group	3,009	1.42
Total	243,413	115.26
	\$ 797,373	377.56

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

None.

(7) Information for discontinued operations:

Please refer to Note 6(8).

(8) Major operating assets or liabilities transferred from (or to) other financial institutions:

None.

(9) Allocation of expenses between the Company and its subsidiaries and among subsidiaries

According to Article 7 of the Yuanta Group's Cross-Marketing Management System, contracts regarding legal responsibility and the allocation method for expenses arising from the mutual use of business facilities and cross-sales between the Company's subsidiaries should be formulated and signed.

(10) Information for private placement securities:

Please refer to Note 6(28).

(11) Financial information by business segments

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

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

Information by business segments for the year ended December 31, 2017 is as follows:

Item	(Expressed in Thousands of New Taiwan Dollars)						
	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income	\$ 12,628,738	\$ 2,420,846	\$ 298,779	\$ 604,141	\$ 5,287,759	\$ 1,818,016	\$ 23,058,279
Net non-interest income	7,948,127	28,142,774	1,707,042	137,435	30,039,379	2,751,882	70,726,639
Net profit	20,576,865	30,563,620	2,005,821	741,576	35,327,138	4,569,898	93,784,918
Provision for bad debt expenses and guarantee policy reserve	(320,274)	(219,196)	-	(1,119)	(1,303)	(204,879)	(746,771)
Net change in provisions for insurance liabilities	-	-	-	-	(34,056,172)	160,294	(33,895,878)
Operating expenses	(12,611,213)	(21,469,568)	(991,019)	(145,536)	(1,179,880)	(2,329,609)	(38,726,825)
Net income from continuing operations before income tax	7,645,378	8,874,856	1,014,802	594,921	89,783	2,195,704	20,415,444
Income tax (expense) benefits	(1,487,354)	(751,884)	(151,814)	(134,733)	635,112	(668,659)	(2,559,332)
Loss from discontinued operations, net of tax	(324,433)	-	-	-	-	(27,624)	(352,057)
Consolidated income, net of tax	\$ 5,833,591	\$ 8,122,972	\$ 862,988	\$ 460,188	\$ 724,895	\$ 1,499,421	\$ 17,504,055

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

A. Yuanta Financial Holding Co., Ltd.

Yuanta Financial Holding Co., Ltd.
Individual Balance Sheets
December 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY	December 31, 2018	December 31, 2017
ASSETS					
Cash and cash equivalents	\$ 6,536,303	\$ 2,366,899	Commercial paper payable - net	\$ -	\$ 5,092,029
Available-for-sale financial assets - net	-	19,266	Payables	5,468,073	4,833,787
Financial assets at fair value through profit or loss	22,178	-	Current income tax liabilities	3,150,049	3,851,645
Receivables - net	393,782	-	Bonds payable	26,750,000	19,750,000
Current income tax assets	1,931,398	2,692,388	Liabilities reserve	39,608	38,203
Equity investments accounted for under the equity method - net	808,780	327,604	Other liabilities	10,786	8,796
Property and equipment - net	244,642,213	239,302,171	Total liabilities	<u>35,418,516</u>	<u>33,574,460</u>
Intangible assets - net	21,586	26,516			
Deferred income tax assets	7,249	4,453	Equity		
Other assets - net	6,464	5,874	Common stock	116,862,325	118,891,975
			Additional paid-in capital	37,200,416	37,960,694
			Retained earnings		
			Legal reserve	10,721,262	9,100,767
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	42,843,847	35,275,652
			Other equity	5,006,084	4,554,385
			Treasury shares	(197,606)	(1,136,953)
			Total equity	<u>218,985,562</u>	<u>211,195,754</u>
Total assets	<u>\$ 254,404,078</u>	<u>\$ 244,770,214</u>	Total liabilities and equity	<u>\$ 254,404,078</u>	<u>\$ 244,770,214</u>

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

	For the years ended December 31,	
	2018	2017
Revenues		
Share of the profit or loss of associates and joint ventures accounted for using the equity method	\$ 19,979,027	\$ 17,800,029
Realised gain on available-for-sale financial assets	-	439
Fair value through other comprehensive income financial assets	974	-
Other revenues	150,747	51,315
	20,130,748	17,851,783
Expenses and losses		
Operating expenses	(751,302)	(613,416)
Loss on financial assets at fair value through profit or loss	-	(190)
Other expenses and losses	(227,426)	(664,948)
	(978,728)	(1,278,554)
Income from continuing operations before income tax	19,152,020	16,573,229
Income tax expense	(472,812)	(368,281)
Net income	18,679,208	16,204,948
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss (net of tax)		
Loss on remeasurements of defined benefit plans	(951)	(3,076)
Evaluation gains on investments in equity instruments measured at fair value through other comprehensive income	2,912	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	2,496,190	(355,017)
Components of other comprehensive income that will be reclassified to profit or loss (net of tax)		
Unrealised gain (loss) on valuation of available-for-sale financial assets	-	2,283
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	(4,203,603)	30,831
Other comprehensive loss	(1,705,452)	(324,979)
Total comprehensive income	\$ 16,973,756	\$ 15,879,969
Earnings per share (in dollars)		
Basic and diluted earnings per share	\$ 1.59	\$ 1.37

Yuantia Financial Holding Co., Ltd.
Individual Statement of Change in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings				Other equity				Treasury shares	Total equity			
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain (loss) on financial assets measured at fair value through other	Unrealized gain (loss) on available-for-sale financial assets			Gains (losses) on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk	Other comprehensive income on reclassification under the overlay approach
For the year ended December 31, 2017													
Balance, January 1, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,357	\$ 6,549,234	\$ 26,132,832	\$ 2,085,028	\$ -	\$ 6,608,175	\$ 1,602	\$ 461	\$ -	\$ 1,498,603	\$ 201,409,875
Appropriation of 2016 earnings:													
Legal reserve	-	-	1,341,410	-	-	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	-	-	(5,365,642)
Consolidate net income for the period	-	-	-	-	16,204,948	-	-	-	-	-	-	-	16,204,948
Other comprehensive income (loss) for the period	-	-	-	-	(355,076)	(443,005)	-	477,721	(1,602)	(3,017)	-	-	(324,979)
Total comprehensive income (loss) for the period	-	-	-	-	15,849,872	(443,005)	-	477,721	(1,602)	(3,017)	-	-	15,879,969
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	-	(939,347)	(939,347)
Retirement of treasury share	(1,094,503)	-	197,010	-	-	-	-	-	-	-	-	1,291,513	-
Disposal of company's share by subsidiaries (reorganized or merged) and transactions with company's cash dividends received by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,484	158,234
Changes in ownership interest in subsidiaries	-	-	49,009	-	-	-	-	-	-	-	-	-	49,009
Balance, December 31, 2017	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	\$ 2,528,033	\$ -	\$ 7,085,896	\$ -	\$ 3,478	\$ -	\$ 1,136,953	\$ 211,195,754
For the year ended December 31, 2018													
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	\$ 2,528,033	\$ -	\$ 7,085,896	\$ -	\$ 3,478	\$ -	\$ 1,136,953	\$ 211,195,754
Effects of retrospective application and restatement	-	-	-	-	(3,028,393)	71	8,821,188	(7,085,896)	-	62,367	-	-	(840,831)
Equity at beginning of period after adjustments	118,891,975	37,960,694	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,188	-	-	58,889	-	(1,136,953)	210,354,923
Appropriation of 2017 earnings:													
Legal reserve	-	-	1,620,495	-	-	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	-	(6,492,536)
Other comprehensive income for the period	-	-	-	-	18,679,208	-	-	-	-	-	-	-	18,679,208
Other comprehensive income (loss) for the period	-	-	-	-	(47,168)	118,493	(967,891)	-	-	(88,687)	(720,199)	-	(1,705,452)
Total comprehensive income (loss) for the period	-	-	-	-	18,632,040	118,493	(967,891)	-	-	(88,687)	(720,199)	-	16,973,756
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	-	(1,919,001)	(1,919,001)
Retirement of treasury share	(2,029,650)	-	(828,698)	-	-	-	-	-	-	-	-	2,858,348	68,420
Changes in ownership interest in subsidiaries (reorganized or merged) and transactions designated at fair value through other comprehensive income	-	-	-	-	-	-	(77,579)	-	-	-	-	-	-
Balance, December 31, 2018	\$ 116,862,325	\$ 37,200,416	\$ 10,721,262	\$ 6,549,234	\$ 42,243,847	\$ 2,409,469	\$ 7,775,718	\$ -	\$ -	\$ 29,798	\$ 330,367	\$ 197,600	\$ 218,985,562

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

	For the years ended December 31,	
	2018	2017
Cash Flows From Operating Activities		
Profit before tax	\$ 19,152,020	\$ 16,573,229
Adjustment items		
Adjustments to reconcile profit or loss		
Depreciation	8,277	8,449
Amortization	1,792	2,040
Loss on financial assets and financial liabilities at fair value through profit or loss	-	29,195
Interest expense	227,359	446,955
Interest income	(78,950)	(36,047)
Dividend income	(974)	(29,444)
Share of the loss of associates and joint ventures accounted for using the equity method	(19,979,027)	(17,800,029)
Gain on sale of property and equipment	(898)	-
Change in assets/liabilities relating to operating activities		
(Increase)Decrease in receivables	(9,331)	1,085,361
(Increase)Decrease in other assets	(590)	162,452
Increase(Decrease) in payables	109,717	(242,993)
Increase(Decrease) in liabilities reserve	454	(250)
Increase(Decrease) in other liabilities	1,990	(13,105)
Interest received	75,078	136,585
Cash dividend received	13,159,163	10,188,729
Cash paid for interest	(338,414)	(314,947)
Income tax paid	(252,904)	(865,083)
Net cash provided by operating activities	<u>12,074,762</u>	<u>9,331,097</u>
Cash Flows From Investing Activities		
Disposal of financial assets at fair value through profit or loss, designated as upon initial recognition	-	4,000,000
Increase in equity investments accounted for under the equity method	(1,000,000)	(4,000,000)
Cash refund proceeds from share of capital reduction of investee company accounted for under the equity method	-	700,000
Acquisition of property and equipment	(7,584)	(5,102)
Proceeds from disposal of property and equipment	1,295	-
Acquisition of intangible assets	(750)	(427)
Net cash (used in) provided by investing activities	<u>(1,007,039)</u>	<u>694,471</u>
Cash Flows From Financing Activities		
(Decrease)Increase in commercial paper payable	(5,093,000)	1,141,000
Proceeds from issuing bonds	7,000,000	-
Decrease in other borrowings	-	(1,000,000)
Cash dividends paid	(6,492,536)	(5,365,642)
Repurchase of treasury share	(1,919,001)	-
Repayments of preference share liabilities	-	(4,000,000)
Purchase of treasury share	-	(939,347)
Net cash used in financing activities	<u>(6,504,537)</u>	<u>(10,163,989)</u>
Net increase(decrease) in cash and cash equivalents	4,563,186	(138,421)
Cash and cash equivalents at beginning of period	2,366,899	2,505,320
Cash and cash equivalents at end of period	<u>\$ 6,930,085</u>	<u>\$ 2,366,899</u>
The components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheet	\$ 6,536,303	\$ 2,366,899
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	<u>393,782</u>	<u>-</u>
Cash and cash equivalents at end of reporting period	<u>\$ 6,930,085</u>	<u>\$ 2,366,899</u>

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

	(Reclassified)			
	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Interest income	\$ 22,304,036	103	\$ 22,419,377	98
Less: Interest expense	(8,786,722)	(40)	(8,105,777)	(35)
Net interest income	13,517,314	63	14,313,600	63
Net non-interest income	8,081,151	37	8,524,688	37
Net profit	21,598,465	100	22,838,288	100
Provision for bad debt expenses and guarantee policy reserve	(665,321)	(3)	(439,374)	(2)
Operating expenses	(10,916,495)	(51)	(12,722,465)	(56)
Income from continuing operations before income tax	10,016,649	46	9,676,449	42
Income tax expense	(1,409,049)	(6)	(1,478,034)	(6)
Loss from discontinued operations	-	-	(199,781)	(1)
Net income	8,607,600	40	7,998,634	35
Other comprehensive (loss) income (net of tax)	(972,627)	(5)	955,776	4
Total comprehensive income	<u>\$ 7,634,973</u>	<u>35</u>	<u>\$ 8,954,410</u>	<u>39</u>
Basic and diluted earnings per share				
Profit attributable to the parent	<u>\$</u>	<u>1.16</u>	<u>\$</u>	<u>0.91</u>
Income from continuing operations, attributable to former owner of business combination under common control	\$	-	\$	0.20
Loss from discontinued operations, attributable to former owner of business combination under common control	-	-	(	0.03)
Income, attributable to former owner of business combination under common	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>0.17</u>
Basic and diluted earnings per share	<u>\$</u>	<u>1.16</u>	<u>\$</u>	<u>1.08</u>

