

**YUANTA FINANCIAL HOLDING CO., LTD.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017**



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PWCR18000130

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Yuanta Financial Holding Co., Ltd. and subsidiaries as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and International Accounting Standard 34, ‘Interim Financial Reporting’ as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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



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Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Yuanta Financial Holding Co., Ltd. and subsidiaries as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as of changes in equity and of cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Kuo, Puo-Ju

Chen, Hsien-I

For and on behalf of PricewaterhouseCoopers, Taiwan

November 28, 2018

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

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	ASSETS	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 63,136,113	3	\$ 64,007,570	3	\$ 60,216,338	3
11500	Due from Central Bank and call loans to other banks	6(2)	45,523,252	2	54,390,950	2	55,289,105	2
12000	Financial assets at fair value through profit or loss	6(3) and 12(15)	483,335,285	21	432,636,863	19	407,924,286	18
12100	Available-for-sale financial assets – net	12(15)	-	-	395,516,795	17	365,672,645	16
12150	Financial assets at fair value through other comprehensive income – net	6(4)	230,307,755	10	-	-	-	-
12200	Investments in debt instruments at amortised cost – net	6(5)	340,936,528	15	-	-	-	-
12500	Investments in bills and bonds under resale agreements	6(6)	33,591,895	1	34,827,960	2	36,102,296	2
13000	Receivables – net	6(7)	172,007,351	8	175,314,970	8	168,753,536	8
13200	Current income tax assets		944,847	-	1,330,623	-	1,873,534	-
13300	Assets held for sale – net	6(8)	-	-	-	-	35,451	-
13500	Bills discounted and loans – net	6(9)	746,769,980	33	762,319,040	34	790,742,715	35
13700	Reinsurance contract assets – net	6(10)	472,508	-	435,887	-	545,612	-
14500	Held-to-maturity financial assets – net	12(15)	-	-	143,810,470	6	126,058,241	6
15000	Equity investments accounted for under the equity method – net	6(11)	1,924,344	-	1,675,124	-	1,819,942	-
15100	Restricted assets – net		2,632,900	-	2,722,678	-	3,508,592	-
15500	Other financial assets – net	6(12)	52,333,615	2	93,469,307	4	102,704,120	5
18000	Investment property – net	6(13)	5,006,338	-	6,173,646	-	6,101,113	-
18500	Property and equipment – net	6(14)	22,498,100	1	22,630,593	1	22,535,560	1
19000	Intangible assets – net	6(15)	35,258,908	2	35,935,777	2	36,128,442	2
19300	Deferred income tax assets		6,110,090	-	5,642,845	-	4,427,062	-
19500	Other assets – net	6(16)	43,802,077	2	40,804,112	2	45,045,333	2
	TOTAL ASSETS		<u>\$ 2,286,591,886</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,235,483,923</u>	<u>100</u>

(Continued)

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
21000	Due to Central Bank and other banks	6(18)	\$ 32,896,705	2	\$ 13,520,162	1	\$ 23,684,224	1
22000	Financial liabilities at fair value through profit or loss	6(3) and 12(15)	100,204,215	4	120,119,516	5	124,196,269	6
22500	Bills and bonds payable under repurchase agreements	6(6)	204,555,301	9	197,101,189	9	167,290,510	8
22600	Commercial paper payable – net	6(19)	47,181,939	2	44,704,087	2	39,098,413	2
23000	Payables	6(20)	162,936,887	7	168,705,371	7	162,926,002	7
23200	Current income tax liabilities		4,719,017	-	5,667,788	-	4,909,951	-
23500	Deposits and remittances	6(21)	1,016,313,366	45	1,056,024,289	46	1,067,091,414	48
24000	Bonds payable	6(22)	69,633,128	3	65,890,879	3	68,648,145	3
24400	Other borrowings	6(23)	73,192,218	3	71,754,771	3	66,336,266	3
24500	Preferred stock liabilities	6(28)	-	-	-	-	3,972,208	-
24600	Liabilities reserve	6(24)(25)	218,033,810	10	195,038,820	9	180,765,588	8
25500	Other financial liabilities	6(26)	75,369,654	3	70,098,914	3	69,604,910	3
29300	Deferred income tax liabilities		4,092,856	-	3,518,474	-	2,630,437	-
29500	Other liabilities	6(27)	42,840,249	2	33,403,395	2	29,453,510	1
	TOTAL LIABILITIES		<u>2,051,969,345</u>	<u>90</u>	<u>2,045,547,655</u>	<u>90</u>	<u>2,010,607,847</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	119,986,478	5
31500	Additional paid-in capital	6(29)	37,132,133	2	37,960,693	2	38,158,922	2
32000	Retained earnings							
32001	Legal reserve	6(30)	10,721,262	-	9,100,767	-	9,100,767	-
32003	Special reserve	6(30)	6,549,234	-	6,549,234	-	6,549,234	-
32011	Undistributed earnings	6(31)	41,057,258	2	35,275,652	2	32,113,634	2
32500	Other equity							
32500	Other equity interest	6(32)	4,767,648	-	4,554,385	-	4,818,263	-
32600	Treasury shares	6(33)	(197,606)	-	(1,136,953)	-	(1,489,119)	-
39500	Non-controlling interests		<u>17,730,287</u>	<u>1</u>	<u>16,901,802</u>	<u>1</u>	<u>15,637,897</u>	<u>1</u>
	Total Equity		<u>234,622,541</u>	<u>10</u>	<u>228,097,555</u>	<u>10</u>	<u>224,876,076</u>	<u>10</u>
	TOTAL LIABILITIES AND EQUITY		<u>\$ 2,286,591,886</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,235,483,923</u>	<u>100</u>

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

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

Items	Notes	For the three months ended September 30,				For the nine months ended September 30,			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
41000	Interest income	\$ 10,256,371	40	\$ 9,016,651	34	\$ 29,935,319	40	\$ 26,038,682	40
51000	Less: Interest expense	(3,636,725)	(14)	(3,058,449)	(11)	(10,496,415)	(14)	(9,066,166)	(14)
49600	Net interest income	<u>6,619,646</u>	<u>26</u>	<u>5,958,202</u>	<u>23</u>	<u>19,438,904</u>	<u>26</u>	<u>16,972,516</u>	<u>26</u>
	Net non-interest income								
49310	Realised gain on financial assets at fair value through other comprehensive income	960,308	4	-	-	1,781,839	2	-	-
49450	Net gain arising from derecognition of financial assets measured at amortised cost	2,674	-	-	-	213,142	-	-	-
49800	Net service fee and commission income	5,049,156	20	5,694,595	22	17,684,144	24	14,967,515	23
49810	Net income from insurance operations	8,682,472	34	8,698,058	33	21,890,171	29	19,870,217	31
49820	Gain on financial assets and financial liabilities at fair value through profit or loss	1,454,193	6	3,186,623	12	6,864,944	9	11,531,075	18
49825	Gain on investment property	69,202	-	95,160	-	333,789	-	158,173	-
49830	Realised gain on available-for-sale financial assets	-	-	1,513,490	6	-	-	2,622,702	4
49840	Realised gain on held-to-maturity financial assets	-	-	42,896	-	-	-	201,765	-
49870	Foreign exchange gain (loss)	1,424,540	6	(46,554)	-	3,770,879	5	(4,930,169)	(8)
49880	Asset impairment gain (loss)	1,019	-	(32,727)	-	19,021	-	(340,089)	(1)
49890	Share of the profit or loss of associates and joint ventures accounted for using the equity method	(11,130)	-	(20,698)	-	(41,846)	-	(19,938)	-
49895	Gain (loss) on reclassification under the overlay approach	(41,649)	-	-	-	381,842	1	-	-
49921	Net gain on sale of non-performing loans	79,195	-	55,299	-	205,475	-	324,298	1
49945	Consultation service income	598,062	2	604,213	2	1,806,047	2	1,780,137	3
49999	Net other miscellaneous income	547,303	2	583,369	2	1,093,759	2	1,799,362	3
49700	Total net non-interest income	<u>18,815,345</u>	<u>74</u>	<u>20,373,724</u>	<u>77</u>	<u>56,003,206</u>	<u>74</u>	<u>47,965,048</u>	<u>74</u>
	Net profit	<u>25,434,991</u>	<u>100</u>	<u>26,331,926</u>	<u>100</u>	<u>75,442,110</u>	<u>100</u>	<u>64,937,564</u>	<u>100</u>
58100	Provision for bad debt expenses, commitment and guarantee policy reserve	(67,724)	(1)	(71,747)	(1)	(791,905)	(1)	(650,588)	(1)
58300	Net change in provisions for insurance liabilities	(9,411,391)	(37)	(9,284,421)	(35)	(22,956,933)	(30)	(20,644,104)	(31)
	Operating expenses								
58501	Employee benefit expense	(5,583,979)	(22)	(6,130,052)	(23)	(18,364,294)	(25)	(16,500,633)	(25)
58503	Depreciation and amortization	(584,986)	(2)	(564,717)	(2)	(1,740,661)	(2)	(1,702,995)	(3)
58599	Other business and administrative expenses	(3,303,590)	(13)	(3,410,040)	(13)	(10,059,055)	(13)	(9,679,655)	(15)
58500	Total Operating Expenses	<u>(9,472,555)</u>	<u>(37)</u>	<u>(10,104,809)</u>	<u>(38)</u>	<u>(30,164,010)</u>	<u>(40)</u>	<u>(27,883,283)</u>	<u>(43)</u>
61000	Consolidated income from continuing operations before income tax	<u>6,483,321</u>	<u>25</u>	<u>6,870,949</u>	<u>26</u>	<u>21,529,262</u>	<u>29</u>	<u>15,759,589</u>	<u>25</u>
61003	Income tax expense	(583,828)	(2)	(438,362)	(2)	(3,395,290)	(5)	(1,809,936)	(3)
62500	Loss from discontinued operations (net of tax)	-	-	(147,555)	-	-	-	(354,342)	(1)
69000	Consolidated net income	<u>\$ 5,899,493</u>	<u>23</u>	<u>\$ 6,285,032</u>	<u>24</u>	<u>\$ 18,133,972</u>	<u>24</u>	<u>\$ 13,595,311</u>	<u>21</u>

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

Items	Notes	For the three months ended September 30,				For the nine months ended September 30,			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
69561		(\$ 40,979)	-	\$ 37,425	-	(\$ 78,565)	-	(\$ 7,953)	-
69563									
69565	12(15)	(215)	-	-	-	(3,482)	-	-	-
69567	6(4)	6,478	-	-	-	5,632	-	(2,918)	-
69569	6(44)	577,484	2	-	-	2,173,905	3	-	-
		(4,010)	-	(9,054)	-	56,059	-	1,982	-
Components of other comprehensive income that will be reclassified to profit or loss									
69571		425,855	2	(198,852)	(1)	(104,538)	-	(1,497,468)	(2)
69572		-	-	264,005	1	-	-	1,432,624	2
69573		-	-	-	-	-	-	220	-
69575	6(11)	-	-	-	-	-	-	-	-
69578		-	-	(24,135)	-	-	-	(38,191)	-
69583		-	-	50,374	-	-	-	47,809	-
69590	6(3)	(303,821)	(1)	-	-	(3,773,952)	(5)	-	-
69579	6(44)	41,649	-	-	-	(381,842)	-	-	-
		(22,963)	-	(34,056)	-	210,012	-	20,631	-
69500		\$ 679,478	3	\$ 85,707	-	(\$ 1,896,771)	(2)	(\$ 43,264)	-
69700		\$ 6,578,971	26	\$ 6,370,739	24	\$ 16,237,201	22	\$ 13,552,047	21
Consolidated net income attributable to:									
69901		\$ 5,520,661	22	\$ 5,841,000	22	\$ 16,694,990	22	\$ 12,691,160	20
69903		378,832	1	444,032	2	1,438,982	2	904,151	1
		\$ 5,899,493	23	\$ 6,285,032	24	\$ 18,133,972	24	\$ 13,595,311	21
Consolidated comprehensive income attributable to:									
69951		\$ 6,047,557	24	\$ 5,996,691	23	\$ 14,948,731	20	\$ 12,981,829	20
69953		531,414	2	374,048	1	1,288,470	2	570,218	1
		\$ 6,578,971	26	\$ 6,370,739	24	\$ 16,237,201	22	\$ 13,552,047	21
Earnings per share (in New Taiwan Dollars)									
70000	6(45)	Basic earnings per share							
70001		\$ 0.47		\$ 0.49		\$ 1.42		\$ 1.08	
70003		\$ -		\$ -		\$ -		(\$ 0.01)	
71000		Diluted earnings per share							
71001		\$ 0.47		\$ 0.49		\$ 1.42		\$ 1.08	
71003		\$ -		\$ -		\$ -		(\$ 0.01)	

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

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

	Equity attributable to owners of the parent														Non-controlling interests	Total equity
	Retained Earnings					Other equity interest										
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) on available-for-sale financial assets	Gains on effective portion of cash flow hedges	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	Other comprehensive income on reclassification under the overlay approach	Change in fair value of financial liability attributable to change in credit risk	Equity related to assets classified as held for sale	Treasury shares			
For the nine months ended September 30, 2017																
Balance, January 1, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,357	\$ 6,549,234	\$ 26,132,832	(\$ 2,085,028)	\$ 6,608,175	\$ 1,602	\$ -	\$ -	(\$ 461)	\$ -	(\$ 1,498,603)	\$ 18,384,690	\$ 219,794,565	
Consolidated net income for the period	-	-	-	-	12,691,160	-	-	-	-	-	-	-	-	904,151	13,595,311	
Other comprehensive income (loss) for the period	-	-	-	-	(3,306)	(1,263,664)	1,512,578	170	-	-	(2,918)	47,809	-	(333,933)	(43,264)	
Total comprehensive income (loss) for the period	-	-	-	-	12,687,854	(1,263,664)	1,512,578	170	-	-	(2,918)	47,809	-	570,218	13,552,047	
Appropriation of 2016 earnings:																
Legal reserve	-	-	1,341,410	-	(1,341,410)	-	-	-	-	-	-	-	-	-	-	
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	-	-	-	-	(5,365,642)	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(75,222)	(75,222)	
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	148,750	-	-	-	-	-	-	-	-	-	-	9,484	-	158,234	
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	49,009	-	-	-	-	-	-	-	-	-	-	-	-	49,009	
Equity related to assets classified as held for sale	-	-	-	-	-	-	47,809	-	-	-	(47,809)	-	-	-	-	
Changes in ownership interest in subsidiaries	-	4,874	-	-	-	-	-	-	-	-	-	-	-	-	(4,874)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,241,789)	(3,241,789)	
Balance, September 30, 2017	\$ 119,986,478	\$ 38,158,922	\$ 9,100,767	\$ 6,549,234	\$ 32,113,634	(\$ 3,348,692)	\$ 8,168,562	\$ 1,772	\$ -	\$ -	(\$ 3,379)	\$ -	(\$ 1,489,119)	\$ 15,637,897	\$ 224,876,076	
For the nine months ended September 30, 2018																
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,693	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ 7,085,896	\$ -	\$ -	\$ -	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$ 16,901,802	\$ 228,097,555	
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	(7,085,896)	-	8,821,188	389,832	62,367	-	-	(43,113)	(883,944)	
Balance, January 1 2018, after adjustments	118,891,975	37,960,693	9,100,767	6,549,234	32,247,259	(2,527,962)	-	-	8,821,188	389,832	58,889	-	(1,136,953)	16,858,689	227,213,611	
Consolidated net income for the period	-	-	-	-	16,694,990	-	-	-	-	-	-	-	-	1,438,982	18,133,972	
Other comprehensive income (loss) for the period	-	-	-	-	14,789	59,455	-	-	(1,468,756)	(357,379)	5,632	-	-	(150,512)	(1,896,771)	
Total comprehensive income (loss) for the period	-	-	-	-	16,709,779	59,455	-	-	(1,468,756)	(357,379)	5,632	-	-	1,288,470	16,237,201	
Appropriation of 2017 earnings:																
Legal reserve	-	-	1,620,495	-	(1,620,495)	-	-	-	-	-	-	-	-	-	-	
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	-	-	-	(6,492,536)	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Retirement of treasury shares	(2,029,650)	(828,698)	-	-	-	-	-	-	-	-	-	(1,919,001)	2,858,348	(1,919,001)	-	
Changes in ownership interest in subsidiaries	-	138	-	-	-	-	-	-	-	-	-	-	-	-	138	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(416,872)	(416,872)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	213,251	-	-	-	(213,251)	-	-	-	-	-	-	
Balance, September 30, 2018	\$ 116,862,325	\$ 37,132,133	\$ 10,721,262	\$ 6,549,234	\$ 41,057,258	(\$ 2,468,507)	\$ -	\$ -	\$ 7,139,181	\$ 32,453	\$ 64,521	\$ -	(\$ 197,606)	\$ 17,730,287	\$ 234,622,541	

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

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

	For the nine months ended September 30,	
	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated income from continuing operations before tax	\$ 21,529,262	\$ 15,759,589
Loss from discontinued operations before tax	-	(353,526)
Consolidated income before tax	21,529,262	15,406,063
Adjustments		
Income and expense item		
Depreciation	793,101	732,123
Amortization	947,560	985,951
Provisions for bad debt expense	1,531,379	575,147
Interest expense	10,496,415	9,084,894
Interest income	(29,935,319)	(26,148,797)
Dividend income	(2,409,066)	(2,309,310)
Profit reclassified by applying overlay approach	(381,842)	-
(Reversal gain) impairment loss on financial assets	(20,330)	337,765
(Reversal gain) impairment loss on non-financial assets	1,309	2,324
Share of the profit or loss of associates and joint ventures accounted for using the equity method	41,846	19,938
Gain on disposal of assets held for sale	-	147,006
(Gain) loss on disposal of investment property	(223,615)	(56,943)
Loss from disposal or retirement of property and equipment	8,780	(3,968)
Loss on sale of intangible assets	173	1,821
Net change in insurance liabilities	23,673,140	19,844,221
Rent expense	6,183	-
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from Central Bank and call loans to other banks	(503,036)	(2,523,975)
Increase in financial assets at fair value through profit or loss	(36,387,162)	(18,186,465)
Increase in available-for-sale financial assets	-	(87,161,811)
Decrease in financial assets at fair value through other comprehensive income	55,283,860	-
Increase in investments in debt instruments measured at amortised cost	(51,084,847)	-
Decrease (increase) in receivables	3,172,840	(29,775,708)
Decrease in bills discounted and loans	12,357,674	367,008
Increase in reinsurance contract assets	(36,614)	(129,955)
Increase in held-to-maturity financial assets	-	(6,736,435)
Decrease in restricted assets	89,778	1,993,189
Increase in other financial assets	(9,299,486)	(4,190,771)
Increase (decrease) in other assets	5,060,595	(22,957,658)
Changes in operating liabilities		
Increase (decrease) in due to Central Bank and other banks	19,376,543	(5,162,098)
(Decrease) increase in financial liabilities at fair value through profit or loss	(16,764,918)	23,218,196
(Decrease) increase in payables	(5,768,102)	11,443,330
(Decrease) increase in deposits and remittances	(39,710,923)	15,521,694
Decrease in liabilities reserve	(743,761)	(180,342)
Increase (decrease) in other financial assets	5,342,922	(4,162,651)
Increase in other liabilities	9,436,853	8,351,264
Cash outflow generated from operations	(24,118,808)	(101,654,953)
Interest received	28,990,306	26,282,173
Dividend received	2,360,994	2,305,297
Interest paid	(10,454,401)	(9,133,190)
Income tax paid	(3,331,622)	(1,650,031)
Net cash flows used in operating activities	(6,553,531)	(83,850,704)

(Continued)

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

	For the nine months ended September 30,	
	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of investments accounted for using equity method	(\$ 390,615)	(\$ 94,483)
Proceeds from disposal / liquidation of investments accounted for using equity method	128,735	223,426
Acquisition of investment property	(3,811)	(185,029)
Proceeds from disposal of investment property	1,341,680	461,487
Acquisition of property and equipment	(675,965)	(2,808,258)
Proceeds from disposal of property and equipment	25,492	75,928
Acquisition of intangible assets	(183,731)	(136,796)
Proceeds from disposal of intangible assets	7,866	18,205
Proceeds from disposal of assets held for sale	-	4,329,880
Acquisition of subsidiaries (net of cash and cash equivalents received)	-	135,988
Increase in other assets	(8,201,000)	-
Net cash flows generated from (used in) investing activities	(7,951,349)	2,020,348
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in financial liabilities designated as at fair value through profit or loss on initial recognition	(3,153,250)	-
Increase (decrease) in bills and bonds sold under repurchase agreements	7,454,112	(26,043,624)
Increase in commercial paper payable - net	2,498,890	19,837,523
Proceeds from issuance of bonds	8,482,576	-
Repayments of bonds	-	(3,156,420)
Repayments of bank debentures	(4,800,000)	(6,380,000)
Increase in other borrowings	1,481,687	20,557,302
Cash dividends paid	(6,492,536)	(5,365,642)
Acquisition of treasury shares	(1,919,001)	(117,287)
Decrease in non-controlling interests	(416,872)	(3,499,900)
Net cash flows generated from financing activities	3,135,606	(4,168,048)
Net effect of foreign exchange rate changes on cash and cash equivalents	(108,982)	(1,440,350)
Net decrease in cash and cash equivalents	(11,478,256)	(87,438,754)
Cash and cash equivalents at beginning of period	125,679,223	211,532,170
Cash and cash equivalents at end of period	\$ 114,200,967	\$ 124,093,416
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 63,136,113	\$ 60,216,338
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	17,472,959	27,774,782
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	33,591,895	36,102,296
Cash and cash equivalents at end of reporting period	\$ 114,200,967	\$ 124,093,416

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

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

1. History and organization

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

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

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

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

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

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

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

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

These consolidated financial statements were reported to the Board of Directors and issued on November 28, 2018.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (FSC)

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

A. Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’

To address the concerns about the different effective dates of IFRS 9, ‘Financial instruments’, and IFRS 17, ‘Insurance contract’, which may result in different bases for measuring assets and liabilities, this amendment allows insurers who meet specific requirements as set out in IFRS 4, ‘Insurance contract’ to adopt temporary exemption from IFRS 9, ‘Financial instruments’, or to use overlay approach under IFRS 9, ‘Financial instruments’ alternatively.

B. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

- (b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Yuanta Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ‘rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.
- (d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(15).
- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC, but not yet adopted by the Company and its subsidiaries

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, ‘Leases’

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company will adopt IFRS 16 “Leases” using the modified retrospective approach and apply the standard to leases where the Company is a lessee. As reported to the Board of Directors during the

first quarter of 2018, the effect of IFRS 16 on the Yuanta Group is not significant.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

<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

A. The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the “Yuanta Group”) have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities

Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.

- B. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (B) Financial assets and financial liabilities at fair value through other comprehensive income/available-for-sale financial assets measured at fair value.
 - (C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
 - (D) Various insurance liabilities, reinsurance reserve assets, and foreign exchange reserves are set aside and recognised in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Yuanta Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the 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
			September 30, 2018	December 31, 2017	September 30, 2017	
The Company	Yuanta Securities	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100.00	100.00	100.00	
"	Yuanta Bank	Commercial banking	100.00	100.00	100.00	
"	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	100.00	100.00	100.00	
"	Yuanta Life Insurance Co., Ltd. ("Yuanta Life")	Life insurance business	100.00	100.00	100.00	
"	Yuanta Futures Co., Ltd. ("Yuanta Futures")	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	68.65	68.65	
"	Yuanta Securities Investment Trust Co., Ltd. ("Yuanta Securities Investment Trust")	Securities investment trust	72.20	72.20	72.20	
"	Yuanta Venture Capital Co., Ltd. ("Yuanta Venture Capital")	Venture capital investments	100.00	100.00	100.00	
"	Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management")	Providing monetary debt management services for financial institutions	100.00	100.00	100.00	
"	Yuanta Securities Investment Consulting Co., Ltd. ("Yuanta Securities Investment Consulting")	Securities investment consultant	100.00	100.00	100.00	
"	Ta Chong Bank	Commercial banking	-	100.00	100.00	Note 1
Yuanta Securities	Yuanta Securities Asia Financial Services Limited ("Yuanta Securities Asia Financial Services")	Investment holding	100.00	100.00	100.00	
"	Yuanta International Insurance Brokers Co., Ltd. ("Yuanta International Insurance Brokers")	Insurance agency services	100.00	100.00	100.00	
Yuanta Securities Asia Financial Services	Yuanta Securities Holding (B.V.I.) Co., Ltd. ("B.V.I.")	Investment holding	100.00	100.00	100.00	
"	Yuanta Securities (Hong Kong) Limited	Securities brokerage, dealing in securities and underwriting investment consultation	100.00	100.00	100.00	
"	Polaris Securities (Hong Kong) Limited ("P.S.H.K")	Securities brokerage and dealing in securities	100.00	100.00	100.00	
"	Yuanta Investment Consulting (Beijing) ("Yuanta Investment Consulting Beijing")	Investment consultation	100.00	100.00	100.00	
"	Yuanta Securities Korea Co., Ltd ("Yuanta Securities (Korea)")	Securities trading, providing opinions on securities and futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.19	54.20	54.20	
"	Yuanta Asia Investment Limited ("Yuanta Asia Investment")	Venture capital funds, venture capital fund raising management, and investment advisory services	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
Yuanta Securities Asia Financial Services	Yuanta Hong Kong Holdings (Cayman) Ltd. (“Yuanta HK Holdings (Cayman)”)	Investment holding	100.00	100.00	100.00	
"	Yuanta Securities (UK) Ltd. (“Yuanta Securities(UK)”)	License in application	100.00	100.00	100.00	Note 2
"	Yuanta Securities Thailand Co., Ltd (“Yuanta Securities (Thailand)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	99.99	99.99	99.99	
"	Yuanta Securities Vietnam Joint Stock Co., Ltd. (“Yuanta Securities (Vietnam)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	85.23	50.76	50.76	Note 3
Yuanta Securities (Hong Kong)	Yuanta International Investment (Hong Kong) Ltd. (“Yuanta Investment (Hong Kong)”)	Issue financial instruments	100.00	100.00	100.00	
"	Yuanta Finance (Hong Kong) Ltd. (“Yuanta Finance (Hong Kong)”)	Credit loan business	100.00	100.00	100.00	
"	PT Yuanta Sekuritas Indonesia (“Yuanta Securities (Indonesia)”)	Securities trading and underwriting services	99.00	99.00	99.00	
"	PT Yuanta Asset Management	Investment management	0.002	0.002	0.002	
"	Yuanta Investment Management (Cayman)	Investment management	100.00	100.00	100.00	
"	Yuanta Securities (Vietnam)	Securities brokerage, dealing in securities, underwriting and investment consultation	14.76	49.19	49.19	Note 3
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	-	100.00	100.00	Note 4
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Investment management	99.998	99.998	99.998	
Yuanta Securities (Korea)	Yuanta Investment Co.,Ltd (“Yuanta Investment (Korea)”)	Venture investment	54.19	54.20	54.20	
"	Yuanta Financial (Hong Kong) Limited (“Yuanta Financial (Hong Kong)”)	Investment holding	54.19	54.20	54.20	
Yuanta Financial (Hong Kong)	Yuanta Securities (Cambodia) Plc. (“Yuanta Securities (Cambodia)”)	Underwriting guidelines and financial advisory services	54.19	54.20	54.20	
"	Heng Xin Asia Holdings Limited (“Heng Xin Asia Holdings”)	Investment holding	48.84	48.85	48.85	Note 6
Heng Xin Asia Holdings	Shanghai Xinsheng Investment Consulting Co.,Ltd. (“Shanghai Xinsheng”)	Investment management consulting service, financial consulting service, business administration consulting service, business information consulting service, economic and trade consulting service, marketing and planning, technical promotion and technical services	-	-	48.85	Note 6
Yuanta Asia Investment	Yuanta Liquid Plus Money Market Mutual Fund	Investment debt instrument	99.81	100.00	-	Note 5
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	100.00	-	-	Note 7
"	Reksa Dana Yuanta Fixed Income Fund	Investment debt instrument	88.75	-	-	Note 7

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
Yuanta Bank	Yuanta International Leasing Co., Ltd. (“Yuanta International Leasing”)	Agency and leasing business of real estate and movables	100.00	100.00	100.00	
"	Yuanta Savings Bank (Philippines) Inc. (Yuanta Savings Bank (Philippines))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	100.00	
"	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	100.00	Note 8
Yuanta Futures	Yuanta Futures (Hong Kong) Limited (“Yuanta Futures Hong Kong”)	Financial services	68.65	68.65	68.65	
"	SYF Information Limited (“SYF Information”)	Information service	68.65	68.65	68.65	
SYF Information	SYF Information (Samoa) Limited (“SYF Information (Samoa)”)	Investment holding	68.65	68.65	68.65	
SYF Information (Samoa)	SYF Information (Shanghai) Limited (“SYF Information (Shanghai)”)	Information service	68.65	68.65	68.65	
Yuanta Venture Capital	Yuanta I Venture Capital Co., Ltd. (“Yuanta I Venture Capital”)	Venture capital investments	100.00	100.00	100.00	

Note 1: The Board of Directors resolved the merger of the subsidiary, Yuanta Bank, and the fellow subsidiary, Ta Chong Bank, on September 14, 2016. The merger was approved by Financial Supervisory Commission pursuant to Jin-Guan-Yin-Kong-Zi Order No.10500320920 dated January 17, 2017 and became effective on January 1, 2018. Yuanta Bank is the surviving entity de jure while Ta Chong Bank dissolved thereafter.

Note 2: In July 2018, the Board of Directors approved the dissolution and liquidation of Yuanta Securities (UK). The related procedures will be initiated after approval by the competent authority.

Note 3: 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; in October, 2017, Shanghai Xinsheng has been approved to cancel its registration by the Market Supervision Administration of Pudong New Area, Shanghai City.

Note 7: Subscribed in the first quarter of 2018.

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

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

September 30, 2018

Structured entities	Services
YK Sky Co., Ltd.	Asset-backing
YK APT the 1st Co., Ltd.	Asset-backing
Y.K.S.W. Second Co., Ltd.	Asset-backing
YK Park Co., Ltd.	Asset-backing
Y.K New NC 1st Co., Ltd.	Asset-backing
YK Halfmoon 2nd Co., Ltd.	Asset-backing
Y.K New NC Second Co., Ltd.	Asset-backing
YK Arena Co., Ltd.	Asset-backing
YK Hessen Co., Ltd.	Asset-backing
ELF 5th Co., Ltd.	Asset-backing
YK Echo Co., Ltd.	Asset-backing
YK 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

December 31, 2017

Structured entities	Services
YK Lion Co., Ltd.	Asset-backing
FinalDS5th Co., Ltd.	Asset-backing
YK Sky Co., Ltd.	Asset-backing
TH 5th Co., Ltd.	Asset-backing
YK Edue Co., Ltd.	Asset-backing
YK Dway Co., Ltd.	Asset-backing
YK APT the 1st Co., Ltd.	Asset-backing
Y.K.S.W. Second Co., Ltd.	Asset-backing
YK Park Co., Ltd.	Asset-backing
YK JP the 2nd Co., Ltd.	Asset-backing
New Star Power 1st Co., Ltd.	Asset-backing
Y.K New NC 1st Co., Ltd.	Asset-backing
YK Ceramic Co., Ltd.	Asset-backing

December 31, 2017

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

September 30, 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 Brown 2nd Co., Ltd.	Asset-backing
YK Union Co., Ltd.	Asset-backing
YK Edue Co., Ltd.	Asset-backing
YK Dway Co., Ltd.	Asset-backing
YK APT the 1st Co., Ltd.	Asset-backing
Y.K.S.W Second Co., Ltd.	Asset-backing
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

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

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
Yuanta HK Holdings (Cayman)	GC Investment Consultant (Shanghai) Co., Ltd.	Investment consultation	100.00	100.00	100.00	Note

Note: GC Investment Consultant (Shanghai) Co., Ltd. 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 September 30, 2018, December 31, 2017 and September 30, 2017, the non-controlling interest amounted to \$17,730,287, \$16,901,802 and \$15,637,897, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest					
		September 30, 2018		December 31, 2017		September 30, 2017	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$14,396,511	45.81%	\$13,662,036	45.80%	\$12,527,161	45.80%