C. Yuanta Securities

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY		December 31, 2018	December 31, 2017
Current assets	\$ 276,140,162	\$ 291,275,027	Current liabilities	\$ 236,343,325	\$ 254,499,640	\$ 254,499,640
Financial assets at fair value through profit or loss	51,914	-	Deferred income tax liabilities	2,124,992	2,010,204	2,010,204
Financial assets at fair value through other comprehensive income	5,762,178	-	Other non-current liabilities	1,900,224	1,893,356	1,893,356
Available-for-sale financial assets	-	4,637,022	Total liabilities	240,368,541	258,403,200	258,403,200
Held-to-maturity financial assets	-	798,361				
Equity investments accounted for under the equity method	32,570,430	31,003,512				
Property and equipment	4,462,187	4,580,515	Common stocks	54,056,442	54,056,442	54,056,442
Investment property	2,895,966	2,817,865	Additional paid-in capital	1,858,215	1,790,174	1,790,174
Intangible assets	11,685,645	12,105,953	Retained earnings	38,352,498	34,868,939	34,868,939
Deferred income tax assets	570,631	547,366	Other equity	1,169,937	415,425	415,425
Other non-current assets	1,666,520	1,768,559	Total equity	95,437,092	91,130,980	91,130,980
Total assets	\$ 335,805,633	\$ 349,534,180	Total liabilities and equity	\$ 335,805,633	\$ 349,534,180	\$ 349,534,180

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Revenues	\$ 20,347,315	100	\$ 18,866,538	100
Service fee expense	(738,592)	(4)	(624,135)	(3)
Employee benefit expense	(6,202,628)	(30)	(6,255,456)	(33)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	2,057,039	10	1,563,922	8
Operating expenses	(5,396,883)	(26)	(4,862,987)	(26)
Income from continuing operations before income tax	10,066,251	50	8,687,882	46
Income tax expense	(1,177,920)	(6)	(662,208)	(4)
Net income	8,888,331	44	8,025,674	42
Other comprehensive income (loss) (net of tax)	885,724	4	(251,041)	(1)
Total comprehensive income	<u>\$ 9,774,055</u>	<u>48</u>	<u>\$ 7,774,633</u>	<u>41</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.64</u>	<u>\$</u>	<u>1.47</u>

D. Yuanta Futures

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY		December 31, 2018	December 31, 2017
Current assets	\$ 68,078,674	\$ 53,600,861	Current liabilities		\$ 63,805,024	\$ 49,181,440
Financial assets at fair value through other comprehensive income	1,404,019	-	- Non-current liabilities		83,202	70,044
Available-for-sale financial assets	-	1,183,345	Total liabilities		63,888,226	49,251,484
Equity investments accounted for under the equity method	1,280,500	721,074	Common stocks		2,322,763	2,322,763
Property and equipment	590,324	552,173	Additional paid-in capital		940,976	940,976
Intangible assets	42,252	36,042	Retained earnings		3,776,318	3,291,906
Deferred income tax assets	23,995	14,103	Other equity		1,180,493	911,940
Other non-current assets	689,012	611,471	Total equity		8,220,550	7,467,585
Total assets	\$ 72,108,776	\$ 56,719,069	Total liabilities and equity		\$ 72,108,776	\$ 56,719,069

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 3,431,314	100	\$ 2,887,768	100
Service fee expense	(626,282)	(18)	(522,135)	(18)
Employee benefit expense	(569,369)	(17)	(513,941)	(18)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(3,783)	-	(40,114)	(2)
Operating expenses	(986,298)	(29)	(786,478)	(27)
Income from continuing operations before income tax	1,245,582	36	1,025,100	35
Income tax expense	(245,537)	(7)	(151,814)	(5)
Net income	1,000,045	29	873,286	30
Other comprehensive income (loss) (net of tax)	217,931	7	(15,875)	-
Total comprehensive income	<u>\$ 1,217,976</u>	<u>36</u>	<u>\$ 857,411</u>	<u>30</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>4.31</u>	<u>\$</u>	<u>3.76</u>

E. Yuanta Securities Finance

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY	December 31, 2018	December 31, 2017
Current assets	\$ 23,263,056	\$ 23,135,867	Current liabilities	\$ 17,501,488	\$ 16,384,321
Financial assets at fair value through other comprehensive income	3,751,020	-	Non-current liabilities	20,928	21,205
Available-for-sale financial assets	-	3,222,140	Total liabilities	17,522,416	16,405,526
Held-to-maturity financial assets	-	104,577			
Amortized cost financial assets	103,365	-			
Property and equipment	273,154	265,890	Common stocks	4,000,000	4,000,000
Investment property	211,013	213,700	Additional paid-in capital	28,301	28,301
Intangible assets	7,161	4,080	Retained earnings	3,110,210	4,137,258
Deferred income tax assets	27,636	24,380	Other equity	3,374,318	2,852,033
Other non-current assets	398,840	452,484	Total equity	10,512,829	11,017,592
Total assets	\$ 28,035,245	\$ 27,423,118	Total liabilities and equity	\$ 28,035,245	\$ 27,423,118

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 844,503	100	\$ 730,947	100
Operating costs	(279,992)	(33)	(239,649)	(33)
Operating expenses	(160,448)	(19)	(160,440)	(22)
Impairment on expected credit losses	(2,004)	-	-	-
Net operating profit	402,059	48	330,858	45
Non-operating revenues and expenses	177,970	21	1,892,886	259
Income from continuing operations before income tax	580,029	69	2,223,744	304
Income tax expense	(76,952)	(9)	(134,733)	(18)
Net income	503,077	60	2,089,011	286
Other comprehensive income (loss) (net of tax)	536,441	63	(1,274,560)	(175)
Total comprehensive income	<u>\$ 1,039,518</u>	<u>123</u>	<u>\$ 814,451</u>	<u>111</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.26</u>	<u>\$</u>	<u>5.22</u>

F. Yuanta Life

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 7,997,359	\$ 2,790,123	Payables	\$ 1,130,124	\$ 1,842,581
Receivables	2,222,757	2,566,710	Current tax liabilities	10,377	-
Current income tax assets	2,332,481	1,770,028	Financial liabilities at fair value through profit or loss	2,243,400	62,162
Financial assets at fair value through profit or loss	10,306,961	5,622,446	Insurance liabilities	220,670,625	183,215,542
Financial assets at fair value through other comprehensive income	23,851,051	-	Foreign exchange reserve	893,568	510,241
Available-for-sale financial assets	-	46,191,875	Liabilities reserve	64,956	45,090
Amortized cost financial assets	166,554,382	-	Deferred income tax liabilities	39,099	250,602
Bond investments without active market	-	14,326,235	Other liabilities	1,525,571	1,579,313
Held-to-maturity financial assets	-	112,634,159	Investment-linked insurance products liabilities	1,787,652	1,967,641
Other financial assets	9,400,000	-	Total liabilities	<u>228,365,372</u>	<u>189,473,172</u>
Loans	6,208,918	5,587,043			
Reinsurance contract assets	580,130	435,887			
Property and equipment	4,579,998	4,517,380			
Intangible assets	70,395	71,763			
Deferred income tax assets	711,848	817,407	Common stocks	9,624,045	12,107,048
Other assets	2,786,425	1,883,800	Retained earnings	1,020,297	(2,687,182)
Investment-linked insurance products assets	1,787,652	1,967,642	Other equity	380,643	2,289,460
Total assets	<u>\$ 239,390,357</u>	<u>\$ 201,182,498</u>	Total equity	<u>11,024,985</u>	<u>11,709,326</u>
			Total liabilities and equity	<u>\$ 239,390,357</u>	<u>\$ 201,182,498</u>

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 47,938,641	100	\$ 42,677,025	100
Operating costs	(46,623,111)	(97)	(42,152,350)	(99)
Operating expenses	(1,401,427)	(3)	(1,314,862)	(3)
Net operating loss	(85,897)	-	(790,187)	(2)
Non-operating revenues and expenses	1,416	-	(4,120)	-
Loss from continuing operations before income tax	(84,481)	-	(794,307)	(2)
Income tax benefit	361,283	1	635,112	2
Net income (loss)	276,802	1	(159,195)	-
Other comprehensive (loss) income (net of tax)	(2,318,978)	(5)	524,629	1
Total comprehensive (loss) income	(\$ 2,042,176)	(4)	\$ 365,434	1
Earnings (losses) per share (in dollars)				
Basic and diluted earnings (losses) per share	\$	0.32	(\$	0.22)

G. Yuanta Securities Investment Trust

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY	December 31, 2018	December 31, 2017
Current assets	\$ 3,482,196	\$ 3,222,191	Current liabilities	\$ 459,579	\$ 412,122
Financial assets at fair value through other comprehensive income	106,311	-	Deferred income tax liabilities	249,854	225,778
Available-for-sale financial assets	-	93,540	Other non-current liabilities	44,066	63,962
Equity investments accounted for under the equity method	112,548	203,156	Total liabilities	753,499	701,862
Property and equipment	302,802	300,165	Common stocks	2,269,235	2,269,235
Intangible assets	768,551	768,551	Additional paid-in capital	704	179
Prepaid pension cost	37,378	36,756	Retained earnings	1,865,376	1,740,860
Deferred income tax assets	261	229	Other equity	89,488	77,164
Other non-current assets	168,255	164,712	Total equity	4,224,803	4,087,438
Total assets	\$ 4,978,302	\$ 4,789,300	Total liabilities and equity	\$ 4,978,302	\$ 4,789,300

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 2,538,278	100	\$ 2,500,679	100
Operating expenses	(1,166,702)	(46)	(1,170,039)	(47)
Operating profits	1,371,576	54	1,330,640	53
Non-operating revenues and expenses	(69,606)	(3)	(100,507)	(4)
Income from continuing operations before income tax	1,301,970	51	1,230,133	49
Income tax expense	(296,440)	(11)	(228,728)	(9)
Net income	1,005,530	40	1,001,405	40
Other comprehensive income (net of tax)	13,814	-	8,432	-
Total comprehensive income	<u>\$ 1,019,344</u>	<u>40</u>	<u>\$ 1,009,837</u>	<u>40</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>4.43</u>	<u>\$</u>	<u>4.41</u>

H. Yuanta Asset Management

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

(Expressed In Thousands of New Taiwan Dollars)

	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY		December 31, 2018	December 31, 2017
ASSETS	\$	\$	Current liabilities	Non-current liabilities	\$	\$
Current assets	1,901,421	1,927,725		7,809	1,139,721	1,404,716
Financial assets at fair value through other comprehensive income	37,370	-				
Available-for-sale financial assets	-	352,616		1,147,530		1,411,107
Property and equipment	625	1,278		1,000,000		1,000,000
Investment property	1,137,497	1,109,909		1,047		1,047
Intangible assets	209	83		912,861		691,165
Deferred income tax assets	3,117	2,463		19,341		291,483
Other non-current assets	540	728		1,933,249		1,983,695
Total assets	<u>3,080,779</u>	<u>3,394,802</u>	Total liabilities and equity		<u>3,080,779</u>	<u>3,394,802</u>

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 298,681	100	\$ 417,609	100
Operating expenses	(116,569)	(39)	(117,260)	(28)
Operating profits	182,112	61	300,349	72
Non-operating revenues and expenses	<u>4,632</u>	<u>1</u>	<u>9,895</u>	<u>2</u>
Income from continuing operations before income tax	186,744	62	310,244	74
Income tax expense	(32,829)	(11)	(51,380)	(12)
Net income	153,915	51	258,864	62
Other comprehensive income	<u>28,746</u>	<u>10</u>	<u>9,395</u>	<u>2</u>
Total comprehensive income	<u>\$ 182,661</u>	<u>61</u>	<u>\$ 268,259</u>	<u>64</u>

I. Yuanta Venture Capital

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY		December 31, 2018	December 31, 2017
Current assets	\$ 1,754,687	\$ 1,138,676	Current liabilities		\$ 73,367	\$ 52,622
Equity investments accounted for under the equity method	850,992	914,519	Other non-current liabilities		1,800	1,580
Financial assets carried at cost	-	254,530	Total liabilities		75,167	54,202
Property and equipment	3,577	4,383	Common stocks		2,460,000	2,460,000
Deferred income tax assets	1,924	8,838	Additional paid-in capital		918	918
Other non-current assets	635	635	Retained earnings		34,318	173,791
			Other equity		41,412	(367,330)
			Total equity		2,536,648	2,267,379
Total assets	\$ 2,611,815	\$ 2,321,581	Total liabilities and equity		\$ 2,611,815	\$ 2,321,581