The comprehensive income attributable to this non-controlling interest were \$359,230, \$314,285, \$775,315, and \$220,731 for the three months and nine months ended September 30, 2018 and 2017, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries		
	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 310,268,929	\$ 304,775,649	\$ 289,574,697
Non-current assets	17,463,711	19,980,810	19,576,318
Current liabilities	(290,360,641)	(288,989,774)	(270,585,415)
Non-current liabilities	(3,040,993)	(3,212,416)	(8,425,950)
Total net assets	\$ 34,331,006	\$ 32,554,269	\$ 30,139,650

Consolidated statements of comprehensive income

	Yuanta Securities (Korea) and its subsidiaries	
	For the three months ended September 30,	
	2018	2017
Revenue	\$ 3,622,242	\$ 3,244,059
Profit before income tax	657,852	877,235
Income tax expense	(31,889)	(40,468)
Net income	625,963	836,767
Other comprehensive income (loss) (net of tax)	281,788	(134,695)
Total comprehensive income for the period	\$ 907,751	\$ 702,072

	Yuanta Securities (Korea) and its subsidiaries	
	For the nine months ended September 30,	
	2018	2017
Revenue	\$ 12,149,854	\$ 9,384,615
Profit before income tax	2,492,583	1,429,171
Income tax expense	(161,855)	(30,856)
Net income	2,330,728	1,398,315
Other comprehensive loss (net of tax)	(465,694)	(701,766)
Total comprehensive income for the period	\$ 1,865,034	\$ 696,549

Consolidated statements of cash flows

	Yuanta Securities (Korea) and its subsidiaries	
	For the nine months ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 3,939,811	\$ 413,316
Net cash provided by investing activities	1,051,234	571,444
Net cash used in financing activities	(1,254,648)	(4,420,816)
Effect of exchange rates on cash and cash equivalents	261,670	(516,128)
Increase (decrease) in cash and cash equivalents	3,998,067	(3,952,184)
Cash and cash equivalents, beginning of period	18,766,384	23,160,192
Cash and cash equivalents, end of period	\$ 22,764,451	\$ 19,208,008

(4) Other significant accounting policies

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

A. Financial assets and liabilities

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

(A) Financial assets

All financial assets held by the Yuanta Group are classified into the following four categories: “bills discounted and loans”, “receivables”, “financial assets at fair value through profit and loss”, “financial assets at fair value through other comprehensive income”, “investments in debt instruments at amortised cost”, and “other financial assets—purchase of claim receivable”.

a. Regular way purchase or sale

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

b. Bills discounted and loans

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

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

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

c. Receivables

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

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

- d. Financial assets at fair value through profit or loss
- (a) Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income may be designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
 - (b) At initial recognition and subsequent measurement, the Yuanta Group measures the financial assets at fair value and recognises the gain or loss in profit or loss.
 - (c) The Yuanta Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Yuanta Group and the amount of the dividend can be measured reliably.
 - (d) A financial asset held by subsidiary Yuanta Life is designated as a financial asset measured at fair value through profit or loss using the overlay approach, when the following conditions are met:
 - i. Financial asset is measured at fair value through profit or loss under IFRS 9, but would not have been entirely measured at fair value through profit or loss under IAS 39; and
 - ii. The financial asset is not held for activities unrelated to contracts in the scope of IFRS.
- For assets to which the overlay approach is applied, the amount that is excluded from profit or loss and recognized in other comprehensive income is the difference between the following two amounts:
- i. Profit or loss recognized in accordance with IFRS 9; and
 - ii. Profit or loss recognized in accordance with IAS 39.
- e. Financial assets at fair value through other comprehensive income
- (a) Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Yuanta Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - i. The objective of the Yuanta Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - ii. The assets' contractual cash flows represent solely payments of principal and interest.
 - (b) At initial recognition, the Yuanta Group measures the financial assets at fair value plus transaction costs. The Yuanta Group subsequently measures the financial assets at fair value:
 - i. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Yuanta Group and the amount of the dividend can be measured reliably.

ii. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

f. Investments in debt instruments at amortised cost

(a) Investments in debt instruments at amortised cost are those that meet all of the following criteria:

- i. The objective of the Yuanta Group's business model is achieved by collecting contractual cash flows.
- ii. The assets' contractual cash flows represent solely payments of principal and interest.

(b) At initial recognition, the Yuanta Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

g. Other financial assets

Purchase of claim receivable – non-performing loans of financial institutions are measured by fair value of financial asset on initial recognition when being obtained by the Yuanta Group and will be subsequently measured by fair value with changes in fair value recognised as profit and loss in the period.

(B) Financial liabilities

Financial liabilities held by the Yuanta Group include financial liabilities at fair value through profit and loss (including financial liabilities designated at fair value through profit and loss) and financial liabilities carried at amortised cost.

a. Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

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

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

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

b. Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost include liabilities not classified as financial liabilities at fair value through profit or loss, financial guarantee contracts, loan commitment with a lower-than-market interest rate and the financial liabilities incurred due to continuing engagement or that the transferring of a financial asset does not meet the requirement of derecognition.

(C) Derecognition of financial assets

The Yuanta Group derecognises a financial asset when one of the following conditions is met:

- a. The contractual rights to receive cash flows from the financial asset expire.
- b. The contractual rights to receive cash flows from the financial asset have been transferred and the Yuanta Group has transferred substantially all risks and rewards of ownership of the financial asset.
- c. Risks and rewards of ownership of the financial asset have not been substantially transferred or retained, however, the control over the financial assets have not been retained.

(D) Derecognition of financial liabilities

- a. A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.
- b. The Yuanta Group derecognises an original financial liability and recognises a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences to the original terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

B. Impairment of financial assets

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

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

C. Non-hedging and embedded derivatives

- (A) Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- (B) Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

D. Financial guarantee contracts and loan commitment

- (A) A financial guarantee contract is a contract that requires the Yuanta Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
- (B) The Yuanta Group initially recognises financial guarantee contracts at fair value on the date of issuance. The Yuanta Group charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.
- (C) The Yuanta Group measures the financial guarantee contract it issues at the greater of the following two amounts:
 - a. Allowance for losses in accordance with IFRS 9 as endorsed by the FSC.
 - b. The amount initially recognised less, when appropriate, cumulative effect recognized in accordance with IFRS 15.
- (D) The Yuanta Group's assessment of provisions for losses for loan commitments and financial guarantee contracts is described in Note 4(4)B. "Recognizing and measuring expected credit losses". The increase in liabilities due to financial guarantee contracts and loan commitments is recognised in "bad debt expenses, commitments and guaranty policy reserve".
- (E) In addition to the assessment of provisions for losses for financial guarantee contract described above, subsidiary Yuanta Bank also assesses provisions for losses in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and other applicable laws. The greater of the two amounts is recognised and included in the guaranty policy reserve.

E. Employee benefits

(A) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in 12 months 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.

b. Defined benefit plans

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

c. Deposits

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

d. Termination benefits

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

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

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

F. Income tax

(A) Current income tax

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

(B) Deferred income tax

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

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

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

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

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

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

(1) Expected credit losses of bills discounted and loans

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

(2) Fair value valuation of unlisted stocks

Financial instruments with no active market or quoted price use valuation techniques to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in the market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to use only observable information as much as possible.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash	\$ 5,677,278	\$ 5,230,534	\$ 5,247,768
Deposits in banks	52,733,556	53,910,739	50,912,642
Futures excess margin and cash equivalents	2,536,692	2,162,651	2,530,207
Excess settlement reserve fund	6,852	74,811	-
Checks for clearing	2,181,735	2,628,835	1,525,721
Total	<u>\$ 63,136,113</u>	<u>\$ 64,007,570</u>	<u>\$ 60,216,338</u>

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Reserve for deposits - account A	\$ 13,848,519	\$ 18,741,857	\$ 14,478,918
Reserve for deposits - account B	27,752,407	27,221,590	27,316,041
Deposits by overseas branches to designated accounts of respective local central banks	2,388,461	1,803,495	1,154,076
Reserve for deposits	1,381,110	2,153,718	1,632,070
Call loans to banks	152,755	4,470,290	9,808,000
Time deposits	-	-	900,000
Total	<u>\$ 45,523,252</u>	<u>\$ 54,390,950</u>	<u>\$ 55,289,105</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>September 30, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Commercial paper	\$ 40,815,085
Beneficiary certificates / securities	46,483,824
Stocks of companies listed on TSE or OTC	27,383,201
Emerging stocks	1,600,439
Government bonds	33,273,616
Financial bonds	21,187,866
Corporate bonds	161,598,607
Overseas bonds	8,809,134
Convertible corporate bonds	42,075,427
Derivative financial instruments	16,835,641
Structured products and others	12,975,023
Reserve for claims of customers' deposits with KSFC (Note 1)	69,553,365
Other marketable securities	2,935,046
Valuation adjustment	(2,190,989)
Total	<u>\$ 483,335,285</u>
Financial liabilities held for trading	
Derivative financial instruments	\$ 24,906,221
Non-derivative financial instruments	12,903,915
Valuation adjustment of financial liabilities held for trading— non-derivative financial instruments	(525,083)
Financial liabilities designated as at fair value through profit or loss	
Structured products (Note 2)	49,849,727
Convertible bond asset swap not qualifying for derecognition (Note 2)	13,069,435
Total	<u>\$ 100,204,215</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 September 30, 2018.

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

	<u>September 30, 2018</u>	
Equity instruments		
Domestic stocks	\$	4,380,973
Overseas stocks		<u>490,391</u>
		4,871,364
Debt instruments		
Overseas corporate bonds		880,893
Domestic beneficiary certificates		1,773,723
Overseas beneficiary certificates		<u>340,338</u>
	\$	<u><u>7,866,318</u></u>

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

	<u>For the three months ended September 30, 2018</u>	<u>For the nine months ended September 30, 2018</u>
Profit or loss recognised in accordance with IFRS 9	(\$ 286)	(\$ 554,155)
Less: Profit or loss that would have been recognised under IAS 39	<u>41,935</u>	<u>172,313</u>
Income (loss) from adopting the overlay approach	<u>\$ 41,649</u>	<u>(\$ 381,842)</u>
Effects on income tax	<u>(\$ 8,515)</u>	<u>\$ 24,464</u>

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

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

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

<u>Items</u>	<u>September 30, 2018</u>
Debt instruments	
Government bonds	\$ 34,222,638
Bank debentures	41,588,647
Corporate bonds	131,513,698
Commercial paper	132,825
Others	769,600
Valuation adjustment	(949,865)
Subtotal	<u>207,277,543</u>
Equity instruments	
Listed stocks	7,114,299
Unlisted stocks/Emerging stocks	5,296,513
Others	310,919
Valuation adjustment	<u>11,524,581</u>
Subtotal	<u>24,246,312</u>
Statutory deposits	(<u>1,216,100</u>)
Total	<u>\$ 230,307,755</u>

- A. As of September 30, 2018, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$1,216,100 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.
- B. The Yuanta Group elects to classify strategic equity investments not held for trading as financial assets measured at fair value through other comprehensive income. As of September 30, 2018, the fair value of such investments was \$24,246,312.
- 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 \$2,285,973, and the cumulative gain on disposal was \$218,333.
- D. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

For the three months
ended September 30, 2018

Equity instruments at fair value through other
comprehensive income

Fair value change recognised in other comprehensive income	\$	577,484
Cumulative losses reclassified to retained earnings due to derecognition	\$	317,816
Dividend income recognised in profit or loss		
Held at end of period	\$	662,470
Derecognised in the current period		34,062
	\$	696,532

Debt instruments at fair value through other
comprehensive income

Fair value change recognised in other comprehensive income	(\$	47,254)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(\$	7,209)
Reclassified due to derecognition		263,776
	\$	256,567
Interest income recognised in profit or loss	\$	1,151,137

For the nine months
ended September 30, 2018

Equity instruments at fair value through other
comprehensive income

Fair value change recognised in other comprehensive income	\$	2,173,905
Cumulative losses reclassified to retained earnings due to derecognition	\$	213,251
Dividend income recognised in profit or loss		
Held at end of period	\$	871,186
Derecognised in the current period		35,907
	\$	907,093

Debt instruments at fair value through other
comprehensive income

Fair value change recognised in other comprehensive income	(\$	2,939,339)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(\$	40,133)
Reclassified due to derecognition		874,746
	\$	834,613
Interest income recognised in profit or loss	\$	3,672,816

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

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

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

Items	September 30, 2018
Government bonds	\$ 94,258,445
Time deposits	110,560,867
Bank debentures	57,073,573
Corporate bonds	79,783,146
Subtotal	341,676,031
Less: Accumulated impairment	(139,503)
Statutory deposits	(600,000)
Total	\$ 340,936,528

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

	For the three months ended September 30, 2018	For the nine months ended September 30, 2018
Interest income	\$ 1,983,424	\$ 5,397,489
Impairment loss	(1,378)	(19,803)
Gains on disposal	2,674	213,142
	\$ 1,984,720	\$ 5,590,828

B. As of September 30, 2018, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$600,000 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral as of September 30, 2018, are provided in Note 8.

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

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

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

	September 30, 2018	December 31, 2017	September 30, 2017
Bills and bonds purchased under resale agreement	\$ 33,591,895	\$ 34,827,960	\$ 36,102,296
Interest rate range	0.20%~2.90%	0.31%~2.60%	-1.00%~6.95%
Contract resale amount	\$ 33,612,469	\$ 35,098,339	\$ 36,149,620
Bills and bonds payable under repurchase agreement	\$ 204,555,301	\$ 197,101,189	\$ 167,290,510
Interest rate range	0.25%~4.65%	-0.1%~4.40%	-0.15%~4.00%
Contract repurchase amount	\$ 208,596,197	\$ 201,715,121	\$ 171,541,351

As of September 30, 2018, December 31, 2017 and September 30, 2017, the collateral obtained for retractable notes and investments in bonds are governmental bonds and corporate bonds with a

combined fair value of \$35,220,067, \$26,042,055 and \$26,032,636, respectively.

(7) Receivables - net

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Interest receivable	\$ 8,118,243	\$ 7,173,230	\$ 6,567,322
Refinance guaranty receivable	12,075,412	11,097,673	10,917,320
Acceptances receivable	610,524	1,247,595	1,931,975
Factoring receivable	6,549,307	6,283,483	6,076,356
Margin loans receivable	80,785,640	83,873,104	77,051,092
Spot exchange receivable	4,510,622	2,936,871	9,278,745
Credit card receivable	10,793,368	12,130,890	12,000,126
Trading securities receivable	772,720	957,908	1,016,993
Settlement price	7,348,466	16,254,834	7,234,597
Settlement price receivable	23,712,036	25,045,414	20,551,572
Securities sold receivable	12,899,312	5,116,490	11,062,253
Other receivables	6,291,669	4,617,182	6,370,995
Subtotal	<u>174,467,319</u>	<u>176,734,674</u>	<u>170,059,346</u>
Less: Allowance for doubtful accounts	(2,459,968)	(1,419,704)	(1,305,810)
Total	<u>\$ 172,007,351</u>	<u>\$ 175,314,970</u>	<u>\$ 168,753,536</u>

Margin loans receivable uses the securities purchased through financing as collateral. As of September 30, 2018, December 31, 2017 and September 30, 2017, the annual interest rates of Yuanta Securities were all 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 6.65% ~9.55%, 7.25%~9.55% and 7.25%~9.55%, respectively; the annual interest rates range of Yuanta Securities (Hong Kong) were 2.38%~12.88%, 1.94%~12.75% and 3%~12.75%, respectively; the annual interest rates range of Yuanta Securities (Indonesia) were all 18%; the annual interest rates range of Yuanta Securities (Thailand) were all 5.15%~9.25%; the annual interest rates range of Yuanta Securities (Vietnam) were 9.86%~14%、9.86%~11.68% and 9.86%~11.68%, respectively.