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 265,667	100	\$ 172,815	100
Operating expenses	(69,652)	(26)	(38,467)	(22)
Operating profits	196,015	74	134,348	78
Non-operating revenues and expenses	865	-	(121,611)	(70)
Income from continuing operations before income tax	196,880	74	12,737	8
Income tax benefit (expense)	23,981	9	(1,426)	(1)
Net income	220,861	83	11,311	7
Other comprehensive loss (net of tax)	(26,619)	(10)	(164,983)	(96)
Total comprehensive income (loss)	\$ 194,242	73	\$ 153,672	(89)

J. Yuanta Securities Investment Consulting

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018	December 31, 2017	LIABILITIES AND EQUITY	December 31, 2018	December 31, 2017
Current assets	\$ 234,716	\$ 225,962	Current liabilities	\$ 86,356	\$ 72,807
Property and equipment	2,333	3,638	Non-current liabilities	25,685	33,745
Intangible assets	300	922	Total liabilities	112,041	106,552
Deferred income tax assets	4,642	4,308	Common stocks	100,000	100,000
Other non-current assets	6,463	6,577	Additional paid-in capital	6,017	6,017
			Retained earnings	30,396	28,838
			Total equity	136,413	134,855
Total assets	\$ 248,454	\$ 241,407	Total liabilities and equity	\$ 248,454	\$ 241,407

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

Item	For the years ended December 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 204,125	100	\$ 206,688	100
Operating costs	(1,262)	(1)	(1,298)	(1)
Operating expenses	(204,163)	(100)	(206,211)	(100)
Operating loss	(1,300)	(1)	(821)	(1)
Non-operating revenues and expenses	1,807	1	1,532	1
Income from continuing operations				
before income tax	507	-	711	-
Income tax benefit (expense)	749	1	(222)	-
Net income	1,256	1	489	-
Other comprehensive income (loss)	320	-	(468)	-
Total comprehensive income	\$ 1,576	1	\$ 21	-

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

A. Profitability

(A) Yuanta Financial Holdings

Unit: %

		For the years ended December 31,	
		2018	2017
Return on total assets	Before tax	7.69	6.86
	After tax	7.50	6.70
Return on equity	Before tax	8.92	8.03
	After tax	8.70	7.85
Net profit margin ratio		93.85	94.29

(B) Yuanta Financial Holdings and its subsidiaries

		For the years ended December 31,	
		2018	2017
Return on total assets	Before tax	1.06	0.92
	After tax	0.90	0.79
Return on equity	Before tax	10.43	9.13
	After tax	8.83	7.83
Net profit margin ratio		20.24	18.66

(C) Yuanta Bank

		For the years ended December 31,	
		2018	2017
Return on total assets	Before tax	0.78	0.73
	After tax	0.67	0.60
Return on equity	Before tax	8.76	8.68
	After tax	7.52	7.18
Net profit margin ratio		39.85	35.02

(D) Yuanta Securities

		For the years ended December 31,	
		2018	2017
Return on total assets	Before tax	2.94	2.70
	After tax	2.59	2.49
Return on equity	Before tax	10.80	9.60
	After tax	9.54	8.87
Net profit margin ratio		41.02	40.52

(E) Yuanta Life

		For the years ended December 31,	
		2018	2017
Return on total assets	Before tax	(0.04)	(0.44)
	After tax	0.13	(0.09)
Return on equity	Before tax	(0.73)	(8.34)
	After tax	2.40	(1.67)
Net profit margin ratio		21.02	(30.58)

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

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

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

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

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

Note 6: It is calculated based on the retrospectively restated net value of Yuanta Bank on December 31, 2017.

B. Information of Yuanta Bank is as follows:

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

Unit: In thousands of NT Dollars

Month / Year	December 31, 2018					December 31, 2017				
	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	175,895,660		2,665,875	283.80%	684,238	191,475,581	0.36%	1,200,808	175.50%
	Unsecured loans	65,918	218,889,754	0.03%	4,671,512	204,352	195,921,143	0.10%	4,763,478	2,331.02%
	Residential mortgage loans	415,050	189,849,280	0.22%	2,879,961	586,457	196,873,426	0.30%	2,991,797	510.15%
Consumer banking	Cash card services	45	114,471	0.04%	1,698	121	183,193	0.07%	27,532	22,753.72%
	Small amount of credit loans	73,906	10,540,959	0.70%	168,060	68,559	13,472,844	0.51%	877,825	1,280.39%
	Others	241,161	145,108,656	0.17%	1,493,450	263,526	139,989,906	0.19%	317,501	120.48%
Gross loan business	Secured loans	144	2,546,023	0.01%	25,679	552	1,918,986	0.03%	2,658	481.52%
	Unsecured loans	1,735,559	742,944,803	0.23%	11,906,235	1,807,805	739,835,079	0.24%	10,181,599	563.20%

Month / Year	December 31, 2018				December 31, 2017			
	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts
Credit card services	8,358	10,840,076	0.08%	171,832	4,371	12,085,115	0.04%	261,418
Without recourse factoring	-	6,799,757	-	87,253	-	6,283,483	-	20,716

Note 1: The amount recognised as non-performing loans is in compliance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in compliance with the Banking Bureau (4) Letter No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouses) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognised as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

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

Unit: In thousands of NT Dollars

	December 31, 2018		December 31, 2017	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority	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)	106,237	52,718	147,069	67,751
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,171,921	355,916	1,190,294	363,016
Total	1,278,158	408,634	1,337,363	430,767

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of FSC dated April 25, 2006.

Note 2: The additional disclosure requirement pertaining to the way and information disclosure of loan in the process of debt liquidation and restructuring program is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of FSC dated September 15, 2008 and Jin-Guan-Yin-Fa Letter No. 10500134790 dated September 20, 2016

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

Unit: In thousands of NT Dollars, %

December 31, 2018			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Company A–Real Estate Development	\$ 4,744,660	4.10
2	Company B–Real Estate Leasing	3,500,000	3.03
3	Group C–Seasoning Manufacturing Industry	3,482,500	3.01
4	Group D–Real Estate Development	3,423,370	2.96
5	Group E–Real Estate Development	3,325,750	2.88
6	Group F–Ocean Transportation	2,486,599	2.15
7	Group G–Real Estate Development	2,400,000	2.08
8	Company H–Activities of Head Offices	2,304,975	1.99
9	Company I–Non-official financing business	2,286,292	1.98
10	Company J–Other Non-classified Financial Service	2,151,310	1.86

December 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Company A–Integrated Circuits Manufacturing	\$ 5,000,000	7.96
2	Group B–Real Estate Development	3,740,533	5.96
3	Group C–Ocean Transportation	2,746,245	4.37
4	Group D–Real Estate Development	2,647,143	4.21
5	Company E–Real Estate Development	2,448,000	3.90
6	Company F–Non-official financing business	2,395,654	3.81
7	Company G–Other Electric Equipment and Appliances Manufacturing	2,125,178	3.38
8	Group H–Metallic Cutting Tools and Hand Tool Manufacturing	2,117,000	3.37
9	Company I–Gaming Industry	2,089,360	3.33
10	Company J–Other Non-classified Financial Service	2,089,360	3.33

Ta Chong Bank – contract amounts of significant credit risk concentration

Unit: In thousands of NT Dollars, %

December 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Group A–Real Estate Leasing	\$ 3,500,000	8.24
2	Group B–Real Estate Development	2,377,532	5.60
3	Group C–Real Estate Development	2,254,218	5.31
4	Group D–Other Non-classified Electronic Components Manufacturing	1,735,884	4.09
5	Group E–Other Non-classified Electronic Components Manufacturing	1,500,000	3.53
6	Group F–Motorcycle Manufacturing	1,442,400	3.40
7	Group G–Fishery Processing and Preserving Industry	1,393,902	3.28
8	Group H–Other Non-classified Financial Service	1,332,959	3.14
9	Group I–Real Estate Development	1,271,078	2.99
10	Group J–Semiconductor Packaging and Testing	1,000,000	2.35

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

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

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

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

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

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

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

December 31, 2018

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

December 31, 2017(note)

	(Expressed in Thousands of New Taiwan Dollars)						
	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	737,265,040	137,012,897	74,578,610	41,907,392	41,623,009	65,150,225	376,992,907
Primary funds outflow upon maturity	903,967,735	38,783,797	73,136,767	132,378,180	122,772,728	200,465,802	336,430,461
Gap	(166,702,695)	98,229,100	1,441,843	(90,470,788)	(81,149,719)	(135,315,577)	40,562,446

Note: The amounts as of December 31, 2018 does not include information of Ta Chong Bank, please refer to the table below for such information.

Ta Chong Bank

December 31, 2017

	(Expressed in Thousands of New Taiwan Dollars)						
	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	417,907,475	86,759,499	36,162,236	48,692,105	45,599,554	32,344,994	168,349,087
Primary funds outflow upon maturity	518,789,215	15,649,120	50,389,310	85,392,334	93,443,444	96,583,227	177,331,780
Gap	(100,881,740)	71,110,379	(14,227,074)	(36,700,229)	(47,843,890)	(64,238,233)	(8,982,693)

b. Structure analysis of time to maturity (USD)

December 31, 2018

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

December 31, 2017(Note)

	Total	(Expressed in Thousands of US Dollars)				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	3,903,625	997,632	457,761	172,393	101,299	2,174,540
Primary funds outflow upon maturity	5,187,520	1,278,980	1,322,059	923,476	835,112	827,893
Gap	(1,283,895)	(281,348)	(864,298)	(751,083)	(733,813)	(1,346,647)

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

Ta Chong Bank

December 31, 2017

	Total	(Expressed in Thousands of US Dollars)				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	4,895,845	1,461,298	1,476,820	703,976	207,931	1,045,820
Primary funds outflow upon maturity	5,704,170	1,613,488	1,417,308	1,240,016	1,252,606	180,752
Gap	(808,325)	(152,190)	(59,512)	(536,040)	(1,044,675)	(865,068)

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

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

December 31, 2018

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

December 31, 2017(Note)

Item	(Expressed in Thousands of New Taiwan Dollars, %)				
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	480,785,682	25,096,528	9,386,240	156,961,788	672,230,238
Interest-rate-sensitive liabilities	210,331,331	351,696,907	50,766,852	31,065,933	643,861,023
Interest-rate-sensitive gap	270,454,351 (	326,600,379) (	41,380,612)	125,895,855	28,369,215
Total equity					59,805,723
Ratio of interest-rate-sensitive assets to liabilities					104.41
Ratio of interest-rate-sensitive gap to equity					47.44

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

Ta Chong Bank

December 31, 2017

	(Expressed in Thousands of New Taiwan Dollars, %)				
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	276,023,542	17,649,090	10,607,542	24,932,197	329,212,371
Interest-rate-sensitive liabilities	72,383,138	148,529,123	64,363,916	14,362,254	299,638,431
Interest-rate-sensitive gap	203,640,404	(130,880,033)	(53,756,374)	10,569,943	29,573,940
Total equity	42,132,667				
Ratio of interest-rate-sensitive assets to liabilities	109.87				
Ratio of interest-rate-sensitive gap to equity	70.19				

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

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

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

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

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

December 31, 2018

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

September 30, 2017(note)

Item	(Expressed in Thousands of US Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	2,489,819	102,125	29,136	1,024,824		3,645,904
Interest-rate-sensitive liabilities	2,844,545	419,785	439,248	-		3,703,578
Interest-rate-sensitive gap	(354,726)	(317,660)	(410,112)	1,024,824	(	57,674)
Total equity						100,574
Ratio of interest-rate-sensitive assets to liabilities						98.44
Ratio of interest-rate-sensitive gap to equity					(	57.34)

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

Ta Chong Bank

December 31, 2017

(Expressed in Thousands of US Dollars, %)

	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,294,748	90,956	39,419	429,725	1,854,848
Interest-rate-sensitive liabilities	739,829	229,138	751,596	20,385	1,740,948
Interest-rate-sensitive gap	554,919	(138,182)	712,177)	409,340	113,900
Total equity					8,516
Ratio of interest-rate-sensitive assets to liabilities					
Ratio of interest-rate-sensitive gap to equity					

Note 1: The above amounts included only USD denominated assets and liabilities of head office, domestic and foreign branches, and the OBU and the OBU branch, excluding contingent assets and contingent liabilities.

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

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

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

(14) Information with respect to the subsidiary holding the capital share of parent company:
None.