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

- A. As of September 30, 2017, the properties held for sale, of the Yuanta Group, amounted to \$35,451.
- B. The assets and liabilities related to Ta Chong Securities have been reclassified as held for sale and presented as discontinued operations as it has met the definition of discontinued operations following the approval of Ta Chong Bank's Board of Directors on March 10, 2017 to sell Ta Chong Securities, and the settlement was completed on August 28, 2017 (the date that control ceased). The assets and liabilities related to Ta Chong Securities have been derecognised, and gain or loss on disposal is recognised.
- C. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Net interest income	\$ 24,901	\$ 91,387
Net service fee and commission income	63,487	223,374
(Loss) gain on financial assets and financial liabilities at fair value through profit or loss	(47,385)	101
Foreign exchange loss	-	(2,539)
Other non-interest income	4,025	7,516
Net profit	<u>45,028</u>	<u>319,839</u>
Operating expenses	(226,665)	(525,603)
Loss before tax of discontinued operations	(181,637)	(205,764)
Income tax benefit (expense)	<u>400</u>	<u>(816)</u>
Loss after tax of discontinued operations	(181,237)	(206,580)
Pre-tax gain recognised on the remeasurement of assets of disposal group	181,444	-
Pre-tax loss recognised on the actual disposal of disposal group	(147,762)	(147,762)
After-tax gain (loss) recognised on the remeasurement of assets of disposal group	<u>33,682</u>	<u>(147,762)</u>
Loss on discontinued operations	<u>(\$ 147,555)</u>	<u>(\$ 354,342)</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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Bills discounted	\$ 613,526	\$ 203,290	\$ 311,753
Overdrafts	67,784	191,802	136,695
Short-term loans	66,782,801	68,540,281	91,117,604
Short-term loans secured	92,818,977	90,507,122	93,421,767
Medium-term loans	139,546,235	138,343,110	145,887,886
Medium-term loans secured	145,541,422	153,230,827	148,678,162
Long-term loans	8,549,016	8,857,060	8,849,145
Long-term loans secured	294,140,148	302,158,833	302,395,494
Import-export negotiations	157,952	64,446	160,273
Accounts receivable factoring	751,493	1,160,284	917,928
Automatic policy loans	1,241,845	1,161,810	1,137,635
Policy loans	4,713,829	4,369,658	4,225,519
Loans transferred to non-performing loans	<u>5,234,444</u>	<u>5,325,052</u>	<u>5,482,274</u>
Subtotal	760,159,472	774,113,575	802,722,135
Less: Allowance for credit losses	(13,385,945)	(11,786,569)	(11,944,552)
Less: Adjustment for discount	(3,547)	(7,966)	(34,868)
Total	<u>\$ 746,769,980</u>	<u>\$ 762,319,040</u>	<u>\$ 790,742,715</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 nine months ended September 30, 2018, please refer to Note 12(3).

(10) Reinsurance contract assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Claims recoverable from reinsurers	\$ 79,192	\$ 55,822	\$ 140,315
Due from reinsurers and ceding companies	68,612	106,546	160,084
Reinsurance Reserve Assets			
Ceded unearned premium reserve	311,177	262,226	237,169
Ceded claims reserve	<u>13,527</u>	<u>11,293</u>	<u>8,044</u>
Total	<u>\$ 472,508</u>	<u>\$ 435,887</u>	<u>\$ 545,612</u>

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

	<u>September 30, 2018</u>		<u>December 31, 2017</u>		<u>September 30, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Joint ventures:						
Grand Asia Asset Management Ltd.	\$ -	-	\$ -	-	\$ 33,017	50.00%
Associates:						
CR Yuanta Fund Management Company Limited	135,188	49.00%	203,156	49.00%	244,677	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	22,135	100.00%	21,647	100.00%	21,993	100.00%
TongYang Asset Management Corp.	703,017	27.00%	678,839	27.00%	646,527	27.00%
Polaris Ocean Private Equity Fund	41,033	3.26%	41,938	3.26%	163,627	3.26%
Yuanta SPAC II	-	-	1,306	0.37%	1,226	0.37%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	26,158	16.22%	25,658	16.22%	30,893	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	30,492	18.00%	30,939	18.00%	40,469	18.00%
2011 KIF-TongYang IT Venture Fund	69,570	17.20%	71,556	17.20%	72,629	17.20%
Hyundai-TongYang Agrifood Private Equity Fund	-	-	5,844	9.84%	44,274	9.84%
TongYang Agri-Food Investment Fund-2nd	101,674	40.74%	116,121	40.74%	110,490	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	259,622	10.71%	67,683	10.71%	37,635	10.71%
KVIC-Yuanta 2015 Overseas Fund	304,556	44.00%	240,694	44.00%	241,774	44.00%
TongYang China Paid in Capital Private Investment Trust 1	30,581	27.57%	37,773	27.57%	41,516	27.57%
2016 KIF-Yuanta ICT Venture Fund	55,932	16.67%	29,608	16.67%	24,714	16.67%
Yuanta Secondary No.2 Fund	115,572	12.28%	101,396	12.28%	64,481	12.28%
Yuanta SPAC III	1,839	0.83%	966	4.76%	-	-
SJ-ULTRA V 1st FUND	26,975	34.48%	-	-	-	-
	<u>\$ 1,924,344</u>		<u>\$ 1,675,124</u>		<u>\$ 1,819,942</u>	

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

	For the three months ended September 30,		
	2018	2017	
Net loss for the period from continuing operations	(\$ 11,130)	(\$ 20,698)	
Other comprehensive income (net of tax)	(215)	(24,140)	
	For the nine months ended September 30,		
	2018	2017	
Net loss for the period from continuing operations	(\$ 41,846)	(\$ 19,938)	
Other comprehensive loss (net of tax)	(3,212)	(36,143)	
(12) <u>Other financial assets - net</u>			
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Financial assets carried at cost (Note)	\$ -	\$ 1,395,010	\$ 1,301,571
Less: accumulated impairment	-	(345,640)	(320,394)
	-	1,049,370	981,177
Non-loans reclassified to non-accrual loans	911,369	818,104	921,819
Less: Provision for credit losses	(899,526)	(680,981)	(830,088)
	11,843	137,123	91,731
Purchase of claim receivable	1,920,685	1,941,977	1,946,388
Valuation adjustment on purchase of claim receivable	(48,908)	(49,678)	(49,993)
	1,871,777	1,892,299	1,896,395
Bond investments without active market (Note)	-	49,012,388	55,618,705
Customer margin deposit account	47,850,363	38,854,613	38,785,448
Investment-linked product assets	1,896,192	1,967,642	1,965,327
Securities borrowing and lending refundable deposits	404,110	408,912	137,237
Others	299,330	146,960	3,228,100
Total	<u>\$ 52,333,615</u>	<u>\$ 93,469,307</u>	<u>\$ 102,704,120</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 \$346,196 and \$967,104 in profit or loss for the three months and nine months ended September 30, 2017, respectively.

B. As of December 31, 2017 and September 30, 2017, details of the Yuanta Group's bond investments without active market pledged to others as collateral are provided in Note 8.

C. The Group's investment-linked insurance products mainly comprise investments in products in relation to beneficiary certificate, variable universal life insurance and variable deferred annuities. As of September 30, 2018, December 31, 2017 and September 30, 2017, as well as the periods for the three months and nine months ended September 30, 2018 and 2017, details about the assets on insurance products, separated accounts were as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Investment-linked insurance product assets			
Cash in bank	\$ 277	\$ 815	\$ 2,685
Financial assets at fair value through profit or loss	1,893,322	1,956,984	1,959,050
Other receivables	<u>2,593</u>	<u>9,843</u>	<u>3,592</u>
	<u>\$ 1,896,192</u>	<u>\$ 1,967,642</u>	<u>\$ 1,965,327</u>

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Investment-linked insurance product liabilities			
Reserve for investment-linked insurance product- insurance contract	\$ 1,881,672	\$ 1,947,981	\$ 1,950,223
Reserve for investment-linked insurance product- investment contract	9,482	9,993	10,973
Other payables	<u>5,038</u>	<u>9,668</u>	<u>4,131</u>
	<u>\$ 1,896,192</u>	<u>\$ 1,967,642</u>	<u>\$ 1,965,327</u>

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	For the three months ended September 30,	
	2018	2017
Revenue on investment-linked insurance products		
Premium income	\$ 62,163	\$ 73,528
Gain on financial assets at fair value through profit or loss	3,705	83,434
Exchange (loss) gain	(174)	239
Interest income	2,231	732
Other income	771	5,698
	<u>\$ 68,696</u>	<u>\$ 163,631</u>
Expenses on investment-linked insurance product		
Claims and policy benefit payments	\$ 74,524	\$ 66,235
Net change in reserve for investment-linked insurance product- insurance contract	(31,295)	72,763
Administrative expenses and other expenses	25,467	24,633
	<u>\$ 68,696</u>	<u>\$ 163,631</u>
	For the nine months ended September 30,	
	2018	2017
Revenue on investment – linked insurance products		
Premium income	\$ 197,210	\$ 226,825
(Loss) gain on financial assets at fair value through profit or loss	(14,460)	145,630
Exchange (loss) gain	(2,167)	5,665
Interest income	5,205	1,400
Other income	4,264	11,913
	<u>\$ 190,052</u>	<u>\$ 391,433</u>
Expenses on investment – linked insurance product		
Claims and policy benefit payments	\$ 186,666	\$ 189,476
Net change in reserve for investment – linked insurance product – insurance contract	(68,475)	131,832
Administrative expenses and other expenses	71,861	70,125
	<u>\$ 190,052</u>	<u>\$ 391,433</u>

(13) Investment property - net

September 30, 2018				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,310,552	\$ -	(\$ 413,184)	\$ 2,897,368
Buildings	3,276,462	(1,083,005)	(84,487)	2,108,970
Total	<u>\$ 6,587,014</u>	<u>(\$ 1,083,005)</u>	<u>(\$ 497,671)</u>	<u>\$ 5,006,338</u>
December 31, 2017				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 4,281,448	\$ -	(\$ 410,450)	\$ 3,870,998
Buildings	3,457,647	(1,070,362)	(84,637)	2,302,648
Total	<u>\$ 7,739,095</u>	<u>(\$ 1,070,362)</u>	<u>(\$ 495,087)</u>	<u>\$ 6,173,646</u>
September 30, 2017				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 4,211,926	\$ -	(\$ 409,630)	\$ 3,802,296
Buildings	3,407,571	(1,024,630)	(84,124)	2,298,817
Total	<u>\$ 7,619,497</u>	<u>(\$ 1,024,630)</u>	<u>(\$ 493,754)</u>	<u>\$ 6,101,113</u>

Change in investment property of the Yuanta Group:

	For the nine months ended September 30,	
	2018	2017
Cost		
At January 1	\$ 7,739,095	\$ 7,588,899
Additions	3,811	185,029
Disposals	(1,172,267)	(432,786)
Reclassifications	72,672	266,358
Foreign exchange adjustment	(56,297)	11,997
At September 30	<u>\$ 6,587,014</u>	<u>\$ 7,619,497</u>
	For the nine months ended September 30,	
	2018	2017
Accumulated depreciation		
At January 1	(\$ 1,070,362)	(\$ 1,003,447)
Depreciation	(54,899)	(56,896)
Disposals	54,202	28,242
Reclassifications	(20,404)	(2,486)
Foreign exchange adjustment	8,458	9,957
At September 30	<u>(\$ 1,083,005)</u>	<u>(\$ 1,024,630)</u>

	For the nine months ended September 30,	
	2018	2017
Accumulated impairment		
At January 1	(\$ 495,087)	(\$ 432,112)
Recovery (Impairment)	3,286 (	2,324)
Reclassifications	(5,870)	(59,318)
At September 30	(\$ 497,671)	(\$ 493,754)

- A. The fair value of the investment property held by the Yuanta Group as of September 30, 2018, December 31, 2017 and September 30, 2017 were \$7,332,008, \$8,344,684 and \$8,475,112, 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 September 30, 2018, the fair value included the amount of \$4,774,332 and \$2,557,676 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively. As of December 31, 2017, the fair value included the amount of \$4,588,816 and \$3,755,868 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively. As of September 30, 2017, the fair value included the amount of \$4,908,976 and \$3,566,136 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.
- B. For the three months and nine months ended September 30, 2018 and 2017, rental income from the lease of the investment property was \$35,763, \$36,786, \$110,174 and \$100,474, respectively.
- C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

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(14) Property and equipment - net

Change in property and equipment of the Yuanta Group:

<u>Cost</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery and computer equipment</u>	<u>Transportation equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress</u>	<u>Total</u>
At January 1, 2018	\$ 15,066,741	\$ 7,536,070	\$ 3,680,986	\$ 233,742	\$ 1,726,420	\$ 360,914	\$ 28,604,873
Additions	-	351	186,814	21,624	123,062	343,382	675,233
Disposals	-	-	(249,985)	(31,243)	(218,724)	(17,813)	(517,765)
Reclassifications	(8,911)	(74,214)	175,408	4,995	235,992	(314,141)	19,129
Translation difference	(6,820)	(22,124)	(19,417)	775	7,486	1,266	(38,834)
At September 30, 2018	<u>\$ 15,051,010</u>	<u>\$ 7,440,083</u>	<u>\$ 3,773,806</u>	<u>\$ 229,893</u>	<u>\$ 1,874,236</u>	<u>\$ 373,608</u>	<u>\$ 28,742,636</u>
<u>Accumulated depreciation</u>							
At January 1, 2018	\$ -	(\$ 2,219,726)	(\$ 2,507,142)	(\$ 119,413)	(\$ 1,012,913)	\$ -	(\$ 5,859,194)
Depreciation	-	(135,859)	(353,368)	(24,095)	(224,880)	-	(738,202)
Disposals	-	-	248,563	25,064	209,509	-	483,136
Reclassifications	-	32,736	(8,272)	-	(66,214)	-	(41,750)
Translation difference	-	6,527	18,112	(110)	(3,539)	-	20,990
At September 30, 2018	<u>\$ -</u>	<u>(\$ 2,316,322)</u>	<u>(\$ 2,602,107)</u>	<u>(\$ 118,554)</u>	<u>(\$ 1,098,037)</u>	<u>\$ -</u>	<u>(\$ 6,135,020)</u>
<u>Accumulated impairment</u>							
At January 1, 2018	(\$ 84,506)	(\$ 30,580)	\$ -	\$ -	\$ -	\$ -	(\$ 115,086)
Recovery	-	-	-	-	357	-	357
Reclassifications	4,860	1,009	-	-	(656)	-	5,213
At September 30, 2018	<u>(\$ 79,646)</u>	<u>(\$ 29,571)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 299)</u>	<u>\$ -</u>	<u>(\$ 109,516)</u>
Net carrying amount	<u>\$ 14,971,364</u>	<u>\$ 5,094,190</u>	<u>\$ 1,171,699</u>	<u>\$ 111,339</u>	<u>\$ 775,900</u>	<u>\$ 373,608</u>	<u>\$ 22,498,100</u>

<u>Cost</u>	<u>Land and land improvements</u>	<u>Buildings</u>	<u>Machinery and computer equipment</u>	<u>Transportation equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress</u>	<u>Total</u>
At January 1, 2017	\$ 13,652,110	\$ 7,369,708	\$ 3,385,286	\$ 214,869	\$ 1,869,198	\$ 295,054	\$ 26,786,225
Acquisition through combinations	-	16,404	1,698	2,141	11,473	-	31,716
Additions	611,633	109,500	234,799	16,673	132,996	1,701,342	2,806,943
Disposals	(55,953)	(16,863)	(153,790)	(22,149)	(245,691)	-	(494,446)
Reclassifications	636,513	130,012	94,638	6,130	3,905	(1,090,356)	(219,158)
Assets reclassified as held for sale	(86,479)	(158,054)	(122,371)	-	(53,662)	(33)	(420,599)
Translation difference	(10,659)	(29,779)	(42,193)	(138)	(11,194)	3,659	(90,304)
At September 30, 2017	\$ 14,747,165	\$ 7,420,928	\$ 3,398,067	\$ 217,526	\$ 1,707,025	\$ 909,666	\$ 28,400,377
<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	-	(133,579)	(310,866)	(21,579)	(209,203)	-	(675,227)
Disposals	-	4,461	146,457	14,980	238,203	-	404,101
Reclassifications	-	(199)	(2,534)	-	2,535	-	(198)
Assets reclassified as held for sale	-	46,997	102,207	-	46,560	-	195,764
Translation difference	-	8,821	35,560	238	10,370	-	54,989
At September 30, 2017	\$ -	(\$ 2,150,118)	(\$ 2,389,846)	(\$ 116,468)	(\$ 1,092,947)	\$ -	(\$ 5,749,379)
<u>Accumulated impairment</u>							
At January 1, 2017	(\$ 157,391)	(\$ 35,750)	\$ -	\$ -	\$ -	\$ -	(\$ 193,141)
Disposals	13,824	4,561	-	-	-	-	18,385
Reclassifications	58,913	405	-	-	-	-	59,318
At September 30, 2017	(\$ 84,654)	(\$ 30,784)	\$ -	\$ -	\$ -	\$ -	(\$ 115,438)
Net carrying amount	\$ 14,662,511	\$ 5,240,026	\$ 1,008,221	\$ 101,058	\$ 614,078	\$ 909,666	\$ 22,535,560

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

(15) Intangible assets - net

<u>Cost</u>	<u>Goodwill</u>	<u>Operating rights</u>	<u>Computer software</u>	<u>Customer relationship</u>	<u>Others</u>	<u>Total</u>
At January 1, 2018	\$ 31,815,086	\$ 385,022	\$ 4,736,780	\$ 5,585,107	\$ 2,399,680	\$ 44,921,675
Additions	-	-	118,970	-	64,761	183,731
Disposals	-	-	(737,128)	-	(9,733)	(746,861)
Reclassifications	-	-	(8,862)	-	-	(8,862)
Translation difference	(3,537)	325	(90,704)	-	(497)	(94,413)
At September 30, 2018	<u>\$ 31,811,549</u>	<u>\$ 385,347</u>	<u>\$ 4,019,056</u>	<u>\$ 5,585,107</u>	<u>\$ 2,454,211</u>	<u>\$ 44,255,270</u>
<u>Accumulated amortization</u>						
At January 1, 2018	\$ -	(\$ 366,774)	(\$ 3,908,593)	(\$ 3,227,444)	(\$ 1,122,746)	(\$ 8,625,557)
Amortization	-	(1,231)	(333,923)	(327,865)	(216,738)	(879,757)
Disposals	-	-	737,106	-	1,694	738,800
Reclassification	-	-	48,326	-	-	48,326
Translation difference	-	(95)	85,216	-	1,536	86,657
At September 30, 2018	<u>\$ -</u>	<u>(\$ 368,100)</u>	<u>(\$ 3,371,868)</u>	<u>(\$ 3,555,309)</u>	<u>(\$ 1,336,254)</u>	<u>(\$ 8,631,531)</u>
<u>Accumulated impairment</u>						
At January 1, 2018	(\$ 325,199)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 360,341)
Impairments	-	-	-	-	(4,595)	(4,595)
Disposals	-	-	22	-	-	22
Translation difference	-	-	-	-	83	83
At September 30, 2018	<u>(\$ 325,199)</u>	<u>\$ -</u>	<u>(\$ 5,407)</u>	<u>\$ -</u>	<u>(\$ 34,225)</u>	<u>(\$ 364,831)</u>
Net carrying amount	<u>\$ 31,486,350</u>	<u>\$ 17,247</u>	<u>\$ 641,781</u>	<u>\$ 2,029,798</u>	<u>\$ 1,083,732</u>	<u>\$ 35,258,908</u>

Cost	Goodwill	Operating rights	Computer software	Customer relationship	Others	Total
At January 1, 2017	\$ 31,669,655	\$ 386,318	\$ 4,485,922	\$ 5,585,107	\$ 2,205,004	\$ 44,332,006
Acquisition through combinations	343,192	-	11,881	-	-	355,073
Additions	-	-	118,289	-	18,507	136,796
Disposals	-	-	(39,781)	-	(35,821)	(75,602)
Reclassifications	-	-	26,784	-	-	26,784
Assets reclassified as held for sale	-	-	(65,629)	-	-	(65,629)
Translation difference	(8,473)	(1,065)	(59,894)	-	(16,565)	(85,997)
At September 30, 2017	<u>\$ 32,004,374</u>	<u>\$ 385,253</u>	<u>\$ 4,477,572</u>	<u>\$ 5,585,107</u>	<u>\$ 2,171,125</u>	<u>\$ 44,623,431</u>
<u>Accumulated amortization</u>						
At January 1, 2017	\$ -	(\$ 365,514)	(\$ 3,406,911)	(\$ 2,564,906)	(\$ 1,058,069)	(\$ 7,395,400)
Acquisition through combinations	-	-	(10,765)	-	-	(10,765)
Amortization	-	(1,231)	(359,617)	(496,855)	(46,828)	(904,531)
Disposals	-	-	36,758	-	13	36,771
Reclassifications	-	-	(10,117)	-	-	(10,117)
Assets reclassified as held for sale	-	-	55,935	-	-	55,935
Translation difference	-	313	49,882	-	(1,395)	48,800
At September 30, 2017	<u>\$ -</u>	<u>(\$ 366,432)</u>	<u>(\$ 3,644,835)</u>	<u>(\$ 3,061,761)</u>	<u>(\$ 1,106,279)</u>	<u>(\$ 8,179,307)</u>
<u>Accumulated impairment</u>						
At January 1, 2017	(\$ 309,106)	\$ -	\$ -	\$ -	(\$ 26,819)	(\$ 335,925)
Disposals	-	-	-	-	18,805	18,805
Translation difference	1,303	-	-	-	135	1,438
At September 30, 2017	<u>(\$ 307,803)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 7,879)</u>	<u>(\$ 315,682)</u>
Net carrying amount	<u>\$ 31,696,571</u>	<u>\$ 18,821</u>	<u>\$ 832,737</u>	<u>\$ 2,523,346</u>	<u>\$ 1,056,967</u>	<u>\$ 36,128,442</u>

- A. Yuanta Group's goodwill all arose from business combination. In accordance with the accounting treatment under the Enterprise Merger and Acquisition Act, the excess of acquisition costs over the sum of the fair value of tangible and identifiable intangible assets less the liabilities assumed should be recorded as goodwill; of which goodwill arose from business combinations in 2017, please refer to Note 6(46).
- B. Goodwill is allocated to cash generating units as identified by operating segments. Recoverable amounts are determined according the value-in-use, which is calculated according to management's estimate of future cash flows for future periods. For cash flows that exceed the aforementioned future periods, the following estimated growth rates are used for calculations.

Goodwill of the Yuanta Group is tested annually for impairment at the end of each year. The recoverable amounts of Yuanta Securities' investee's (Yuanta Securities (Indonesia)) cash generating units were assessed to be lower than their carrying amounts. Thus, goodwill impairment of \$18,458 was recognised in 2017; the remaining cash generating units were assessed to have recoverable amounts higher than their carrying amounts. The Yuanta Group assesses impairment indication of goodwill in the interim period based on the regulations. In the interim period, the Yuanta Group takes into consideration the related information in relation to impairment indication of goodwill, and there was no indication that goodwill was impaired. The main assumptions used in calculating value-in-use are as follows:

	Bank subsidiaries	Securities subsidiaries			Futures	Securities Investment Trust
		Brokerage Segment	Investment Bank Segment	Investment Segment		
2017						
Growth rate	0.00%~3.70%	2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate	10.00%~10.90%	9.40%	9.40%	13.6%~19.3%	8.00%	14.80%

(16) Other assets - net

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Refundable deposits	\$ 7,104,449	\$ 4,328,308	\$ 4,593,706
Refundable deposits for securities lending	14,927,721	21,292,145	19,919,641
Operating guarantee deposits and settlement fund	3,198,767	3,015,016	3,013,821
Prepaid expenses	9,077,106	817,834	794,522
Bank deposits - amounts held for settlement	8,725,247	9,957,043	14,227,710
Others	768,787	1,393,766	2,495,933
Total	<u>\$ 43,802,077</u>	<u>\$ 40,804,112</u>	<u>\$ 45,045,333</u>

(17) Non-financial asset impairment losses

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Investment property	\$ 497,671	\$ 495,087	\$ 493,754
Property and equipment	109,516	115,086	115,438
Intangible assets - goodwill	325,199	325,199	307,803
Intangible assets - other	39,632	35,142	7,879

(18) Due to Central Bank and other banks

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Due to other banks	\$ 10,054	\$ 10,054	\$ 10,054
Overdrafts from other banks	519,131	136,640	453,580
Call loans from other banks	27,040,218	7,682,577	17,440,421
Redeposit from the directorate general of postal remittance	<u>5,327,302</u>	<u>5,690,891</u>	<u>5,780,169</u>
Total	<u>\$ 32,896,705</u>	<u>\$ 13,520,162</u>	<u>\$ 23,684,224</u>

(19) Commercial paper payable - net

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Commercial paper payable	\$ 47,223,215	\$ 44,724,325	\$ 39,136,000
Less: Discount on commercial paper payable	<u>(41,276)</u>	<u>(20,238)</u>	<u>(37,587)</u>
Net	<u>\$ 47,181,939</u>	<u>\$ 44,704,087</u>	<u>\$ 39,098,413</u>

The annual interest rate of commercial paper payable as of September 30, 2018, December 31, 2017 and September 30, 2017 were 0.618%~2.280% , 0.508%~2.00% and 0.49%~1.96%, respectively.

(BLANK)

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

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

(BLANK)

(20) Payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts payable	\$ 83,810,326	\$ 86,069,622	\$ 82,707,949
Demand remittance payable	4,513,219	2,937,800	9,965,528
Bankers' acceptances payable	610,524	1,246,741	1,931,976
Interests payable	2,193,872	2,194,254	2,062,784
Accrued expenses	8,066,450	8,766,728	6,215,978
Taxes payable	129,172	273,497	138,845
Collections payable for customers	1,163,208	844,485	1,025,527
Proceeds payable from underwriting	907,348	891,398	869,104
Due to reinsurers and ceding companies	185,327	140,506	281,934
Collateralized proceeds payable from securities lending	7,613,733	9,079,481	7,736,865
Consigned securities payable	5,618,498	14,058,046	3,356,105
Settled price	918,927	1,544,600	1,558,189
Securities purchased payable	11,873,391	1,694,231	13,085,685
Settlement payable	24,926,028	26,653,012	21,920,936
Deposits received on securities lending	6,810,919	8,185,499	6,985,057
Checks for clearing	2,182,243	2,629,283	1,526,265
SBL Refund payable	190,694	133,234	10,758
Other payables	1,223,008	1,362,954	1,546,517
Total	<u>\$ 162,936,887</u>	<u>\$ 168,705,371</u>	<u>\$ 162,926,002</u>

(21) Deposits and remittances

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Checking deposits	\$ 4,558,234	\$ 5,077,820	\$ 4,137,723
Demand deposits	123,320,788	133,582,476	137,909,315
Time deposits	301,378,818	334,966,774	333,128,316
Negotiable certificates of deposit	41,573,500	44,209,000	42,512,000
Savings deposits	545,179,322	537,813,143	548,985,218
Remittances	302,704	375,076	418,842
Total	<u>\$ 1,016,313,366</u>	<u>\$ 1,056,024,289</u>	<u>\$ 1,067,091,414</u>

(22) Bonds payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Financial bonds	\$ 38,700,000	\$ 43,500,000	\$ 43,500,000
Unsecured corporate bonds	28,270,950	19,750,000	22,668,400
Convertible corporate bonds	2,662,178	2,640,879	2,479,745
Total	<u>\$ 69,633,128</u>	<u>\$ 65,890,879</u>	<u>\$ 68,648,145</u>

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

Third issue of subordinate financial debentures in 2011(A)

Par value	\$700,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

Third issue of subordinate financial debentures in 2011(B)

Par value	\$4,500,000
Stated interest rate	Fixed interest rate at 1.95%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

First issue of subordinate financial debentures in 2012

Par value	\$1,000,000
Stated interest rate	Fixed interest rate at 2.15%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

Second issue of subordinate financial debentures in 2012

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 September 30, 2018 were as follows:	
The Company	
	<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
	<u>Yuanta Financial Holdings second issue of local unsecured normal corporate bond in 2016(A)</u>
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

	<u>Yuanta Financial Holdings second issue of local unsecured normal corporate bond in 2016(B)</u>	
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	
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2018(A)</u>	
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	
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2018(B)</u>	
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	
	<u>Yuanta Securities Asia Financial Services private placement of US dollar denominated unsecured corporate bonds</u>	
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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Convertible corporate bonds	\$ 2,545,738	\$ 2,565,758	\$ 2,563,940
Add: Premium (discount) on convertible bonds payable	<u>116,440</u>	<u>75,121</u>	<u>(84,195)</u>
Total	<u>\$ 2,662,178</u>	<u>\$ 2,640,879</u>	<u>\$ 2,479,745</u>

The details of convertible corporate bonds as of September 30, 2018 were as follows:

Tong Yang Securities 84th issue of unsecured subordinated convertible corporate bond	
Par value	KRW 16,000,000 thousand dollars
Stated interest rate	Fixed interest rate at 2.0%
Issuance date	May 31, 2013
Maturity date	May 31, 2019
Issuance area	Korea
Tong Yang Securities 86th issue of unsecured subordinated convertible corporate bond	
Par value	KRW 76,500,000 thousand dollars
Stated interest rate	Fixed interest rate at 1.0%
Issuance date	December 17, 2015
Maturity date	December 17, 2018
Issuance area	Korea

(23) Other borrowings

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Short-term borrowings			
Unsecured bank borrowings	\$ 15,883,016	\$ 21,275,909	\$ 21,105,997
Secured bank borrowings	4,069,455	1,549,568	1,857,063
KSFC secured borrowings	27,086,827	30,895,117	26,965,397
Issuance of short-term bond	21,920,495	15,244,177	13,767,809
Secured short-term bond	3,404,923	-	-
Unsecured borrowings from other financial institutions	1,002	-	-
Long-term borrowings			
Unsecured bank borrowings	826,500	2,790,000	2,640,000
	<u>\$ 73,192,218</u>	<u>\$ 71,754,771</u>	<u>\$ 66,336,266</u>
Interest rate-short-term (%)	<u>0.60%~3.75%</u>	<u>0.60%~3.00%</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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Insurance liability	\$ 210,970,399	\$ 187,513,082	\$ 174,437,833
Reserve for foreign exchange fluctuation	726,065	510,241	235,083
Employee benefit liabilities reserve	5,575,432	6,190,491	5,160,980
Guaranteed policy reserve	197,523	275,664	351,669
Loan commitment reserve	69,329	-	-
Other reserves (Note)	495,062	549,342	580,023
Total	<u>\$ 218,033,810</u>	<u>\$ 195,038,820</u>	<u>\$ 180,765,588</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 September 30, 2018, there are 11 litigations filed against former TongYang Securities Inc. and its subsidiaries related to the above-mentioned dispute on sold financial products, demanding compensations totaling ₩545,113 million (approximately NT\$15 billion); of which 2 were class actions, demanding compensation of ₩492,565 million (approximately NT\$13.6 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. As for the ₩50,000 million class action, the Seoul Central District Court and Seoul High Court have rejected the class action on January 5, 2018 and October 17, 2018, respectively. However, the plaintiffs appealed to the Court of Third Instance on October 22, 2018, which is under assessment.

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 ₩23,176 million (approximately NT\$640 million) in liability reserves as of September 30, 2018. As of September 30, 2018, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩ 6,523 million (approximately NT\$180 million).

Note: B. The reserve for litigation loss of Yuanta Bank is \$191,165, please refer to Note 9(7)A.