(15) Effects on initial application of IFRS 9, 'Financial instruments' and information on application of IAS 39 in 2017

- A. Please refer to Note 4(7) for the summaries of adopting significant accounting policies in the third and the fourth quarter of 2017.
 B. In adopting the new standards endorsed by the FSC effective from 2018, the Yuanta Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below:

Affected items	Effect of adoption of new standards		Remark
	2017 version IFRSs amount	2018 version IFRSs amount	
Financial assets at fair value through profit or loss	\$ 432,636,863	\$ 14,814,638	(a)
Available-for-sale financial assets- net	395,516,795	(395,516,795)	(a)
Financial assets at fair value other comprehensive income	-	286,648,151	(a)
Financial assets at amortised cost	-	289,871,484	(a)
Receivables - net	175,314,970	(165,163)	(b)
Bills discounted and loans- net	762,319,040	(2,697,619)	(b)
Held-to-maturity financial assets	143,810,470	(143,810,470)	(a)
Investments accounted for using equity method- net	1,675,124	561	(c)
Other financial assets- net	93,469,307	(50,186,062)	(b)
Deferred tax assets	5,642,845	296,160	(d)
Total assets	\$ 2,010,385,414	\$ 745,115	
			2,009,640,299
Affected items	Effect of adoption of new standards		Remark
2017 version IFRSs amount	2018 version IFRSs amount		
Deferred tax liabilities	\$ 3,518,474	\$ 84,101	(d)
Non-current provisions	195,038,820	54,728	(b)
Total liabilities	198,557,294	138,829	
Unappropriated retained earnings	35,275,652	(3,028,393)	(a)-(e)
Other equity interest	4,554,385	2,187,562	(a)-(e)
Non-controlling interests	16,901,802	(43,113)	(a)-(e)
Total equity	56,731,839	(883,944)	
Total liabilities and equity	\$ 255,289,133	\$ 745,115	
			254,544,018

- (a) Please refer to Note 12(15) for information on the impact of the initial application of IFRS 9 on financial assets and reconciliation of the carrying amounts of financial assets.
- (b) Please refer to Note 12(15) for information on the impact of the initial application of IFRS 9 on allowance for losses and reconciliation of provisions for expected credit losses.
- (c) In accordance with IFRS 9, for the share of the profit or loss of associates and joint ventures accounted for using the equity method under the equity method of long-term equity investment, the Yuanta Group expects to increase equity investments accounted for under the equity method, retained earnings and non-controlling interests in the amounts of \$561, \$315, \$246, respectively.
- (d) Due to initial adoption of IFRS 9, the Yuanta Group will have to recognise adjustments in the balance sheet which would result to temporary differences. Accordingly, the Yuanta Group expects to increase deferred tax assets, deferred tax liabilities and retained earnings in the amounts of \$296,160, \$84,101, and \$292,623, respectively, and to decrease other equity interest in amount of \$80,564.
- (e) In accordance with IFRS 9, for the movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss, the Yuanta Group expects to decrease retained earnings in the amount of \$58,043, and to increase other equity interest in the amount of \$58,043.

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

	Available-for-sale-equity			Available-for-sale-debt			Held-to-maturity			Effects				
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-debt	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-debt	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-debt	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-debt	Debt instrument without active market	Total	Retained earnings	Others equity	Non-controlling interests
IAS 39														
Transferred into and measured at fair value through profit or loss	\$ 432,636,863	\$ 28,145,848	\$ 361,185,195	\$ 6,185,752	\$ 143,810,470	\$ 1,049,370	\$ 49,012,388	\$ 1,022,025,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transferred into and measured at fair value through other comprehensive income-equity	(16,215,471)	(8,489,252)	(716,186)	(6,185,752)	-	(686,644)	(137,637)	-	-	-	-	118,985	(118,985)	-
Transferred into and measured at fair value through other comprehensive income-equity	(1,272,374)	1,635,100	-	-	-	(362,726)	-	-	-	-	-	85,492	(85,492)	-
Transferred into and measured at fair value through other comprehensive income-equity	-	-	52,693,906	(10,925,681)	-	-	(41,768,225)	-	-	-	-	-	-	-
Transferred into and measured at fair value through other comprehensive income-liability	(141,081)	-	(149,776,445)	-	157,024,052	-	(7,106,526)	-	-	-	-	-	-	-
Transferred into and measured at fair value through other comprehensive income-liability	12,622	57,497	1,903,932	-	1,933	-	-	1,975,984	(395,987)	2,366,970	5,001	-	-	-
Fair value adjustment	-	27,841	(19,285)	(39,290)	-	-	-	(30,734)	(78,841)	47,591	516	-	-	-
Impairment loss adjustment	\$ 447,451,501	\$ 21,377,034	\$ 265,271,117	\$ -	\$ 289,871,484	\$ -	\$ -	\$ 1,023,971,136	\$ 270,351	\$ 2,210,084	\$ 5,517	\$ -	\$ -	\$ -
IFRS 9														

- (a) Under IAS 39, because the debt instruments, which were classified as: available-for-sale financial assets and debt instruments without active market, amounting to \$716,186 and \$137,637, respectively, do not meet the regulations under IFRS 9, they were reclassified as "financial assets at fair value through profit or loss" on initial application of IFRS 9.
- (b) Under IAS 39, because the cash flows of debt instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and debt instruments without active market, amounting to \$141,081, \$149,776,445 and \$7,106,526, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Yuanta Group holds these assets for the purpose of cash inflow, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.
- (c) Under IAS 39, because the cash flows of debt instruments, which were classified as: available-for-sale financial assets, held-to-maturity financial assets and debt instruments without active market, amounting to \$360,469,009, \$10,925,681 and \$41,768,225, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Yuanta Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (d) Under IAS 39, because the equity instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets at cost, amounting to \$1,272,374, \$19,656,596 and \$362,726, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.
- (e) Under IAS 39, the equity and other instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$14,675,004 and \$686,644, respectively, were reclassified as "financial assets at fair value through profit or loss" under IFRS 9.

D. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

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

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

E. The significant accounts as of December 31, 2017, and for the year ended December 31, 2017 are as follows:

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

Item	December 31, 2017
Financial assets held for trading :	
Commercial paper	\$ 42,766,168
Time deposits	530,003
Beneficiary certificates / securities	42,483,289
Stocks of companies listed on TSE or OTC	27,559,376
Emerging stocks	1,200,434
Government bonds	22,208,904
Financial bonds	11,854,983
Corporate bonds	139,512,870
Overseas bonds	8,993,337
Convertible corporate bonds	38,987,494
Derivative financial instruments	14,627,356
Other marketable securities	667,414
Valuation adjustment of financial assets held for trading	283,005
Subtotal	351,674,633
Financial assets designated as at fair value through profit or loss on initial recognition :	
Foreign structured notes (Note 1)	\$ -
Structured products (Note 1)	7,546,973
Convertible corporate bonds (Note 1)	225,151
Reserve for claims of customers' deposits with KSFC (Note 2)	73,168,453
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	21,653
Subtotal	80,962,230
Total	\$ 432,636,863
Financial liabilities held for trading :	
Derivative financial instruments	\$ 21,970,257
Non-derivative financial instruments	19,272,313
Valuation adjustment of financial liabilities held for trading— non-derivative financial instruments	(21,323)
Financial liabilities designated as at fair value through profit or loss on initial recognition :	
Structured products (Note 1)	66,146,663
Bank debentures (Note 3)	3,203,872
Convertible bond asset swap not qualifying for derecognition (Note 1)	9,547,734
Total	\$ 120,119,516

Note 1: Financial instruments designated as at fair value through profit or loss on initial recognition is for hybrid instruments, and in order to eliminate accounting inconsistency.

Note 2: KSFC stands for Korea Securities Finance Corporation.

Note 3: Derivative instruments are used as an economic hedge against fixed-rate debt instruments issued by Yuanta Group to achieve Yuanta Group's risk management strategy. Derivative instruments are measured at fair value through profit or loss. In order to eliminate accounting inconsistency, Yuanta Group at initial recognition, has designated the above-mentioned financial debt at fair value through profit or loss. For the year ended December 31, 2017 and for the years ended December 31, 2017, the accumulated movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss were (\$3,017), \$0 and (\$2,918), respectively. The issuance terms are as follows:

(1) Yuanta Bank

First series of unsecured financial debentures in 2015

Par value	CNY \$250,000 thousand dollars
Stated interest rate	Fixed interest rate at 4.60%
Period	Three years
Interest payment date	Payable semiannually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

(2) Ta Chong Bank

First series of financial debentures in 2011

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

The details of Yuanta Group's financial assets and liabilities at fair value through profit or loss for the year ended December 31, 2017 is as follows:

	Year ended December 31, 2017
Net gain on financial assets and liabilities held for trading	\$ 15,801,570
Net gain on financial assets designated as at fair value through profit or loss	768,230
Total	<u>\$ 16,569,800</u>

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

B. In the case of warrants issued by the Yuanta Group, recognise "liabilities for issuance of call (put) warrants" prevailing at the issuance price prior to the expiration date or default. When warrants were repurchased from the market, the aggregate costs of repurchase were accounted for as "repurchase of issued call (put) warrants" a contra-account of "liabilities

for issuance of call (put) warrants”. The agreement can be carried out by cash or stock delivery within three to twenty-four months from the vesting period of call (put) warrants to the trading date. The Yuanta Group retains the option to settle by either way.

- C. Yuanta Securities, in consideration of increasing capital return, invested in securities with a structured entity underlying, established and managed by an independent third party - Taipei City estate-backed beneficial securities. These investments are recognized at fair value through profit or loss and are expected to expire in June 25, 2017. For the year ended December 31, 2017, interest revenue resulting from the investment in the structured entity amounted to \$791.

(B) Available-for-sale financial assets

Items	December 31, 2017
Listed (TSE and OTC) stocks	\$ 10,962,072
Emerging stocks	452,971
Unlisted (TSE and OTC) stocks	6,994,615
Government bonds	49,160,909
Financial bonds	42,163,544
Corporate bonds	126,870,645
Negotiable certificate of deposit	142,418,923
Commercial paper	378,699
Treasury bills	-
Beneficiary certificates/bonds	5,857,939
Subtotal	385,260,317
Valuation adjustment of available-for-sale financial assets	11,895,103
Accumulated impairment-available-for-sale financial assets	(422,525)
Statutory deposits	(1,216,100)
Total	\$ 395,516,795

- A. As of December 31, 2017, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$1,216,100, respectively, in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.

- B. As of December 31, 2017, for the above available-for-sale financial assets pledged as collaterals, please refer to Note 8.

C. Reclassifications

(A) Because the Yuanta Group changed its intent to hold and was able to hold the following assets to maturity or foreseeable future, government bonds that were initially classified as available-for-sale financial assets were reclassified on September 30, 2013 in accordance with paragraph 50(e) of IAS 39. The fair value of the government bonds on the date of reclassification was as follows:

	Available-for-sale financial assets	Held-to-maturity financial assets	Bond investments without active market
At September 30, 2013	\$ 28,651,530	\$ -	\$ -
Before reclassification			
After reclassification	-	4,950,298	23,701,232

(B) Book value and fair value of reclassified financial assets that have not yet been disposed of are as follows:

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

(C) If above-mentioned government bonds were not reclassified to held-to-maturity financial assets and bond investments without active market on September 30, 2013, the gain on aforesaid government bonds that should be recognised in other comprehensive income for the years ended December 31, 2017 was \$526,541.

(C) Bills discounted and loans- net

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

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

<u>Bills discounted and Loans</u>	<u>For the year ended December 31, 2017</u>
Beginning balance	\$ 12,406,962
Add : Provision	809,403
Reversal of write-off of loans and advances	1,042,875
Foreign exchange translation adjustment and others	106,166
Less : Disposal and reversal of allowance adjustment and others for bad debts	(220,338)
Write-off of loans and advances	(2,358,499)
Ending balance	<u>\$ 11,786,569</u>

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

<u>Receivables and non-performing loans</u>	<u>For the year ended December 31, 2018</u>
Beginning balance	\$ 1,835,764
Add : Acquisition through business combinations	14,060
Provision	626,985
Recovery	464,118
Transfers to other allowance for bad debts and provisions	21,303
Less: Disposal and reversal of allowance for bad debts	(195,403)
Write-off of allowance for bad debts	(559,030)
Transfers to other allowance for bad debts and provisions	(21,303)
Foreign exchange translation adjustment and others	(85,809)
Ending balance	<u>\$ 2,100,685</u>
Changes in guarantee liability provisions	

	<u>For the year ended December 31, 2017</u>
Beginning balance	\$ 492,159
Less : Reversal	(215,690)
Foreign exchange translation adjustment and others	(805)
Ending balance	<u>\$ 275,664</u>

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

	<u>December 31, 2017</u>
Government bonds	\$ 52,398,046
Financial bonds	38,341,696
Corporate bonds (Note)	<u>53,749,712</u>
Subtotal	144,489,454
Accumulated impairment- Held-to-maturity financial assets	(78,984)
Statutory deposits	<u>(600,000)</u>
Total	<u>\$ 143,810,470</u>

As of December 31, 2017, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$600,000 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.

The Yuanta Group recognised interest income on held-to-maturity financial assets amounting to \$4,342,802 in profit or loss for the year ended December 31, 2017. The effective interest rate of the bonds held by the consolidated company as of December 31, 2017, was 0.50% ~ 10.18%.

Note : The carrying value and maximum exposure of investments in securities with a structured entity underlying by Yuanta Life on December 31, 2017 were \$397,812.

As of December 31, 2017, for the above held-to-maturity financial assets pledged as collaterals, please refer to Note 8.

Since Yuanta Life expected a changing market and higher credit risk in the future, the carrying amounts and gains and losses from disposals in relation to financial assets held to maturity are listed in the following table:

	For the year ended December 31, 2017	
Book value	\$	3,637,040
Realised gain		182,180

Additionally, the percentage of amounts of held-to-maturity investment disposed by the Yuanta Group for the year ended December 31, 2017 was 2.53%.

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

Realized gain or loss on financial assets and liabilities at fair value through profit or loss	For the year ended December 31, 2017	
Commercial papers	\$	223,832
Bonds		5,754,010
Stocks		4,626,078
Beneficiary certificates		1,974,426
Time deposits		103,009
Financial bonds payables	(	63,755)
Interest-linked instrument	(	276,880)
Exchange rate-linked instrument		2,358,543
Other financial derivative instruments		2,543,446
Loss on covering of borrowed securities and bonds with resale	(	1,505,149)
Loss from issuing call (put) warrants	(	4,998,195)
Issuing call (put) warrants expense	(	237,373)
Others		52,510
Subtotal		<u>10,554,502</u>

(BLANK)

Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss	For the year ended December 31, 2017
Commercial papers	(\$ 3,847)
Bonds	84,340
Stocks	120,260
Beneficiary certificates	68,746
Time deposits	(2,929)
Financial bonds payables	(43,603)
Interest-linked instrument	(2,083,246)
Exchange rate-linked instrument	1,927,420
Equity-linked instrument	7,123
Other financial derivative instruments	261,482
Valuation gains on borrowed securities and bonds with resale agreements	(144,608)
Gains on issuance of call (put) warrants	5,916,706
Others	(92,546)
Subtotal	<u>6,015,298</u>
Total	<u>\$ 16,569,800</u>

- A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the year ended December 31, 2017, including the (loss) gain on disposal, was \$5,072,406, the issuing call (put) warrants expense was \$237,373, the dividends income was \$1,366,171, and the interest income was \$4,353,298.
- B. Net income on the exchange rate instruments includes realised and unrealised gains and losses on forward exchange agreements, FX options, and exchange rate futures.
- C. Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.
- D. Any change in fair value of the derivatives together managed with the financial instruments designated at fair value through profit and loss is listed under “gain and loss of financial assets at fair value through profit and loss.”

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(F) Realised gain on available-for-sale financial assets

	<u>For the year ended December 31, 2017</u>
Stock dividend income	\$ 1,662,320
Gains on disposal	
Bonds	813,183
Stocks	1,171,222
Others	198,323
Subtotal	<u>2,182,728</u>
	<u>For the year ended December 31, 2017</u>
Loss on disposal	
Bonds	(83,087)
Stocks	(305,760)
Others	(10,309)
Subtotal	<u>(399,156)</u>
Total	<u>\$ 3,445,892</u>

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F. Credit risk as of December 31, 2017
(A) Credit quality analysis on financial assets

Items	Positions that are neither past due nor impaired				Positions that are past due but not impaired(B)		Impaired amount (C)	Total		Provision provided(D)	Net (A)+(B)-(C)+(D)
	Excellent	Acceptable	Weak	Unrated	Subtotal(A)	Impaired(B)		(A)+(B)+(C)	(A)+(B)-(C)+(D)		
Cash and cash equivalents	\$ 63,938,718	\$ 27,073	\$ 36,686	\$ 5,093	\$ 64,007,570	\$ -	\$ -	\$ 64,007,570	\$ -	\$ -	\$ 64,007,570
Due from Central Bank and call loans to other banks	54,390,950	-	-	-	54,390,950	-	-	54,390,950	-	-	54,390,950
Financial assets at fair value through profit or loss- net	367,485,911	9,454,587	5,251,334	66,694	382,258,526	-	-	382,258,526	-	-	382,258,526
Available-for-sale financial assets- net	360,926,909	77,410	34,934	2,083	361,041,336	-	-	361,041,336	-	-	361,041,336
Investments in bills and bonds under resale agreements	34,827,960	-	-	-	34,827,960	-	-	34,827,960	-	-	34,827,960
Receivables- net	159,572,964	6,615,700	4,460,388	3,226,781	173,875,833	901,698	1,957,143	176,734,674	1,419,704	1,419,704	175,314,970
Bills discounted and loans	450,227,828	160,164,831	104,209,527	42,577,784	757,179,970	6,243,641	10,689,964	774,113,575	11,786,569	11,786,569	762,327,006
Reinsurance contract assets-net	435,887	-	-	-	435,887	-	-	435,887	-	-	435,887
Held-to-maturity financial assets- net	143,810,470	-	-	-	143,810,470	-	78,984	143,889,454	78,984	78,984	143,810,470
Restricted assets	2,704,678	18,000	-	-	2,722,678	-	-	2,722,678	-	-	2,722,678
Other financial assets- net	87,242,756	30,594	-	1,892,427	89,165,777	11,152	806,953	89,983,882	686,181	686,181	89,297,701
Other assets- net	27,866,623	2,520	2,295	738,890	28,610,328	-	25,140	28,635,468	-	-	28,635,468
Total	\$ 1,753,431,654	\$ 176,390,715	\$ 113,995,164	\$ 48,509,752	\$ 2,092,327,285	\$ 7,156,491	\$ 13,558,184	\$ 2,113,041,960	\$ 13,971,438	\$ 13,971,438	\$ 2,099,070,522

(B) In relation to bills discounted and loans of the Yuanta Group (excluding Yuanta Securities (Korea) and its subsidiaries and Ta Chong Bank and its subsidiaries) that were neither past due nor impaired, the credit quality analysis is based on the credit quality rating by client:

December 31, 2017					
	Positions that are neither past due nor impaired				
	Excellent	Acceptable	Weak	Unrated(Note)	Total
Corporate finance					
-Guaranteed	\$ 87,109,126	\$ 37,338,220	\$ 3,172,361	\$ 19,592,992	\$ 147,212,699
-Non-guaranteed	95,952,841	15,105,130	843,981	19,448,456	131,350,408
-Government-owned enterprise	1,075,650	-	-	-	1,075,650
-Others	570,519	69,680	-	110,011	750,210
Subtotal	<u>184,708,136</u>	<u>52,513,030</u>	<u>4,016,342</u>	<u>39,151,459</u>	<u>280,388,967</u>
Consumer finance					
-Mortgage loan	151,195,654	18,091,968	575,217	3,426	169,866,265
-Credit loan	877,922	61,858	183,502	31,290	1,154,572
-Automobile loan	18,390,029	6,108,633	5,353,462	3,847	29,855,971
-Others	5,233,935	74,825	134,573	51,346	5,494,679
Subtotal	<u>175,697,540</u>	<u>24,337,284</u>	<u>6,246,754</u>	<u>89,909</u>	<u>206,371,487</u>
Life insurance business					
-Premium loans	1,161,809	-	-	-	1,161,809
-Policy loans	4,369,658	-	-	-	4,369,658
-Secured loans	55,713	-	-	-	55,713
Subtotal	<u>5,587,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,587,180</u>
Security business					
-Security guarantees and loans	12,952,741	-	-	-	12,952,741
Total	<u>\$ 378,945,597</u>	<u>\$ 76,850,314</u>	<u>\$ 10,263,096</u>	<u>\$ 39,241,368</u>	<u>\$ 505,300,375</u>

Note : Credit rating for the corporate finance is categorized as “Credit rating model” and “Risk assessment by case”, however, for those loans not classified as “Credit rating model” in above table are treated as “Risk assessment by case”.

(C) In relation to bills discounted and loans of the Ta Chong Bank and its subsidiaries that were neither past due nor impaired, the credit quality analysis is based on the credit quality rating by client:

December 31, 2017					
Items	Positions that are neither past due nor impaired				
	Excellent	Good	Acceptable	Other	Total
Bills discounted and Loans					
-Corporate finance	\$ 4,777,674	\$ 48,373,439	\$ 46,065,605	\$ 2,622,843	\$ 101,839,561
-Residential mortgage loans	50,360,776	31,044,466	45,042,466	-	126,447,708
-Personal credit loans	3,388,167	3,607,348	2,809,471	763,274	10,568,260
-Cash card	33,264	61,141	11,862	-	106,267
-Micro-enterprise loans	66,575	-	-	-	66,575
-Deposits pledge loans	12,514	4,959	30,025	-	47,498
Total	<u>\$ 58,638,970</u>	<u>\$ 83,091,353</u>	<u>\$ 93,959,429</u>	<u>\$ 3,386,117</u>	<u>\$ 239,075,869</u>

(D) Aging analysis of overdue financial assets with no impairment of the Yuanta Group:

The delayed processing of the borrower and other administrative reasons may give rise to an overdue financial asset with no impairment.

Aging analysis of the overdue financial assets with no impairment of the Yuanta Group:

Items	December 31, 2017			Total
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for more than 3 months	
Receivables				
- Accounts receivable	\$ 3,622	\$ 619,529	\$ 106,656	\$ 729,807
- Credit card business	122,787	38,339	-	161,126
- Other receivables	133	138	620	891
- Interests receivable	6,616	3,258	-	9,874
Bills discounted and loans				
Corporate finance				
- Guaranteed	409,174	103,327	-	512,501
- Non-guaranteed	55,646	7,672	-	63,318
Consumer finance				
- Mortgage loans	3,431,957	753,046	-	4,185,003
- Credit loans	294,598	169,971	-	464,569
- Car loans	931,511	10,643	-	942,154
- Other	11,894	4,604	58,885	75,383
Life insurance business				
- Secured loans	-	713	-	713
Other financial assets	-	-	11,152	11,152
Total	<u>\$ 5,267,938</u>	<u>\$ 1,711,240</u>	<u>\$ 177,313</u>	<u>\$ 7,156,491</u>

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

(a) As of December 31, 2017, Yuanta Securities (Korea) and its subsidiaries set aside loss amount of \$1,683,185 for loans that have been individually assessed based on objective evidence of impairment, respectively.

(b) The individual impairment loss on loans assessed by objective evidence for Yuanta Securities (Indonesia) and its subsidiaries on December 31, 2017 was \$150,121, respectively.

(c) Impairment on bills discounted, loans and receivables of the Yuanta Group (excluding Yuanta Securities (Korea) and its subsidiaries as well as Ta Chong Bank and its subsidiaries) are analysed by client below:

Items			Bills discounted and loans (Note)	
			December 31, 2017	
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$	4,732,064
		Mortgage loan		221,369
	Collective assessment	Corporate loan		88,382
		Mortgage loan		377,524
		Credit loan		152,183
		Automobile loan		20,838
	Others		12,377	
Without individual objective evidence of impairment	Collective assessment	Corporate loan		279,726,103
		Government-owned enterprises		1,075,650
		Mortgage loan		170,937,834
		Credit loan		1,169,989
		Automobile loan		30,798,124
		Automatic policy loans		1,161,809
		Policy loans		4,369,658
		Others		18,663,281
Total			\$	513,507,185

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$	2,661,674
		Mortgage loan		9,732
	Collective assessment	Corporate loan		34,833
		Mortgage loan		66,058
		Credit loan		92,591
		Automobile loan		10,326
	Others		6,175	
Without individual objective evidence of impairment	Collective assessment	Corporate loan		1,846,756
		Mortgage loan		1,626,006
		Credit loan		12,453
		Automobile loan		35,766
	Others		86,615	
Total			\$	6,488,985

Items			Receivables (Note)	
			December 31, 2017	
With individual objective evidence of impairment	Individual assessment	Others	\$	583,279
	Collective assessment	Credit card business		14,070
		Others			242
Without individual objective evidence of impairment	Collective assessment	Credit card business		5,708,336
		Others		299,145,216
Total			\$	305,451,143

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	
With individual objective evidence of impairment	Individual assessment	Others	\$	300,640
	Collective assessment	Credit card business		13,706
		Others			207
Without individual objective evidence of impairment	Collective assessment	Credit card business		47,959
		Others		1,242,748
Total			\$	1,605,260

Note: As of December 31, 2017, bills discounted and loans includes interest receivable, which was \$616,488, respectively; the total receivables are the original amount (including due from Central Bank and call loans to banks, investments in bills and bonds under resale agreements, receivables (not including spot exchange receivables, revenue receivables and income tax refundable amounting to \$2,990,922), investments in debt products without an active market, temporary payments for others, delinquent accounts from non-loans and guarantee deposits); the amount not including interest receivables was \$616,488. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans was \$2,365.