A. The components of insurance liabilities are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Unearned premium reserve	\$ 416,924	\$ 283,691	\$ 279,423
Claims reserve	345,836	306,349	234,396
Reserve for policy benefit	204,474,177	180,815,233	167,492,987
Premium deficiency reserve	1,578,593	1,810,269	2,082,849
Other reserves	4,154,869	4,297,540	4,348,178
Total	<u>\$ 210,970,399</u>	<u>\$ 187,513,082</u>	<u>\$ 174,437,833</u>

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

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

September 30, 2018			
	<u>Insurance contract</u>	<u>Financial instruments with discretionary participation features</u>	<u>Total</u>
Unearned premium reserve			
Personal life insurance	\$ 477	\$ -	\$ 477
Personal accident insurance	174,333	-	174,333
Personal health insurance	152,383	-	152,383
Group insurance	87,735	-	87,735
Investment-link insurance	1,996	-	1,996
	<u>\$ 416,924</u>	<u>\$ -</u>	<u>\$ 416,924</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 170,593	\$ -	\$ 170,593
Personal accident insurance	290	-	290
Personal health insurance	139,910	-	139,910
Investment-link insurance	384	-	384
	<u>\$ 311,177</u>	<u>\$ -</u>	<u>\$ 311,177</u>
December 31, 2017			
	<u>Insurance contract</u>	<u>Financial instruments with discretionary participation features</u>	<u>Total</u>
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>

September 30, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 116	\$ -	\$ 116
Personal accident insurance	152,802	-	152,802
Personal health insurance	123,399	-	123,399
Group insurance	919	-	919
Investment-link insurance	2,187	-	2,187
	<u>\$ 279,423</u>	<u>\$ -</u>	<u>\$ 279,423</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 93,706	\$ -	\$ 93,706
Personal accident insurance	314	-	314
Personal health insurance	142,771	-	142,771
Investment-link insurance	378	-	378
	<u>\$ 237,169</u>	<u>\$ -</u>	<u>\$ 237,169</u>

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

	For the nine months ended September 30,	
	2018	2017
Unearned premium reserve		
At January 1	\$ 283,691	\$ 246,066
Current net change	133,233	33,357
At September 30	<u>\$ 416,924</u>	<u>\$ 279,423</u>
Ceded unearned premium reserve		
At January 1	\$ 262,226	\$ 241,887
Current net change	48,944	(4,698)
Loss (gain) on foreign exchange	7	(20)
At September 30	<u>\$ 311,177</u>	<u>\$ 237,169</u>

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

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

	September 30, 2018		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 222,888	\$ 46	\$ 222,934
Personal accident insurance	6,732	22,657	29,389
Personal health insurance	55,311	30,443	85,754
Group insurance	-	7,753	7,753
Investment-link insurance	-	6	6
	<u>\$ 284,931</u>	<u>\$ 60,905</u>	<u>\$ 345,836</u>
Ceded claims reserve			
Personal life insurance	\$ 6,237	\$ -	\$ 6,237
Personal health insurance	7,290	-	7,290
	<u>\$ 13,527</u>	<u>\$ -</u>	<u>\$ 13,527</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>
	September 30, 2017		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 158,038	\$ 9	\$ 158,047
Personal accident insurance	2,778	20,940	23,718
Personal health insurance	29,017	23,443	52,460
Group insurance	-	170	170
Investment-link insurance	-	1	1
	<u>\$ 189,833</u>	<u>\$ 44,563</u>	<u>\$ 234,396</u>
Ceded claims reserve			
Personal life insurance	\$ 4,879	\$ -	\$ 4,879
Personal health insurance	3,165	-	3,165
	<u>\$ 8,044</u>	<u>\$ -</u>	<u>\$ 8,044</u>

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

	For the nine months ended September 30,	
	2018	2017
Claims reserve		
At January 1	\$ 306,349	\$ 264,393
Current net change	39,381	(29,985)
Loss (gain) on foreign exchange	106	(12)
At September 30	<u>\$ 345,836</u>	<u>\$ 234,396</u>
	For the nine months ended September 30,	
	2018	2017
Ceded claims reserve		
At January 1	\$ 11,293	\$ 7,847
Current net change	2,234	198
Gain on foreign exchange	-	(1)
At September 30	<u>\$ 13,527</u>	<u>\$ 8,044</u>

(C) Reserve for policy benefit:

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

	September 30, 2018		
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 184,253,759	\$ -	\$ 184,253,759
Health insurance	19,846,597	-	19,846,597
Annuity insurance	11,178	252,043	263,221
Investment-link insurance	56,082	-	56,082
	<u>\$ 204,167,616</u>	<u>\$ 252,043</u>	204,419,659
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			4,235
Total			<u>\$ 204,474,177</u>

December 31, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 162,172,149	\$ -	\$ 162,172,149
Health insurance	18,328,258	-	18,328,258
Annuity insurance	11,645	190,919	202,564
Investment-link insurance	58,841	-	58,841
	<u>\$ 180,570,893</u>	<u>\$ 190,919</u>	<u>180,761,812</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			3,138
Total			<u>\$ 180,815,233</u>

September 30, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 149,341,514	\$ -	\$ 149,341,514
Health insurance	17,858,796	-	17,858,796
Annuity insurance	12,290	171,305	183,595
Investment-link insurance	58,799	-	58,799
	<u>\$ 167,271,399</u>	<u>\$ 171,305</u>	<u>167,442,704</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Total			<u>\$ 167,492,987</u>

b. Changes in reserve for policy benefit:

	For the nine months ended September 30,	
	2018	2017
At January 1	\$ 180,812,095	\$ 146,956,725
Current net change	23,269,753	21,092,180
Loss (gain) on foreign exchange	388,095	(555,918)
At September 30	<u>\$ 204,469,943</u>	<u>\$ 167,492,987</u>

Note: For the nine months ended September 30, 2018, "Reserve for policy benefit-payables to the insured" is \$4,234. As of September 30, 2018, the total reserve for policy benefit amount of changes in reserve for policy benefit is \$204,474,177.

For the three months and nine months ended September 30, 2018 and 2017, the interest expense, representing the cost related with delaying payments on contract liabilities over a period of time, are \$1,423,993, \$1,230,302, \$4,167,407 and \$3,578,123, respectively.

(D) Premium deficiency reserve:

a. Details of premium deficiency reserve are as follows:

	September 30, 2018		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 1,572,944	\$ -	\$ 1,572,944
Personal health insurance	5,649	-	5,649
Total	<u>\$ 1,578,593</u>	<u>\$ -</u>	<u>\$ 1,578,593</u>

	December 31, 2017		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 1,807,577	\$ -	\$ 1,807,577
Personal health insurance	2,687	-	2,687
Group insurance	5	-	5
Total	<u>\$ 1,810,269</u>	<u>\$ -</u>	<u>\$ 1,810,269</u>

	September 30, 2017		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 2,080,968	\$ -	\$ 2,080,968
Personal health insurance	1,875	-	1,875
Group insurance	6	-	6
Total	<u>\$ 2,082,849</u>	<u>\$ -</u>	<u>\$ 2,082,849</u>

b. Change in premium deficiency reserve:

	For the nine months ended September 30,	
	2018	2017
Premium deficiency reserve:		
At January 1	\$ 1,810,269	\$ 2,390,230
Current net change	(235,829)	(299,628)
Loss (gain) on foreign exchange	4,153	(7,753)
At September 30	<u>\$ 1,578,593</u>	<u>\$ 2,082,849</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 nine months ended September 30,	
	2018	2017
At January 1	\$ 4,297,540	\$ 4,490,665
Recovery	(142,671)	(142,487)
At September 30	\$ 4,154,869	\$ 4,348,178

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 nine months ended September 30,	
	2018	2017
At January 1	\$ 510,241	\$ 480,615
Provision		
Compulsory provision	133,889	70,314
Additional provision	479,714	128,119
Subtotal	1,123,844	679,048
Recovery	(397,779)	(443,965)
At September 30	\$ 726,065	\$ 235,083

(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 nine months ended September 30, 2018 and 2017 is as follows:

	For the nine months ended September 30, 2018		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 1,113,071	\$ 940,412	(\$ 172,659)
Earnings (losses) per share	0.92	0.78	(0.14)
Reserve for foreign exchange fluctuation	-	726,064	726,064
Total equity	12,032,932	11,436,774	(596,158)
	For the nine months ended September 30, 2017		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 124,755	\$ 328,546	\$ 203,791
Earnings per share	0.12	0.32	0.20
Reserve for foreign exchange fluctuation	-	235,083	235,083
Total equity	12,135,837	11,940,718	(195,119)

(25) Employee benefit liabilities reserve

A. Defined benefit plans:

(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism

under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45~55 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Yuanta Group also established a special retention bonus plan applicable to certain employees. Except for Yuanta Securities Finance contributing retirement fund by 8% of the employees' monthly salaries and wages, the Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March. Yuanta Securities (Korea) and its subsidiary have a defined benefit plan or a defined contribution plan in accordance with the relevant laws and regulations applied by the local Korean government.

- (B) For the aforementioned pension plan, the Company and its domestic subsidiaries recognised pension costs of \$21,180, \$24,696, \$67,220 and \$75,055 for the three months and nine months ended September 30, 2018 and 2017, respectively.
- (C) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amounts to \$45,520.

B. Defined contribution plans:

- (A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (B) Effective July 1, 2005, a retirement plan was established by Yuanta Life, covering all its telemarketing representatives. Under the retirement plan, Yuanta Life recognises monthly an amount equal to 7% of the employees' monthly incentive bonuses as retirement pay. The retirement plan is contributed till July 2016. Cumulated amounts will be retained until telemarketing representatives retire, after which it will be paid in lump-sum to each telemarketing representative according to their respective entitled proportions under the plan. Effective August 1, 2008, Yuanta Life established an "Incentive Award Plan", which covered its sales agents. Under the "Incentive Award Plan", Yuanta Life calculates monthly contributions based on the agent's service years and a monthly commission effective for the first year. The "Incentive Award Plan" is contributed till June 2014. Cumulated amounts will be retained until sales agents retire, after which it will be paid in lump-sum to each sales agent according to their respective entitled proportions under the plan.
- (C) Under the defined contribution plan, the Company and its domestic subsidiaries recognised pension costs of \$112,614, \$109,657, \$346,675 and \$327,288 for the three months and nine months ended September 30, 2018 and 2017, respectively.
- (D) The pension plans for the consolidated foreign subsidiaries are as follows:
The pension plan for Yuanta Securities Asia Finance is in compliance with the regulations of each employee nationality. Yuanta HK Holdings (Cayman) Ltd., Yuanta

Securities Holding (B.V.I) Ltd. and Yuanta Investment Management (Cayman) Ltd. do not have compulsory pension plans according to local regulations. Other foreign subsidiaries are in compliance with related regulations enacted by local governments. For the three months and nine months ended September 30, 2018 and 2017, the foreign subsidiaries recognised \$98,648, \$100,910, \$395,629 and \$293,685 of pension expense by complying with aforementioned regulations.

(26) Other financial liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Futures traders' equity	\$ 61,487,293	\$ 51,868,129	\$ 51,953,961
Structured deposit	11,950,852	16,208,486	15,619,462
Investment-linked products liabilities	1,896,192	1,967,642	1,965,327
Appropriated loan fund	28,755	53,402	64,310
Lease payables	6,562	1,255	1,850
Total	<u>\$ 75,369,654</u>	<u>\$ 70,098,914</u>	<u>\$ 69,604,910</u>

(27) Other liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Guarantee deposit-in and margin deposits	\$ 33,239,905	\$ 24,185,238	\$ 24,050,905
Underwriting share proceeds collected on behalf of customers	193	582,238	1,468,629
Collections in advance	1,171,992	1,209,727	1,185,661
Retention bonus payable	1,238,127	1,077,342	1,051,414
Refundable deposits	516,808	1,786,291	753,823
Refundable deposits-derivative transactions	5,524,987	3,681,999	-
Others	1,148,237	880,560	943,078
Total	<u>\$ 42,840,249</u>	<u>\$ 33,403,395</u>	<u>\$ 29,453,510</u>

(28) Share capital/Preferred stock liability

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

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

	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
January 1	\$ 11,889,198	\$ 11,998,648
Retirement of treasury share	(202,965)	-
September 30	<u>\$ 11,686,233</u>	<u>\$ 11,998,648</u>

Due to Ta Chong Bank became a 100% owned subsidiary, the Company issued 1,285,687 thousand shares of common stock with a par value of \$10 dollars per share and issued 100,000 thousand shares of non-cumulative privately-placed Class A registered preferred stock with a par value of \$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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Post 1998	\$ 4,041,698	\$ 4,111,739	\$ 4,149,449

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Additional-paid-in capital	\$ 33,617,492	\$ 34,200,072	\$ 34,514,151
Treasury share transactions	3,477,403	3,723,521	3,606,453
Others	37,238	37,100	38,318
	<u>\$ 37,132,133</u>	<u>\$ 37,960,693</u>	<u>\$ 38,158,922</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 recognized as expense in the current period) and the earnings distribution for 2016 resolved by the stockholders' meeting on June 8, 2017 are as follows:

	2017 earnings		2016 earnings	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 1,620,495	\$ -	\$ 1,341,411	\$ -
Cash dividends	6,492,536	0.556315	5,365,642	0.44777

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

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

(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	-	(800,934)	-	-	-	(800,934)
- Evaluation transferred to profit or loss	-	(834,613)	-	-	-	(834,613)
- Evaluation transferred to retained earnings	-	(213,251)	-	-	-	(213,251)
Other comprehensive income on reclassification under the overlay approach	-	-	-	-	(381,842)	(381,842)
Changes in translation difference of foreign operating entities	59,455	-	-	-	-	59,455
Effects on income tax	-	166,791	-	-	24,463	191,254
Evaluation of credit risk	-	-	-	5,632	-	5,632
Balance, September 30, 2018	<u>(\$ 2,468,507)</u>	<u>\$ 7,139,181</u>	<u>\$ -</u>	<u>\$ 64,521</u>	<u>\$ 32,453</u>	<u>\$ 4,767,648</u>

	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	-	2,886,194	-	-	-	2,886,194
Realised gain and loss in the period	-	(1,328,279)	-	-	47,809	(1,280,470)
Changes in translation difference of foreign operating entities	(1,264,469)	-	-	-	-	(1,264,469)
Cash flow hedges						
Effect on fair value	-	-	220	-	-	220
Effects on income tax	805	(45,337)	(50)	-	-	(44,582)
Evaluation of credit risk	-	-	-	(2,918)	-	(2,918)
Balance, September 30, 2017	<u>(\$ 3,348,692)</u>	<u>\$ 8,168,562</u>	<u>\$ 1,772</u>	<u>(\$ 3,379)</u>	<u>\$ -</u>	<u>\$ 4,818,263</u>

(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 nine months ended September 30, 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 nine months ended September 30, 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	-	(804)	109,450	1,291,513
Total	<u>\$ 1,498,603</u>	<u>125,875</u>	<u>-</u>	<u>(804)</u>	<u>125,071</u>	<u>\$ 1,489,119</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

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 4,942,236	\$ 4,831,966
Interest income from margin trade	1,328,529	1,227,371
Interest income on securities investment	3,153,794	2,219,927
Interest income from placement and call loan to other banks	431,133	200,199
Interest income on bills and bonds purchased under resale agreements	110,530	102,047
Recurring interest income from credit card	62,859	69,092
Other interest income	<u>227,290</u>	<u>366,049</u>
Subtotal	<u>10,256,371</u>	<u>9,016,651</u>
<u>Interest expense</u>		
Interest expense of deposit	(1,796,943)	(1,729,455)
Interest expense of Central Bank and other banks' deposit	(81,377)	(48,817)
Interest expense on due to the Central Bank and other banks' deposit	(338,845)	(280,013)
Interest expense on bills and bonds sold under repurchase agreements	(688,428)	(494,143)
Interest expense of structured instruments	(158,532)	(14,613)
Coupon rate of bank debenture	(235,173)	(250,744)
Coupon rate of corporate bonds	(110,738)	(5,445)
Coupon rate of commercial papers	(126,293)	(58,285)
Interest expense of margin purchase	(5,811)	(6,475)
Other interest expense	<u>(94,585)</u>	<u>(170,459)</u>
Subtotal	<u>(3,636,725)</u>	<u>(3,058,449)</u>
Total	<u>\$ 6,619,646</u>	<u>\$ 5,958,202</u>

	For the nine months ended September 30,	
	2018	2017
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 14,398,709	\$ 14,099,928
Interest income from margin trade	4,061,517	3,299,315
Interest income on securities investment	9,130,425	6,617,268
Interest income from placement and call loan to other banks	1,212,809	798,075
Interest income on bills and bonds purchased under resale agreements	342,190	309,430
Recurring interest income from credit card	196,312	202,177
Other interest income	593,357	712,489
Subtotal	<u>29,935,319</u>	<u>26,038,682</u>
<u>Interest expense</u>		
Interest expense of deposit	(5,214,397)	(5,050,164)
Interest expense of Central Bank and other banks' deposit	(195,536)	(149,387)
Interest expense on due to the Central Bank and other banks' deposit	(995,153)	(663,422)
Interest expense on bills and bonds sold under repurchase agreements	(2,004,145)	(1,535,197)
Interest expense of structured instruments	(501,331)	(45,449)
Coupon rate of bank debenture	(728,015)	(794,779)
Coupon rate of corporate bonds	(280,502)	(364,961)
Coupon rate of commercial papers	(255,741)	(142,714)
Interest expense of margin purchase	(18,965)	(18,995)
Other interest expense	(302,630)	(301,098)
Subtotal	<u>(10,496,415)</u>	<u>(9,066,166)</u>
Total	<u>\$ 19,438,904</u>	<u>\$ 16,972,516</u>

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(35) Net service fee and commission income

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 4,489,100	\$ 4,475,427
Service fee income on insurance brokerage and stock register	397,918	777,516
Service fee on credit cards	401,080	431,142
Service fee income on trust business	706,552	692,924
Service income on credit extension	240,280	300,030
Underwriting service income	163,597	243,355
Service income on margin trade	35,680	30,637
Commission – reinsurance allowance	26,997	30,170
Service income on foreign exchange	22,779	30,459
Service fee income on consigned settlement	10,003	10,805
Deposits and remittance and other service income	<u>324,628</u>	<u>184,273</u>
Subtotal	<u>6,818,614</u>	<u>7,206,738</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(466,639)	(349,989)
Service expense on trust business	(1,292)	(5,108)
Service expense on brokerage	(485,982)	(431,741)
Service expense on self-operation	(26,069)	(29,541)
Service fee expense on credit cards	(364,260)	(296,386)
Service expense on settlement	(124,449)	(130,844)
Futures commission expense	(149,178)	(78,294)
Underwriting service expense	(2,785)	(1,449)
Service expense on foreign exchange	(10,874)	(7,675)
Service expense on credit extension	(6,328)	(5,356)
Deposits and remittance and other service expense	<u>(131,602)</u>	<u>(175,760)</u>
Subtotal	<u>(1,769,458)</u>	<u>(1,512,143)</u>
Total	<u>\$ 5,049,156</u>	<u>\$ 5,694,595</u>

	For the nine months ended September 30,	
	2018	2017
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 14,991,764	\$ 11,345,403
Service fee income on insurance brokerage and stock register	1,442,704	2,018,392
Service fee on credit cards	1,237,888	1,289,904
Service fee income on trust business	2,103,662	1,793,960
Service income on credit extension	742,932	1,026,283
Underwriting service income	681,473	690,156
Service income on margin trade	93,786	74,974
Commission – reinsurance allowance	73,996	78,779
Service income on foreign exchange	77,902	90,411
Service fee income on consigned settlement	31,914	27,469
Deposits and remittance and other service income	1,309,546	809,817
Subtotal	<u>22,787,567</u>	<u>19,245,548</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(1,372,749)	(1,054,533)
Service expense on trust business	(5,768)	(14,154)
Service expense on brokerage	(1,371,445)	(1,121,650)
Service expense on self-operation	(80,228)	(73,184)
Service fee expense on credit cards	(1,093,007)	(897,879)
Service expense on settlement	(372,030)	(327,551)
Futures commission expense	(373,651)	(231,295)
Underwriting service expense	(14,498)	(4,789)
Service expense on foreign exchange	(30,372)	(22,850)
Service expense on credit extension	(12,339)	(12,442)
Deposits and remittance and other service expense	(377,336)	(517,706)
Subtotal	<u>(5,103,423)</u>	<u>(4,278,033)</u>
Total	<u>\$ 17,684,144</u>	<u>\$ 14,967,515</u>

(36) Net income from insurance operations

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 10,691,785	\$ 10,283,294
Less: Reinsurance premium ceded	(184,836)	(145,759)
Net changes of unearned premium reserve	(68,815)	18,703
Retention earned premium income	10,438,134	10,156,238
Investment-linked product income	68,696	163,631
Subtotal	<u>10,506,830</u>	<u>10,319,869</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(1,813,496)	(1,496,733)
Less: Claims recovered from reinsurers	79,413	59,136
Retention claims and policy benefits payments	(1,734,083)	(1,437,597)
Underwriting expenses	(1,241)	(1,037)
Expense from guaranty fund	(20,338)	(19,546)
Investment-linked product expenses	(68,696)	(163,631)
Subtotal	<u>(1,824,358)</u>	<u>(1,621,811)</u>
Total	<u>\$ 8,682,472</u>	<u>\$ 8,698,058</u>
	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 26,888,504	\$ 23,666,972
Less: Reinsurance premium ceded	(483,373)	(319,905)
Net changes of unearned premium reserve	(84,289)	(38,055)
Retention earned premium income	26,320,842	23,309,012
Investment-linked product income	190,052	391,433
Subtotal	<u>26,510,894</u>	<u>23,700,445</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 4,584,516)	(\$ 3,547,939)
Less: Claims recovered from reinsurers	208,762	155,265
Retention claims and policy benefits payments	(4,375,754)	(3,392,674)
Underwriting expenses	(3,787)	(4,073)
Expense from guaranty fund	(51,130)	(42,048)
Investment-linked product expenses	(190,052)	(391,433)
Subtotal	<u>(4,620,723)</u>	<u>(3,830,228)</u>
Total	<u>\$ 21,890,171</u>	<u>\$ 19,870,217</u>

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

	For the three months ended September 30, 2018	For the nine months ended September 30, 2018
<u>Realized gain or loss on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$ 69,067	\$ 169,360
Bonds	1,422,369	4,605,346
Stocks	782,482	1,828,354
Beneficiary certificates	403,740	1,166,973
Time deposits	7,430	14,694
Financial bonds payables	-	(23,121)
Interest-linked instrument	(9,708)	(539,299)
Exchange rate-linked instrument	(2,404,448)	(469,941)
Other financial derivative instruments	830,487	2,434,161
Valuation gains (losses) on borrowed securities and bonds with resale agreements	45,260	(385,548)
Loss from issuing call (put) warrants	(3,167,665)	(9,598,290)
Issuing call (put) warrants expense	(104,612)	(234,210)
Others	217,357	640,378
Subtotal	<u>(1,908,241)</u>	<u>(391,143)</u>
<u>Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$ 714	\$ 2,047
Bonds	(152,060)	(2,338,284)
Stocks	12,715	(661,238)
Beneficiary certificates	75,070	146,571
Time deposits	(5,444)	(5,518)
Financial bonds payables	-	10,982
Interest-linked instrument	398,141	470,369
Exchange rate-linked instrument	583,839	(3,219,096)
Equity-linked instrument	(156)	-
Other financial derivative instruments	(1,238,964)	(624,900)
Valuation gain on borrowed securities and bonds with resale agreements	9,303	586,087
Gain on issuance of call (put) warrants	3,790,563	11,931,569
Others	(111,287)	957,498
Subtotal	<u>3,362,434</u>	<u>7,256,087</u>
Total	<u>\$ 1,454,193</u>	<u>\$ 6,864,944</u>

A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the three months and nine months ended September 30, 2018, including the loss on disposal, were \$4,255,727 and \$5,718,438, respectively, and the issuing call (put) warrants expense, were \$104,612 and \$234,210, respectively, and the dividends

income were \$1,062,345 and \$1,516,731, respectively, and the interest income were \$1,389,753 and \$4,044,774, respectively.

B. The Yuanta Group recognised net loss amounting to \$844,164 and \$723,272 on financial assets designated as at fair value through profit or loss for the three months and nine months ended September 30, 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 three months ended September 30,	
	2018	2017
Recovery on investments in debt instruments measured at fair value through other comprehensive income	(\$ 7,209)	\$ -
Impairment loss on investments in debt instruments at amortised cost	1,378	-
Impairment loss on investment property	217	468
Impairment loss on available-for-sale financial assets	-	23,985
Impairment loss on intangible assets	4,595	-
Impairment loss on other financial assets	-	8,274
Total	(\$ 1,019)	\$ 32,727

	For the nine months ended September 30,	
	2018	2017
Recovery on investments in debt instruments measured at fair value through other comprehensive income	(\$ 40,133)	\$ -
Impairment loss on investments in debt instruments at amortised cost	19,803	-
(Recovery gain) impairment loss on investment property	(3,286)	2,324
Impairment loss on available-for-sale financial assets	-	220,363
Impairment loss on intangible assets	4,595	-
Impairment loss on other financial assets	-	117,402
Total	(\$ 19,021)	\$ 340,089

(39) Net other miscellaneous income

	For the three months ended September 30,	
	2018	2017
Borrowed stock revenue	\$ 272,998	\$ 220,831
Net gain on investments in debt instrument without active market	-	192,136
Net change of reserve for foreign exchange fluctuation	16,426	(96,732)
Other net income	257,879	267,134
Total	<u>\$ 547,303</u>	<u>\$ 583,369</u>

	For the nine months ended September 30,	
	2018	2017
Borrowed stock revenue	\$ 746,704	\$ 621,895
Net gain on investments in debt instrument without active market	-	397,309
Net change of reserve for foreign exchange fluctuation	(215,823)	245,531
Other net income	562,878	534,627
Total	<u>\$ 1,093,759</u>	<u>\$ 1,799,362</u>

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

	For the three months ended September 30,	
	2018	2017
Bad debt expense (recovery) of accounts receivable	\$ 17,799	(\$ 258,239)
Bad debt expense of bills discounted and loans	408,102	458,118
Recovery of reserve for guarantee liabilities	(45,000)	(58,539)
Recognition of loan commitment reserve	1,251	-
Recovery of bad debt expense	(314,428)	(69,593)
Total	<u>\$ 67,724</u>	<u>\$ 71,747</u>

	For the nine months ended September 30,	
	2018	2017
Bad debt expense of accounts receivable	\$ 1,092,982	\$ 317,498
Bad debt expense of bills discounted and loans	498,198	721,821
Recovery of reserve for guarantee liabilities	(61,000)	(139,822)
Recognition of loan commitment reserve	(2,551)	-
Recovery of bad debt expense	(735,724)	(248,909)
Total	<u>\$ 791,905</u>	<u>\$ 650,588</u>

(41) Employee benefit expense

	For the three months ended September 30,	
	2018	2017
Wages and salaries	\$ 4,806,791	\$ 5,321,815
Labor and health insurance fees	230,450	225,999
Pension costs	232,442	235,263
Termination benefits	3,563	17,978
Other employee benefit expenses	310,733	328,997
Total	<u>\$ 5,583,979</u>	<u>\$ 6,130,052</u>

	For the nine months ended September 30,	
	2018	2017
Wages and salaries	\$ 15,883,981	\$ 14,066,601
Labor and health insurance fees	697,546	678,842
Pension costs	809,524	696,028
Termination benefits	17,666	72,856
Other employee benefit expenses	955,577	986,306
Total	<u>\$ 18,364,294</u>	<u>\$ 16,500,633</u>

As of September 30, 2018 and 2017, the Yuanta Group had 14,156 and 14,511 employees, respectively.

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

B. For the three months and nine months ended September 30, 2018 and 2017, employees' compensation was accrued at \$4,965, \$5,234, \$15,023 and \$11,422, respectively; directors' and supervisors' remuneration was accrued at \$44,684, \$71,857, \$135,208 and \$102,798, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors in 2017 was in agreement with those amounts recognised in the 2017 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange Corporation (TWSE).

(42) Depreciation and amortization

	For the three months ended September 30,	
	2018	2017
Investment property depreciation	\$ 20,338	\$ 17,388
Property and equipment depreciation	248,042	224,458
Intangible asset amortization	294,164	294,472
Deferred assets amortization	22,442	28,399
Total	<u>\$ 584,986</u>	<u>\$ 564,717</u>

	For the nine months ended September 30,	
	2018	2017
Investment property depreciation	\$ 54,899	\$ 56,896
Property and equipment depreciation	738,202	662,556
Intangible asset amortization	879,757	902,123
Deferred assets amortization	67,803	81,420
Total	<u>\$ 1,740,661</u>	<u>\$ 1,702,995</u>

(43) Other business and administrative expenses

	For the three months ended September 30,	
	2018	2017
Tax	\$ 753,905	\$ 829,486
Rental expense	449,795	450,835
Computer science expense	296,621	270,544
Commission expense	312,812	345,354
Professional expense	167,758	146,971
Postage and telephone costs	182,701	188,503
Miscellaneous expenses	168,718	177,551
Repairs and maintenance	114,984	134,900
Insurance	126,026	123,589
Security borrowing expenses	131,073	113,255
Advertising expenses	77,175	57,869
Others	522,022	571,183
Total	<u>\$ 3,303,590</u>	<u>\$ 3,410,040</u>

	For the nine months ended September 30,	
	2018	2017
Tax	\$ 2,399,119	\$ 2,175,675
Rental expense	1,356,600	1,343,733
Computer science expense	880,977	806,625
Commission expense	1,021,959	1,084,976
Professional expense	444,330	404,786
Postage and telephone costs	537,178	479,170
Miscellaneous expenses	479,214	484,417
Repairs and maintenance	326,553	383,473
Insurance	381,438	363,233
Security borrowing expenses	414,018	352,421
Advertising expenses	241,434	231,198
Others	1,576,235	1,569,948
Total	<u>\$ 10,059,055</u>	<u>\$ 9,679,655</u>

(44) Income tax

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

A. Income tax expense

(A) Components of income tax expense:

	For the three months ended September 30,	
	2018	2017
Current tax:		
Income tax from current income period	\$ 654,206	\$ 340,490
Adjustments in respect of prior years	95,942	(178,565)
Total current tax	<u>750,148</u>	<u>161,925</u>
Deferred tax:		
Origination and reversal of temporary differences	(165,267)	276,437
Impact of change in tax rate	(1,053)	-
Total deferred tax	<u>(166,320)</u>	<u>276,437</u>
Income tax expense	<u>\$ 583,828</u>	<u>\$ 438,362</u>

	For the nine months ended September 30,	
	2018	2017
Current tax:		
Income tax from current income period	\$ 1,892,143	\$ 1,348,463
Income tax on unappropriated earnings	788,143	659,537
Adjustments in respect of prior years	147,601	(662,061)
Total current tax	<u>2,827,887</u>	<u>1,345,939</u>
Deferred tax:		
Origination and reversal of temporary differences	576,378	463,997
Impact of change in tax rate	(8,975)	-
Total deferred tax	<u>567,403</u>	<u>463,997</u>
Income tax expense	<u>\$ 3,395,290</u>	<u>\$ 1,809,936</u>

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

	For the three months ended September 30,	
	2018	2017
Translation gain and loss on the financial statements of foreign operating entities	\$ -	(\$ 5,559)
Unrealised gain from investments in debt instruments measured at fair value through other comprehensive income	14,448	-
Unrealised gain from investments in equity instruments measured at fair value through other comprehensive income	13,744	-
Other comprehensive income on reclassification under the overlay approach	8,515	-
Fair value (loss) gain on available-for-sale financial assets	-	41,664
Share of profit of associates and joint ventures accounted for using equity method	-	(2,049)
(Losses) gains on remeasurements of defined benefit plans	(9,909)	9,054
Impact of change in tax rate	175	-
Total	<u>\$ 26,973</u>	<u>\$ 43,110</u>
	For the nine months ended September 30,	
	2018	2017
Translation gain and loss on the financial statements of foreign operating entities	\$ -	(\$ 1,681)
Unrealised loss from investments in debt instruments measured at fair value through other comprehensive income	(203,884)	-
Unrealised gain from investments in equity instruments measured at fair value through other comprehensive income	11,295	-
Other comprehensive income on reclassification under the overlay approach	(26,682)	-
Fair value loss on available-for-sale financial assets	-	(16,951)
Share of profit of associates and joint ventures accounted for using equity method	-	(2,049)
Cash flow hedges	-	50
Losses on remeasurements of defined benefit plans	(18,839)	(1,982)
Impact of change in tax rate	(27,961)	-
Total	<u>(\$ 266,071)</u>	<u>(\$ 22,613)</u>

B. As of September 30, 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

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

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

(A) Yuanta Securities

- a. With respect to the income tax returns of Yuanta Securities for the fiscal years from 2007 to 2013, the Tax Authority assessed to increase income tax payable by \$1,140,775. However, Yuanta Securities disagreed with the assessments and had filed for 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 2013, Yuanta Bank disagreed with the assessments on the amortization of discounts/premiums for goodwill. Yuanta Bank, in accordance with the law, has filed for recheck and administrative remedies and accrued the related income tax effects.

(C) Yuanta Securities Investment Trust

Yuanta Securities Investment Trust's income tax returns through 2012 and 2013 have been assessed and approved by the Tax Authority which assessed additional duties amounting to \$73,288. Yuanta Securities Investment Trust disagreed with the assessment and applied for a recheck. Currently, the case is still under the assessment of the Tax Authority.