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

Items	Discounts and loans		Receivables		
	Total amounts	Allowance for credit losses	Total amounts	Allowance for credit losses (Note)	
	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2017	
With individual objective evidence of impairment	Individual assessment	\$ 1,096,667	\$ 377,931	\$ 387,260	\$ 275,213
	Collective assessment	1,724,804	528,604	356,612	158,424
Without individual objective evidence of impairment	Collective assessment	242,658,545	2,790,638	8,954,144	64,223
	Total	\$ 245,480,016	\$ 3,697,173	\$ 9,698,016	\$ 497,860

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

13. Other disclosure items

(1) Related information on material transaction items:

- A. Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Company's paid-in capital: None.
- B. Information on the acquisition and disposal of real estate for which the purchase amount exceeded \$300 million or 10% of the Company's paid-in capital: None.
- C. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.
- D. Information regarding receivables from related parties exceeding \$300 million or 10% of the Company's paid-in capital:

Creditor	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2018	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Financial Holdings	Yuanta Securities	Subsidiary of Yuanta Financial Holdings	\$ 632,703 (Note)	-	-	\$ -	-	\$ -
Yuanta Financial Holdings	Yuanta Bank	Subsidiary of Yuanta Financial Holdings	312,703 (Note)	-	-	-	-	-

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

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

(Expressed In Thousand of New Taiwan Dollars)
Share ownerships of the Company and related parties

Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	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	\$ 96,512,228	\$ 8,888,331	5,405,644	-	5,405,644	100
"	Yuanta Commercial Bank Co., Ltd.	"	Banking	100	115,706,668	8,607,600	7,394,039	-	7,394,039	100
"	Yuanta Securities Finance Co., Ltd.	"	Margin loans and short sales of securities	100	8,818,069	503,077	400,000	-	400,000	100
"	Yuanta Futures Co., Ltd.	"	Futures business	68.65	6,206,428	659,598	159,467	-	159,467	68.65
"	Yuanta Life Co., Ltd.	"	Life insurance business	100	7,928,119	218,442	962,405	-	962,405	100
"	Yuanta Asset Management Co., Ltd.	"	Management of monetary debts of financial institutions	100	1,860,932	153,915	100,000	-	100,000	100
"	Yuanta Venture Capital Co., Ltd.	"	Venture capital business	100	2,536,648	220,861	246,000	-	246,000	100
"	Yuanta Securities Investment Consulting Co., Ltd.	"	Investment consulting on securities	100	136,413	1,256	10,000	-	10,000	100
"	Yuanta Securities Investment Trust Co., Ltd.	"	Investment trust	72.20	4,936,708	725,947	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	571,189	-	60,000	-	60,000	100
"	Yuanta Savings Bank (Philippines)	Philippines	Deposit services	100	510,123	-	1,000,000	-	1,000,000	100
"	Yuanta Savings Bank (Korea)	Korea	Deposit services	100	4,126,939	-	13,516	-	13,516	100
Yuanta Securities Co., Ltd.	Yuanta Securities Asia Financial Services Limited	Bermuda	Investment holding	100	32,303,431	-	290,909	-	290,909	100

(Expressed In Thousand of New Taiwan Dollars)
Share ownerships of the Company and related parties

Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Co., Ltd.	Yuanta International Insurance Brokers Co., Ltd.	R.O.C	Insurance agent	100	\$ 266,999	-	500	-	500	100
Yuanta Securities Asia Financial Services Limited	Yuanta Securities (B.V.I) Holding Co., Ltd.	British Virgin Islands	Investment holding	100	7,712	-	10	-	10	100
"	Yuanta Securities (Hong Kong) Limited	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, providing opinions on securities, providing opinions on futures contract, providing opinions on institutions' financing and providing assets management services	100	7,632,111	-	2,268,133	-	2,268,133	100
"	Polaris Securities (Hong Kong) Limited (P.S.H.K)	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, and providing assets management services	100	44,781	-	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	17,161,041	-	109,013	-	109,013	54.62

(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	Shares (In thousands)	Percentage of ownership (%)	Total	
											Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Asia Financial Services Limited	Yuanta Asia Investment Ltd.	British Virgin Islands	Direct investments, venture capital funds, venture capital fund raising and management, investment consulting	100	\$ 885,079	\$ -	30,000	-	30,000	100	-	30,000
"	Yuanta Hong Kong Holdings(Cayman) Co.,Ltd	Cayman Islands	Investment holding	100	444,267	-	10,074	-	10,074	100	-	10,074
"	Yuanta Securities (UK) Co.,Ltd	U.K.	License in application	100	62,496	-	2,000	-	2,000	100	-	2,000
"	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	4,572,700	-	450,000	-	450,000	99.99	-	450,000
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	85.24	1,481,553	-	85,242	-	85,242	85.24	-	85,242
Yuanta Securities Korea Co., Ltd	Yuanta Investment Co., Ltd.	Korea	Venture investment	100	1,546,272	-	6,401	-	6,401	100	-	6,401
"	Yuanta Financial (Hong Kong) Limited	Hong Kong	Investment holding	100	537,881	-	18,954	-	18,954	100	-	18,954
"	Tong Yang Asset Management Corp.	Korea	Asset management	27	343,209	-	1,080	-	1,080	27	-	1,080

(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	Shares (In thousands)	Percentage of ownership (%)	Total
											Shares (In thousands)
Yuanta Financial (Hong Kong) Limited	Yuanta Securities (Cambodia) Plc	Cambodia	Underwriting guidelines and financial advisory services	100	\$ 382,802	-	12,500	-	12,500	100	
"	Heng Xin Asia Holdings Limited	Hong Kong	Investment holding	90.13	-	-	1,525	-	1,525	90.13	
Yuanta Securities (Hong Kong) Limited	Yuanta International Investment (Hong Kong) Ltd.	"	Solicitation of financial products	100	229,674	-	50,000	-	50,000	100	
"	Yuanta Finance (Hong Kong) Ltd.	"	Credit loans	100	236,191	-	50,000	-	50,000	100	
"	Yuanta Investment Management (Cayman) Ltd.	Cayman Islands	Investment management	100	133,856	-	12,500	-	12,500	100	
"	Yuanta Securities (Vietnam) Co., Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	14.76	256,820	-	14,758	-	14,758	14.76	
"	PT Yuanta Securities Indonesia	Indonesia	Securities trading and underwriting services	99	809,917	-	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	95,505	-	45	-	45	99.998	
Yuanta Venture Capital Co., Ltd.	Yuanta I Venture Capital Co., Ltd.	R.O.C	Venture capital business	100	850,992	-	85,000	-	85,000	100	
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Limited	Hong Kong	Futures business	100	988,185	-	34,000	-	34,000	100	
"	SYF Information Limited	R.O.C	Information software and data processing services	100	292,315	-	35,000	-	35,000	100	
SYF Information Limited	SYF Information (Samoa)	Samoa	Investment holding	100	151,019	-	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:

Company name	Property name	Date of occurrence	Amount	Paying Status	Counterparty	Relationship with the seller	When counterparty is related party			Criteria of price decision	Purpose of acquisition and usage situation	Other agreements
							Owner	Relationship with the publisher	Transferring date				Amount
Yuanta Bank	Superficies	3-Sep-18	\$8,201,000	Completed	R.O.C.(National Property Administration, Ministry of Finance)	Non-related parties	-	-	-	Appraisal report issued by real estate appraiser	Owner-occupied property	-

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:

Company Name	Property Name	Date of occurrence	Date of original acquisition	Book value	Amount	Receiving Status	Gain or loss on disposal	Counterparty	Relationship with the seller	Purpose of disposal	Criteria of price decision	Other agreements

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 September 30, 2018	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 Securities	Yuanta Financial Holdings	Parent Company	682,431	-	-	-	-	-

F. Information regarding selling non-performing loans:

Transaction date	Counterparty	Contents of right of claim	Carrying value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Bank	Note
7-Mar-18	taeyung AMC	Loans and Temporary Payments for Others	20,494	26,194	5,700	None	None	Note1
27-Apr-18	taeyung AMC	Loans and Temporary Payments for Others	23,051	26,052	3,001	None	None	Note2
31-Jul-18	taeyung AMC	Loans and Temporary Payments for Others	41,735	41,982	247	None	None	Note3
15-Nov-18	taeyung AMC	Loans and Temporary Payments for Others	43,251	43,763	512	None	None	Note4

Note1: The carrying amount and the sale price of the loan was KRW 747,879 thousand and KRW 955,879 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

Note2: The carrying amount and the sale price of the loan was KRW 841,168 thousand and KRW 950,700 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

Note3: The carrying amount and the sale price of the loan was KRW 1,523,000 thousand and KRW 1,532,000 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

Note4: The carrying amount and the sale price of the loan was KRW 1,578,326 thousand and KRW 1,597,000 thousand, using the exchange rate of 1 KRW to 0.027403 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	Yuanta Finance (Hong Kong)	Accounts receivable-related party	Yes	\$ 921,990	\$ -	\$ -	0.00%	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	\$32,323,420 (Note 1)	\$32,323,420 (Note 1)
2	Yuanta Securities Asia Finance Service	PT Yuanta Sekuritas Indonesia	Accounts receivable-related party	Yes	1,044,922	430,262	307,330	3.60%	Short-term loans	-	Operation financing	-	-	-	32,323,420 (Note 1)	32,323,420 (Note 1)
3	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	921,990	921,990	-	0.00%	Short-term loans	-	Operation financing	-	-	-	32,323,420 (Note 1)	32,323,420 (Note 1)
4	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	4,763,615	2,304,975	614,660	4.05%	Short-term loans	-	Operation financing	-	-	-	32,323,420 (Note 1)	32,323,420 (Note 1)
5	Yuanta Securities Asia Finance Service	Yuanta Asia Investment Service	Accounts receivable-related party	Yes	768,325	768,325	146,596	4.00%	Short-term loans	-	Operation financing	-	-	-	32,323,420 (Note 1)	32,323,420 (Note 1)
6	Yuanta Securities Asia Finance Service	Yuanta Securities (Vietnam)	Accounts receivable-related party	Yes	614,660	307,330	153,665	4.10%	Short-term loans	-	Operation financing	-	-	-	32,323,420 (Note 1)	32,323,420 (Note 1)
7	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	414,896	414,896	414,896	2.90%	Short-term loans	-	Operation financing	-	-	-	444,267 (Note 2)	444,267 (Note 2)
8	PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Accounts receivable-related party	Yes	6,339	6,339	6,339	8.00%	Short-term loans	-	Operation financing	-	-	-	787,378 (Note 3)	787,378 (Note 3)
9	Yuanta International Leasing	Audi Taiwan	Accounts receivable	No	197,944	197,944	197,944	4.17% ~ 5.60%	Necessary for short-term loans	-	Acquisition of assets and operation financing	19,794	Real estate	570,000	228,961	228,961

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 nine months ended December 31, 2018	Ending balance of endorsement and guarantee	Actual used amount	Property-backed endorsement and guarantee	The ratio of accumulated endorsement and guarantee amount and the net value of the latest financial statement	Maximum limit	Provision of endorsements and guarantees by parent company to subsidiary	Provision of endorsements and guarantees by subsidiary to parent company	Provision of endorsements and guarantees to the party in Mainland China	Note
		Name of company	Relationship											
1	Yuanta Securities	Yuanta Securities (Korea)	More than 50% common stock-directly owned subsidiary	\$ 19,087,418 (Note 1)	\$ 2,755,000	-	\$ -	-	0.00%	\$ 38,174,837 (Note 1)	Yes	No	No	
2	Yuanta Securities	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly owned subsidiary	19,087,418 (Note 1)	234,346	234,346	107,566	-	0.25%	38,174,837 (Note 1)	Yes	No	No	
3	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock-directly owned subsidiary	19,087,418 (Note 1)	2,880,435	2,880,435	1,619,561	-	3.02%	38,174,837 (Note 1)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock-directly owned subsidiary	32,323,420 (Note 2)	1,536,650	1,536,650	1,536,650	-	4.75%	32,323,420 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock-directly owned subsidiary	32,323,420 (Note 2)	1,580,579	1,580,579	927,143	-	4.89%	32,323,420 (Note 2)	Yes	No	No	
6	Yuanta Securities Asia Financial Service	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly owned subsidiary	32,323,420 (Note 2)	299,651	299,651	43,026	-	0.93%	32,323,420 (Note 2)	Yes	No	No	
7	Yuanta Securities Asia Financial Service	Yuanta Securities (Vietnam)	More than 50% common stock-directly owned subsidiary	32,323,420 (Note 2)	460,995	460,995	451,775	-	1.43%	32,323,420 (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:

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)	(Expressed in Thousands of New Taiwan Dollars)		Note
					December 31, 2018	Percentage of ownership (%)	
Yuanta Securities Finance	Beneficiary certificates:						
	Shin Kong Global Total Return Balanced Fund	-	Financial assets at fair value through profit or loss	500	\$ 4,455	N/A	\$ 4,455
	Yuanta MSCI China A ETF	The managing company of the fund and the company are controlled in the same related party	"	500	8,255	"	8,255
	Allianz Global Investors Income and Growth Fund	-	"	500	4,640	"	4,640
	Allianz Global Investors China Strategic Growth Fund	-	"	490	5,786	"	5,786
					<u>\$ 23,136</u>		<u>\$ 23,136</u>
	Listed stocks:						
	Fomosa Plastics Corporation	-	Financial assets at fair value through other comprehensive income	100	\$ 10,100	-	\$ 10,100
	Taiwan Business Bank, Ltd.	-	"	1,500	15,525	0.02	15,525
	Mega Financial Holdings Co., Ltd.	-	"	500	12,975	-	12,975
	SinoPac Financial Holdings Co., Ltd.	-	"	2,754	28,366	0.02	28,366
	First Financial Holding Co., Ltd.	-	"	1,212	24,240	0.01	24,240
					<u>\$ 91,206</u>		<u>\$ 91,206</u>
	Un-Listed stocks:						
	Taiwan Depository & Clearing Corporation	-	Financial assets at fair value through other comprehensive income	32,520	\$ 2,347,001	8.78	\$ 2,347,001
	Taiwan Futures Exchange	-	"	16,705	1,404,019	5.00	1,404,019
					<u>\$ 3,751,020</u>		<u>\$ 3,751,020</u>

		December 31, 2018						
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Securities Finance								
Government bonds:								
	99 A5 Central Government Construction Bond	-	Financial assets at amortised cost	-	\$ 50,146	N/A	\$ 50,537	
	90 A8 Central Government Construction Bond	-	"	-	53,219	"	54,568	
					<u>\$ 103,365</u>		<u>\$ 105,105</u>	
Beneficiary certificates:								
Yuanta Securities Investment Trust								
	Yuanta MSCI China A ETF	The managing company of the fund	Financial assets at fair value through profit or loss	7	\$ 123	-	\$ 123	
	Yuanta/P-shares MSCI Taiwan ETF	"	"	11	380	-	380	
	Yuanta/P-shares MSCI Taiwan Financials ETF	"	"	22	363	-	363	
	Yuanta S&P500	"	"	7	161	-	161	
	Yuanta Wan Tai Money Market Fund	"	"	6,612	100,017	-	100,017	
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	5	93	-	93	
	Yuanta/P-shares SSE50 ETF	"	"	20	512	-	512	
	Yuanta/P-shares Taiwan Mid-Cap 100 ETF	"	"	6	171	-	171	
	Yuanta/P-shares S&P Custom China Play 50	"	"	20	381	-	381	
	Yuanta/P-shares Taiwan Top 50 ETF	"	"	30	2,242	-	2,242	
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	7	189	-	189	
	Yuanta/P-shares Taiwan Dividend Plus ETF	"	"	25	606	-	606	
	Yuanta/P-shares Taiwan Gre Tai 50 ETF	"	"	19	209	-	209	
	Yuanta/P-shares Taiwan Electronics Tech ETF	"	"	20	621	-	621	
	Yuanta EURO STOXX 50 ETF	"	"	8	166	-	166	
	W.I.S.E., Yuanta/P-shares CSI 300 ETF	"	"	30	428	-	428	
					<u>\$ 106,662</u>		<u>\$ 106,662</u>	
Yuanta Securities Investment Trust								
Stocks:								
	Taiwan Futures Exchange	-	Financial assets at fair value through other comprehensive income	1,169	\$ 98,281	-	\$ 98,281	
	FundRich Securities Co. Ltd.	-	"	819	8,030	-	8,030	
					<u>\$ 106,311</u>		<u>\$ 106,311</u>	
Stocks:								
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	147,000	\$ 112,548	-	\$ 112,548	

		December 31, 2018					
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Percentage of ownership		Note
					Book value	(%)	
Yuanta Asset Management	Stocks:						
	Taiwan Finance Corporation	-	Financial assets at fair value through other comprehensive income	828	\$ 6,951	0.16	\$ 6,951
	Sunsino Venture Co., Ltd.	-	"	443	3,815	0.93	3,815
	Da Yeh Development Co., Ltd.	-	"	333	2,730	2.22	2,730
	Chung Yi Development Co., Ltd.	-	"	2,278	91	6.63	91
	Global Investment Holdings Co., LTD.	-	"	1,980	14,573	1.23	14,573
	China Trade And Development Corporation	-	"	500	9,210	0.76	9,210
					<u>\$ 37,370</u>		<u>\$ 37,370</u>
Yuanta Venture Capital	Stocks:						
	Gorilla Technology Group Inc.	-	Financial assets at fair value through profit or loss	95	\$ 16,914	0.84	\$ 16,914
	Tot Biopharm International Company Limited	-	"	2,200	50,182	1.63	50,182
	Tot Biopharm International Company Limited	-	"	941	49,031	0.69	49,031
							Preferred stock A
	Tot Biopharm International Company Limited	-	"	904	68,251	0.67	68,251
							Preferred stock B
	CGK International Co., Ltd	-	"	877	16,214	2.39	16,214
	Veden Dental Group	-	"	246	16,317	0.84	16,317
	Throughtek Co.,Ltd	-	"	550	5,517	2.11	5,517
	PlexBio Co., Ltd.	-	"	1,367	19,206	1.96	19,206
	Taiwan J Pharmaceuticals Co., Ltd.	-	"	2,229	15,025	3.24	15,025
	Pheeda Technology Co. Ltd.	-	"	252	2,606	0.89	2,606
	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	20,683	11.78	20,683
	MagV Co.,Ltd	-	"	2,145	429	12.69	429

December 31, 2018

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Percentage of ownership		Note
					Book value	Market value	
Yuanta Venture Capital	Saultech Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,859	\$ 91,331	9.85	\$ 91,331
	Oriental System Technology Inc.	-	"	1,000	15,970	3.70	15,970
	BRIM Biotechnology, Inc.	-	"	3,500	81,935	5.97	81,935
	Apavent Medical, Inc.	-	"	394	4,127	2.32	4,127
	Apavent Medical, Inc.	-	"	1,807	41,234	10.67	41,234
							Preferred stock B
	GenePharm Biotech Corp.	-	"	2,667	10,400	10.68	10,400
	Great Dream Pictures, Inc.	-	"	2,000	15,200	19.96	15,200
	Li Ling Film Co., Ltd.	-	"	1,666	36,152	2.78	36,152
	Jing-Jan Retail Business Co., Ltd.	-	"	1,408	67,584	2.35	67,584
	Jin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	14,139	1.05	14,139
	United Renewable Energy Co., Ltd.	-	"	908	5,481	0.04	5,481
	Enterex International Limited	-	"	1,953	50,778	1.97	50,778
	Taiwan Chelic Corp. Ltd.	-	"	500	28,600	0.75	28,600
	Jump Media International Co., Ltd.	-	"	906	12,485	3.20	12,485
CB Therapeutics Inc.	-	"	1,634	17,632	0.18	17,632	
Ever Supreme Bio Technology Co., Ltd.	-	"	1,890	148,800	3.38	148,800	
Asia Pacific Venture Invest III P.	-	"	-	772	10.00	772	
G. Marso Electronics, Inc.	-	"	300	-	1.38	-	
Aide Engery Holdings Co., Ltd.	-	"	336	-	0.33	-	
GCT Semiconductor Inc.	-	"	1,402	-	1.51	-	
				\$ 922,995		\$ 922,995	
Yuanta Venture Capital							
	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	\$ 850,992	100.00	\$ 850,992

Stocks:

Yuanta Venture Capital

December 31, 2018

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	December 31, 2018		Note
					Book value	Percentage of ownership (%)		Market value
Yuanta Venture Capital	Stocks:						
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	800	\$ 7,120	0.50	\$ 7,120
	Li Ding Venture Capital Co., Ltd.	-	"	1,739	13,722	17.39	13,722
	Prudence Capital Management	-	"	5,476	49,941	9.00	49,941
	Ho Ding Venture Capital Co., Ltd.	-	"	695	5,331	10.00	5,331
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,064	10,178	4.80	10,178
	Lian Ding Venture Capital Co., Ltd.	-	"	1,680	18,547	15.00	18,547
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	4,192	10.00	4,192
	Lian Xun San Venture Capital Co., Ltd.	-	"	10	11,299	10.00	11,299
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	16,445	8.70	16,445
	Hwa Sheng Venture Capital Co., Ltd.	-	"	877	10,132	3.33	10,132
	Sheng Yuan Venture Capital Co., Ltd.	-	"	1,680	17,304	9.88	17,304
	Guan Hwa Venture Capital Co., Ltd.	-	"	1,102	4,407	5.56	4,407
	Qi Ding Venture Capital Co., Ltd.	-	"	2,261	25,186	4.35	25,186
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	3,129	5.56	3,129
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	"	455	3,910	10.00	3,910
	Huiyang Venture Capital Co., Ltd.	-	"	67	7,880	2.46	7,880
					<u>\$ 208,723</u>		<u>\$ 208,723</u>
	Convertible corporate bond:						
	Alliance Developments Limited (Alliance CB1)	-	Financial assets at fair value through profit or loss - convertible corporate bonds	-	\$ 101,719	-	\$ 101,719
	GTS Chemical Holdings Co., Ltd. (GTS Group CB1)	-	"	-	46,977	-	46,977
					<u>\$ 148,696</u>		<u>\$ 148,696</u>
Yuanta I Venture Capital	Stocks:						
	Ultra-Pak Industries Co., Ltd.	-	Financial assets at fair value through profit or loss	2,245	\$ 26,022	5.23	\$ 26,022
	Great Team Backend Foundry, Inc.	-	"	1,800	53,262	3.15	53,262
	Luminous Town Electronic Co., Ltd.	-	"	1,333	16,724	1.99	16,724

		December 31, 2018					
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Percentage of ownership			
				Number of shares (In thousands)	Book value	Market value	Note
Yuanta I Venture Capital	Wiwynn Corp.	-	Financial assets at fair value through profit or loss	70	\$ 19,441	\$ 19,441	
	SYNC Power Corp.	-	"	2,695	24,200	24,200	
	Ao Ether Corporation	-	"	1,366	273	273	
	JHL Biotech, Inc.	-	"	2,370	113,002	113,002	
	Bridgewell Information Corp.	-	"	900	8,154	8,154	
	United Renewable Energy Co., Ltd.	-	"	908	5,481	5,481	
	Taiwan Chiehc Corp. Ltd.	-	"	230	13,156	13,156	
	Center Laboratories, Inc.	-	"	831	56,542	56,542	
	Fritech Co., Ltd.	-	"	1,105	66,985	66,985	
	Ether precision Inc.	-	"	2,500	-	-	
	Infomedia Inc.	-	"	1,608	-	-	
					\$ 403,242	\$ 403,242	

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(4) Investments in Mainland China

A. Information of investment in Mainland China:

Yuanta Venture Capital

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Tung Yao Pharmaceutical Co., Ltd.	Pharmaceutical company specializes in cancer treatment	\$4,886,547 (USD 159,000)	(2) HONG KONG TOT BIO PHARM INTERNATIONAL COMPANY LIMITED	\$ 68,207	\$ 109,020	\$ -	\$ 177,227	Note 5	2.99%	\$ -	\$ 177,227	\$ -
Jhong Shan Dong Yi Technology Co., Ltd.	Protection glass grinding and sales	238,784 (USD 8,000)	(2) CAYMAN ISLANDS CGK INTERNATIONAL CO., LTD.	8,258	-	-	8,258	Note 5	2.39%	-	8,258	-
Veden Dental Labs Inc	Manufacturing dental restoration	316,977 (HKD 83,000)	(2) CAYMAN ISLANDS VEDEN DENTAL GROUP	22,762	-	-	22,762	Note 5	0.84%	-	22,762	-

(Expressed in thousands of dollars)

Yuanta I Venture Capital

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Jie Qun Electronic Technology (Dong Guan) Ltd.	Transistors	\$ 2,611,208 (USD 87,484)	(2) VIRGIN ISLANDS GREAT TEAM BACKEND FOUNDRY, INC.	\$ 66,764	- \$	- \$	\$ 66,764	Note 5	3.15%	\$ -	\$ 66,764	\$ -
Ether Precision Inc. (Su Zhou)	Manufacturing and selling of a variety of discs	826,790 (USD 27,700)	(2) CAYMAN ISLANDS ETHER PRECISION INC.	32,220	-	-	32,220	Note 5	1.61%	-	32,220	-

Yuanta Securities

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 18,516 (RMB 4,138)	(3)	\$ -	- \$	- \$	- \$	\$ 177	100.00%	In liquidation	\$ 22,243	\$ -

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from China/Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Yuanta Securities Investment Consultant (Beijing)	Investment management consulting service, financial consulting service, business administration consulting service, business information consulting service, economic and trade consulting service, marketing and planning, technical promotion and services	82,467 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	(\$ - 2,513)	100.00%	(\$ 2,513) The financial statements that are audited by R.O.C. parent company's CPA.	\$ 31,606	\$ -

Yuanta Securities Investment Trust

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
CR Yuanta Fund Management Company Limited	Fund raising and sale	\$ 1,342,550 (RMB 300,000)	(1)	\$ 705,666	\$ -	\$ -	\$ 705,666	\$ 196,970	49.00%	(\$ 92,135) (2)c	\$ 112,548	\$ -

Yuanta Futures

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018
					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	\$ 5,329	100.00%	(\$ 5,329) (2)c	\$ 125,447	\$ -

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note)
Yuanta Venture Capital and its subsidiaries	307,231	343,028	1,521,989
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	92,199	57,262,255
Yuanta Securities Investment Trust	705,666	705,666	2,534,881
Yuanta Futures	157,209	174,000	4,932,330

Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's consolidated net worth of \$2,536,648.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's consolidated net worth of \$95,437,092.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's consolidated net worth of \$4,224,802.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's consolidated net worth of \$8,220,550.

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

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

Note 2: In the 'Investment income (loss) recognised by the Company For the year ended December 31, 2018' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - a. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - b. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - c. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Financial assets at fair value through other comprehensive income were not recognised as the investees are accounted for as financial assets carried at cost.

Note 5: The Company's subsidiary does not have significant influence over the investee. Thus, financial information on the investee is unattainable.

Note 6: Yuanta Securities absorbed Polaris Securities and therefore indirectly acquired US\$16 million capital of GC Investment Consultant (Shanghai) Co., Ltd., a subsidiary of GC Investment Consultant (Asian) Co., Ltd. (renamed as Polaris Capital afterwards), being reinvested by Polaris Holdings (Cayman) Ltd., the direct overseas investment of Polaris Securities.

(5) Significant commitments or contingency of subsidiaries

Please refer to Note 9.

(6) Significant loss from disasters of subsidiaries

Please refer to Note 10.

(7) Significant subsequent events of subsidiaries

Please refer to Note 11.

(8) Related party transactions of subsidiaries amounting to at least \$100 million

Please refer to Note 7.

(9) Significant transactions between parent company and subsidiaries

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax assets	632,703	No significant difference from general customers	0.03%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax assets	312,073	"	0.01%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax liabilities	682,431	"	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	2,013,188	"	0.09%
0	Yuanta Financial Holdings	Yuanta Bank	1	Cash and cash equivalents	5,518,687	"	0.24%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	75,500	"	0.07%
0	Yuanta Financial Holdings	Yuanta Securities	1	Other business and administrative expenses	51,041	"	0.05%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax assets	682,431	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax liabilities	632,703	"	0.03%
1	Yuanta Securities	Yuanta Bank	3	Cash and cash equivalents	6,397,750	"	0.28%
1	Yuanta Securities	Yuanta Bank	3	Restricted assets - net	134,348	"	0.01%
1	Yuanta Securities	Yuanta Futures	3	Other financial assets-net	2,994,344	"	0.13%
1	Yuanta Securities	Yuanta Bank	3	Other assets-net	2,297,543	"	0.10%
1	Yuanta Securities	Yuanta Bank	3	Deposits and remittances	635,134	"	0.03%
1	Yuanta Securities	Yuanta Bank	3	Interest income	42,743	"	0.04%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	21,609	"	0.02%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	396,526	"	0.39%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	8,341	"	0.01%
1	Yuanta Securities	Yuanta Futures	3	Net non-interest income	20,647	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Net non-interest income	137,620	"	0.14%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net non-interest income	29,432	"	0.03%
1	Yuanta Securities	Yuanta Securities Finance	3	Net non-interest income	10,528	"	0.01%
1	Yuanta Securities	Yuanta Investment Trust	3	Net non-interest income	39,393	"	0.04%
1	Yuanta Securities	Yuanta International Insurance Brokers	3	Net non-interest income	222,205	"	0.22%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
1	Yuanta Securities	Yuanta Life	3	Employee benefit expenses	7,993	"	0.01%
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	173,966	"	0.17%
2	Yuanta Bank	Yuanta Securities	3	Cash and cash equivalents	635,134	"	0.03%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax assets	2,275,250	"	0.10%
2	Yuanta Bank	Yuanta Securities	3	Deposits and remittances	8,829,641	"	0.39%
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	5,518,687	"	0.24%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Deposits and remittances	1,487,493	"	0.07%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Deposits and remittances	1,219,448	"	0.05%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	2,156,774	"	0.09%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	16,197,440	"	0.71%
2	Yuanta Bank	Yuanta Venture Capital	3	Deposits and remittances	358,400	"	0.02%
2	Yuanta Bank	Yuanta I Venture Capital	3	Deposits and remittances	348,160	"	0.02%
2	Yuanta Bank	Yuanta International Insurance Brokers	3	Deposits and remittances	308,405	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Deposits and remittances	4,309,638	"	0.18%
2	Yuanta Bank	Yuanta International Leasing	3	Deposits and remittances	271,494	"	0.01%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax liabilities	312,073	"	0.01%
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	75,500	"	0.07%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	42,743	"	0.04%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	148,727	"	0.15%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Interest expense	12,229	"	0.01%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Interest expense	18,008	"	0.02%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
2	Yuanta Bank	Yuanta Investment Trust	3	Interest expense	17,587	"	0.02%
2	Yuanta Bank	Yuanta Life	3	Employee benefit expenses	723,637	"	0.72%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	137,620	"	0.14%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	12,171	"	0.01%
3	Yuanta Futures	Yuanta Bank	3	Cash and cash equivalents	1,245,030	"	0.05%
3	Yuanta Futures	Yuanta Bank	3	Other financial assets-net	14,802,510	"	0.65%
3	Yuanta Futures	Yuanta Bank	3	Other assets-net	149,900	"	0.01%
3	Yuanta Futures	Yuanta Securities (Hong Kong)	3	Other financial liability	419,049	"	0.02%
3	Yuanta Futures	Yuanta Securities	3	Other financial liability	2,994,344	"	0.13%
3	Yuanta Futures	Yuanta Bank	3	Interest income	148,727	"	0.15%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	396,526	"	0.39%
3	Yuanta Futures	Yuanta Securities	3	Other business and administrative expenses	20,647	"	0.02%
4	Yuanta Life	Yuanta Bank	3	Cash and cash equivalents	309,638	"	0.01%
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	2,013,188	"	0.09%
4	Yuanta Life	Yuanta Bank	3	Other financial assets-net	4,000,000	"	0.17%
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	438,694	"	0.43%
4	Yuanta Life	Yuanta Bank	3	Net service fee and commission income	714,503	"	0.71%
4	Yuanta Life	Yuanta Bank	3	Insurance business net income	9,134	"	0.01%
4	Yuanta Life	Yuanta Securities	3	Insurance business net income	7,993	"	0.01%
5	Yuanta Securities Finance	Yuanta Securities	3	Other business and administrative expenses	10,528	"	0.01%
6	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	173,966	"	0.17%
6	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	12,171	"	0.01%
7	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	2,156,774	"	0.09%
7	Yuanta Investment Trust	Yuanta Bank	3	Interest income	17,587	"	0.02%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
7	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	21,472	"	0.02%
7	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	26,262	"	0.03%
8	Yuanta Venture Capital	Yuanta Bank	3	Cash and cash equivalents	358,400	"	0.02%
9	Yuanta I Venture Capital	Yuanta Bank	3	Cash and cash equivalents	348,160	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Cash and cash equivalents	1,487,493	"	0.07%
10	Yuanta Securities (Hong Kong)	Yuanta Investment (Hong Kong)	3	Securities purchased under resale agreements	257,693	"	0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Securities purchased under resale agreements	5,800,860	"	0.25%
10	Yuanta Securities (Hong Kong)	Yuanta Futures	3	Other financial assets-net	419,049	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Securities (Korea)	3	Other assets-net	228,890	"	0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Interest income	137,205	"	0.14%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Net non-interest income	18,008	"	0.02%
11	Yuanta International Leasing	Yuanta Bank	3	Cash and cash equivalents	271,494	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	2,884,855	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Thailand)	3	Receivables – net	617,167	"	0.03%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	34,558	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	243,947	"	0.01%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
12	Yuanta Securities Asia Financial Services	Yuanta HK Holdings (Cayman)	3	Payables	418,907	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Retained earnings	14,524	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	132,696	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Net non-interest income	76,166	"	0.08%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Cumulative translation differences of foreign operations	43,022	"	0.04%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests	106,290	"	0.00%
13	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Financial Services	3	Receivables – net	418,907	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	1,127	"	0.00%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,762,420	"	0.12%
14	Yuanta Securities (Korea)	Yuanta Securities (Hong Kong)	3	Other liability	228,890	"	0.01%
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	Interest expense	132,696	"	0.13%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	5,800,860	"	0.25%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Net non-interest income	137,205	"	0.14%
16	Yuanta Investment (Hong Kong)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	257,693	"	0.01%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
17	Yuanta Securities (Thailand)	Yuanta Securities Asia Financial Services	3	Payables	617,167	"	0.03%
18	Yuanta International Insurance Brokers	Yuanta Bank	3	Other assets-net	308,405	"	0.01%
18	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	438,694	"	0.43%
18	Yuanta International Insurance Brokers	Yuanta Securities	3	Other business and administrative expenses	222,205	"	0.22%
19	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Cash and cash equivalents	650,875	"	0.03%
19	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Other financial assets-net	568,573	"	0.02%
19	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Interest income	12,229	"	0.01%

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

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

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

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

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

14. Segment information

(1) General information

A. Recognition elements of reporting segment

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

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

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

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

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

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

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

Expressed in Thousands of New Taiwan Dollars

	For the year ended December 31, 2018							
	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 21,557,570	\$ 34,810,214	\$ 2,464,527	\$ 731,366	\$ 39,069,044	\$ 2,646,852	\$ -	\$ 101,279,573
Revenue (loss) from transactions with other operating segments of the same entity	440,264	775,127	56,476	11,115	(74,519,234)	646,447	72,589,805	-
Net revenues (Note)	21,997,834	35,585,341	2,521,003	742,481	(35,450,190)	3,293,299	72,589,805	101,279,573
Bad debt expense and guarantee liability provisions	(666,380)	(101,023)	(89,136)	(2,004)	1,980	-	-	(856,563)
Net change in provisions for insurance liabilities	-	-	-	-	36,767,111	-	(73,378,891)	(36,611,780)
Operating expenses	(11,285,799)	(23,851,231)	(1,186,285)	(160,448)	(1,403,382)	(2,303,061)	578,548	(39,611,658)
Income (loss) from continuing operations before income tax	\$ 10,045,655	\$ 11,633,087	\$ 1,245,582	\$ 580,029	\$ 84,481	\$ 990,238	\$ 210,538	\$ 24,199,572

	For the year ended December 31, 2017							
	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 20,576,865	\$ 30,563,620	\$ 2,005,821	\$ 741,576	\$ 35,327,138	\$ 4,569,898	\$ -	\$ 93,784,918
Revenue (loss) from transactions with other operating segments of the same entity	297,271	896,750	40,192	1,642,608	(750,411)	(1,843,793)	(282,617)	-
Net revenues (Note)	20,874,136	31,460,370	2,046,013	2,384,184	34,576,727	2,726,105	282,617	93,784,918
Bad debt recovery (expense) and guarantee liability provisions	(320,274)	(219,196)	-	(1,119)	(1,303)	(204,879)	-	(746,771)
Net change in provisions for insurance liabilities	-	-	-	-	(34,056,172)	-	160,294	(33,895,878)
Operating expenses	(12,760,581)	(21,645,304)	(1,020,913)	(159,321)	(1,313,559)	(2,329,609)	502,462	(38,726,825)
Income (loss) from continuing operations before income tax	\$ 7,793,281	\$ 9,595,870	\$ 1,025,100	\$ 2,223,744	\$ 794,307	\$ 191,617	\$ 380,139	\$ 20,415,444

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

(3) Information on products and services

Information on products and services of Yuanta Group is consistent with the measurement of segment information.

(4) Geographical information

Geographical revenue information of Yuanta Group is as follows:

	For the years ended December 31,	
	2018	2017
R.O.C.	\$ 84,879,962	\$ 80,499,414
South Korea	13,056,573	10,865,979
Others	3,343,038	2,419,525
	<u>\$ 101,279,573</u>	<u>\$ 93,784,918</u>

(5) Major customer information

There is no requirement for additional disclosure because no single customer accounted for 10% or more of the Yuanta Group's operating revenues.

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