(D) Yuanta Venture Capital

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

(45) Earnings per share

	<u>For the three months ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,520,661	11,670,611	\$ 0.47
<u>For the three months ended September 30, 2017</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 5,838,540	11,873,055	\$ 0.49
Profit attributable to discontinued operations of the parent	2,460		-
Profit attributable to ordinary shareholders of the parent	\$ 5,841,000		\$ 0.49
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 5,838,540	11,873,055	\$ 0.49
Profit attributable to discontinued operations of the parent	2,460		-
Profit attributable to ordinary shareholders of the parent	\$ 5,841,000		\$ 0.49
<u>For the nine months ended September 30, 2018</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,694,990	11,739,922	\$ 1.42

	For the nine months ended September 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 12,865,601	<u>11,872,868</u>	\$ 1.08
Loss attributable to discontinued operations of the parent	(174,441)		(0.01)
Profit attributable to ordinary shareholders of the parent	<u>\$ 12,691,160</u>		<u>\$ 1.07</u>
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 12,865,601	<u>11,872,868</u>	\$ 1.08
Loss attributable to discontinued operations of the parent	(174,441)		(0.01)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 12,691,160</u>		<u>\$ 1.07</u>

For the three months and nine months ended September 30, 2017, the Company's convertible preferred stocks are anti-dilutive, and thus shall not be included in the calculation of diluted earnings per share.

(46) Business combinations

- A. In May 2017, Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) jointly acquired 18.12% shares of Yuanta Securities (Vietnam), and jointly hold a total of 62.80% shares including 44.68% shares that were originally held by Yuanta Securities Asia Finance. On June 12, 2017, Yuanta Securities (Vietnam)'s shareholders elected directors during their meeting as a result of Yuanta Securities Asia Finance and the person who has contractual relationship with Yuanta Securities Asia Finance jointly acquiring more than half of the directors positions of the company. Therefore, Yuanta Securities (Vietnam) is controlled by Yuanta Securities Asia Finance. In July 2017, Yuanta Securities (Hong Kong) acquired 37.15% shares of Yuanta Securities (Vietnam), and Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) jointly hold a total of 99.95% shares of Yuanta Securities (Vietnam).
- B. June 12, 2017 was the valuation date for which the purchase price allocation analysis was conducted. Information on the consideration paid, fair values of assets obtained and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date for acquiring Yuanta Securities (Vietnam) are as follows:

	June 12, 2017
Acquisition consideration- cash paid	\$ 147,839
Fair value of previous ownership on acquisition date	357,152
Fair value of the identifiable assets acquired and liabilities assumed	
Current assets	820,406
Non-current liabilities	(145,646)
Total identifiable net assets	<u>674,760</u>
Fair value of the non-controlling interest	<u>304,081</u>
Goodwill	<u>\$ 134,312</u>

C. Remeasuring the fair value of 44.68% ownership of Yuanta Securities (Vietnam) on consolidation date, Yuanta Securities Asia Finance recognised \$7,900 for loss on disposals of investments accounted under “net miscellaneous income (loss)” in the second quarter of 2017.

D. If Yuanta Securities (Vietnam) had been consolidated as of January 1, 2017, the Yuanta Group’s operating revenue and profit before income tax for the nine months ended September 30, 2017 would be \$64,960,185 and \$15,744,634, respectively.

(47) Changes in liabilities from financing activities

	Bills and bonds payable under repurchase agreements	Commercial paper payable	Other borrowings
At January 1, 2018	\$ 197,101,189	\$ 44,704,087	\$ 71,754,771
Changes in cash flow from financing activities	7,454,112	2,498,890	1,481,687
Impact of changes in foreign exchange rate	-	-	-
Amortisation of a premium or a discount on interest	-	(21,038)	(44,240)
At September 30, 2018	<u>\$ 204,555,301</u>	<u>\$ 47,181,939</u>	<u>\$ 73,192,218</u>

(BLANK)

7. Related party transactions

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

A. Names and relationship of related parties

Names of related parties	Relationship with the Group
Funds managed by Yuanta Securities Investment Trust	Security investment trust fund raised by the Yuanta Securities Investment Trust
Yuanta Construction Development Co., Ltd. (Yuanta Construction Development)	Related party in substance
Polaris Research Institute (Polaris Research)	"
Asia Carbons & Technology Inc. (Asia Carbons)	"
Modern Investment Co., Ltd. (Modern Investment)	Member of the Board
Hsu Tong Investment Co., Ltd. (Hsu Tong Investment)	"
Antay Securities Co., Ltd. (Antay Securities)	The spouse of a director in Yuanta Group holds a key managing position in the entity.
Mercuries Life Insurance Co., Ltd. (Mercuries Life Insurance)	Major stockholders of Yuanta Group
Lo Sheng Feng Co., Ltd.	"
Yuanta Cultural & Education Foundation (Yuanta Foundation)	A director of Yuanta Group holds a key managing position
Yung Chin International Investment Co., Ltd. (Yung Chin International Investment)	"
He's Education Foundation	"
Sintronic Technology Inc. (Sintronic Technology)	"
M-Venture Investment., Inc. (M-Venture)	A director of Yuanta Group holds a key managing position (No longer a related party since March 23, 2017.)
He Xing Construction Co., Ltd. (He Xing Construction)(Note)	The close relative of one of Yuanta Group's management holds a key managing position in the entity.
Reuters Ltd. (Taiwan Branch) (Reuters)	The spouse of one of Yuanta Group's management holds a key managing position in the entity. (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	"
2016KIF-Yuanta ICT Venture Fund	"

Names of related parties	Relationship with the Group
Yuanta SPAC III	Investments accounted for using equity method of Yuanta Securities (Korea)
Yuanta SPAC II	"
	(No longer a related party since June 8, 2018.)
Yuanta SPAC I	"
	(No longer a related party since September 8, 2017.)
Other related parties	The Yuanta Group, 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

September 30, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,693,493	1.25	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

September 30, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 8,071,893	0.76	0.00~6.50

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the nine months ended September 30, 2018 and 2017, the range of interest rates on other related parties' demand savings deposits were 0.00% to 5.39% and 0.00% to 6.50%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the three months and nine months ended September 30, 2018 and 2017, interest expense on the above deposits were \$29,033, \$7,350, \$70,098 and \$36,650, respectively.

(2)Loans

Yuanta Bank and its subsidiaries

September 30, 2018

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	390	\$ 54,727	\$ 34,830	\$ 34,830	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	448	3,628,601	3,107,267	3,107,267	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	34,380	34,380	-	Real estate	None
	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	88	309,974	160,844	160,844	-	Stock, deposits, policy and real estate	None
Total			3,386,321	3,386,321	-		

December 31, 2017

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	291	\$ 56,221	\$ 32,872	\$ 32,872	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	456	4,005,331	3,223,943	3,223,943	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
	Asia Carbons	3,000	2,083	2,083	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,488,727	3,488,727	-		

September 30, 2017

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	245	\$ 51,788	\$ 34,758	\$ 34,758	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	442	3,921,728	3,249,920	3,249,920	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	37,692	36,273	36,273	-	Real estate	None
	Asia Carbons	3,000	2,333	2,333	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	71	230,658	152,361	152,361	-	Stock, deposits, policy and real estate	None
Total			3,502,645	3,502,645	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.68% to 2.52% and 1.80% to 2.80%, the interest rates on the remaining loans are ranging from 0.00% to 8.58% and 0.00% to 4.99% for the nine months ended September 30, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the three months and nine months ended September 30, 2018 and 2017, interest income resulting from the above loans amounted to \$14,063, \$13,883, \$41,319 and \$42,801, respectively.

(BLANK)

(3)Property transactions

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	
Other related parties:				
Funds managed by Yuanta Securities Investment Trust	<u>\$ 2,857,414</u>	<u>\$ 2,738,051</u>	<u>\$ 2,794,100</u>	
	<u>For the three months ended September 30,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Unrealized gain</u>	<u>Realized loss</u>	<u>Unrealized loss</u>	<u>Realized gain</u>
Other related parties:				
Funds managed by Yuanta Securities Investment Trust	<u>\$ 21,586</u>	<u>(\$ 9,604)</u>	<u>(\$ 22,579)</u>	<u>\$ 225,283</u>
	<u>For the nine months ended September 30,</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>(\$ 5,278)</u>	<u>\$ 335,526</u>	<u>(\$ 10,784)</u>	<u>\$ 317,369</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 nine months ended September 30, 2018</u>			
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Interest rate (%)</u>	<u>Notional amount</u>
Company's directors:				
Others	\$ 481,040	\$ 330,000	0.35	
Others	6,110	6,110	1.80~2.25 (Note: USD)	USD 200
Other related parties:				
Funds managed by Yuanta Securities Investment Trust	442,253	-	4.10 (Note: CNY)	CNY -
Funds managed by Yuanta Securities Investment Trust	147,035	-	2.00~2.05 (Note: USD)	USD -
Mercuries Life Insurance	1,648,166	400,382	0.31~0.36	
Others	806,837	<u>753,521</u>	0.35	
		<u>\$ 1,490,013</u>		

For the nine months ended September 30, 2017				
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 801,573	\$ 631,038	0.35	
Other related parties:				
Funds managed by Yuanta				
Securities Investment Trust	190,578	187,338	3.00~4.00 (Note: CNY)	CNY 41,200
Funds managed by Yuanta				
Securities Investment Trust	271,220	179,028	1.50~1.65 (Note: USD)	USD 6,200
Others	967,544	960,104	0.32~0.35	
		<u>\$ 1,957,508</u>		

Note: For foreign currency repo trade.

Interest expenses				
For the three months ended September 30,				
	2018		2017	
Company's directors:				
Others	\$	294	\$	557
Other related parties:				
Funds managed by Yuanta				
Securities Investment Trust		-		1,747
Others		1,405		652
	\$	<u>1,699</u>	\$	<u>2,956</u>
For the nine months ended September 30,				
	2018		2017	
Company's directors:				
Others	\$	1,036	\$	1,802
Other related parties:				
Funds managed by Yuanta				
Securities Investment Trust		2,156		1,939
Others		3,176		1,928
	\$	<u>6,368</u>	\$	<u>5,669</u>

b. Bonds sold and purchased:

	For the nine months ended September 30,			
	2018		2017	
	Bonds purchased	Bonds sold	Bonds purchased	Bonds sold
Other related parties:				
Yuanta SPAC I	\$ -	\$ -	\$ 23,258	\$ -
Yuanta SPAC II	-	-	20,486	-
Yuanta SPAC III	18,321	-	-	-
Mercuries Life Insurance	-	4,830,532	-	400,000
	<u>\$ 18,321</u>	<u>\$ 4,830,532</u>	<u>\$ 43,744</u>	<u>\$ 400,000</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 nine months ended September 30, 2018			
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:			2.1~2.90	
Others	\$ 38,185	<u>\$ 38,185</u>	(Note: USD)	USD 1,250

	For the nine months ended September 30, 2017			
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:			1.8~2.1	
Others	\$ 39,138	<u>\$ 33,943</u>	(Note: USD)	USD 1,120

	Interest income	
	For the three months ended September 30,	
	2018	2017
Company's directors:		
Others	<u>\$ 245</u>	<u>\$ 183</u>
	For the nine months ended September 30,	
	2018	2017
Company's directors:		
Others	<u>\$ 654</u>	<u>\$ 494</u>

Note: For foreign currency repo trade.

(4) Structured notes

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Company's directors:			
Others	\$ 88,639	\$ 108,439	\$ 87,604
Other related parties:			
Others	<u>9,311</u>	<u>43,899</u>	<u>51,916</u>
	<u>\$ 97,950</u>	<u>\$ 152,338</u>	<u>\$ 139,520</u>

(5) Equity of futures traders

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Company's directors:			
Others	\$ 869,272	\$ 857,927	\$ 873,365
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	20,997,612	13,888,715	15,504,615
Others	<u>33,488</u>	<u>14,889</u>	<u>15,336</u>
	<u>\$ 21,900,372</u>	<u>\$ 14,761,531</u>	<u>\$ 16,393,316</u>

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

	<u>Refundable deposits for securities lending</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ 3,402</u>	<u>\$ 125,605</u>	<u>\$ 184,113</u>
	<u>Refundable deposits receivable lending</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ -</u>	<u>\$ 5,879</u>	<u>\$ -</u>
	<u>Security borrowing expenses</u>		
	<u>For the three months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ 1,159</u>	<u>\$ 563</u>	
	<u>For the nine months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ 6,146</u>	<u>\$ 1,219</u>	

As of September 30, 2018, December 31, 2017 and September 30, 2017, borrowing expenses payable were \$962, \$1,779 and \$387, respectively.

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

	<u>Receivables from loans to employees</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Company's directors:			
Others	\$ 13,892	\$ 26,948	\$ 21,309
Other related parties:			
Others	<u>237,242</u>	<u>243,731</u>	<u>223,386</u>
	<u>\$ 251,134</u>	<u>\$ 270,679</u>	<u>\$ 244,695</u>
	<u>Interest income on loans to employees</u>		
	<u>For the three months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Company's directors:			
Others	\$ 167	\$ 230	
Other related parties:			
Others	<u>1,929</u>	<u>2,043</u>	
	<u>\$ 2,096</u>	<u>\$ 2,273</u>	
	<u>For the nine months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Company's directors:			
Others	\$ 603	\$ 680	
Other related parties:			
Others	<u>6,505</u>	<u>6,269</u>	
	<u>\$ 7,108</u>	<u>\$ 6,949</u>	

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

	<u>Access service fees income</u>	
	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ <u>56</u>	\$ <u>342</u>
	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ <u>117</u>	\$ <u>668</u>

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

(9)Receivable from agent fee income and agent fee income

	Agent fee receivables		
	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 8,637	\$ 8,747	\$ 8,276
2011 KIF-TongYang IT Venture Fund	6,152	9,118	6,509
IBKC-TongYang Growth 2013 Private Equity Fund	5,605	3,571	3,379
TongYang Agri-Food Investment Fund I I	4,276	6,529	4,777
KVIC-Yuanta 2015 Overseas Fund	4,269	5,231	4,950
Other	4,748	14,124	21,697
	<u>\$ 33,687</u>	<u>\$ 47,320</u>	<u>\$ 49,588</u>
	Agent fee income		
	For the three months ended September 30,		
	2018	2017	
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 8,576	\$ 8,389	
KVIC-Yuanta 2015 Overseas Fund	4,237	5,009	
2016KIF-Yuanta ICT Venture Fund	4,137	4,043	
2011 KIF-TongYang IT Venture Fund	2,058	2,144	
IBKC-TongYang Growth 2013 Private Equity Fund	(1,683)	3,419	
Other	2,111	7,160	
	<u>\$ 19,436</u>	<u>\$ 30,164</u>	
	For the nine months ended September 30,		
	2018	2017	
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 25,787	\$ 17,444	
KVIC-Yuanta 2015 Overseas Fund	14,334	15,082	
2016KIF-Yuanta ICT Venture Fund	12,304	10,710	
2011 KIF-TongYang IT Venture Fund	6,122	6,611	
IBKC-TongYang Growth 2013 Private Equity Fund	5,578	10,299	
Other	7,545	23,716	
	<u>\$ 71,670</u>	<u>\$ 83,862</u>	

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

	<u>Receivable from stock custodian</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Others	<u>\$ 47</u>	<u>\$ 69</u>	<u>\$ 85</u>
	<u>Stock custodian income</u>		
	<u>For the three months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 68</u>	<u>\$ 222</u>	
	<u>For the nine months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 424</u>	<u>\$ 636</u>	

(11) Investment refund receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
2011KIF-TongYang IT Venture Fund	\$ 36,684	\$ 36,448	\$ 34,488
TongYang Agri-Food Investment Fund 2nd	33,314	33,427	31,168
IBKC-TongYang Growth 2013 Private Equity Fund	25,532	-	-
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	-	107,787	97,388
	<u>\$ 95,530</u>	<u>\$ 177,662</u>	<u>\$ 163,044</u>

(12) Margin loans receivable and security financing interest revenue

	<u>Margin loans receivable</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Others	<u>\$ 1,503</u>	<u>\$ 1,786</u>	<u>\$ 1,410</u>
	<u>Security financing interest revenue</u>		
	<u>For the three months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 22</u>	<u>\$ 16</u>	
	<u>For the nine months ended September 30,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 74</u>	<u>\$ 49</u>	

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

	Security-based loans		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Others	<u>\$ 38,763</u>	<u>\$ 29,121</u>	<u>\$ 35,835</u>
	Security-based loan interest income		
	For the three months ended September 30,		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 185</u>	<u>\$ 164</u>	
	For the nine months ended September 30,		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 465</u>	<u>\$ 416</u>	

(14) Other receivables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Others	<u>\$ 471</u>	<u>\$ 121</u>	<u>\$ 642</u>

(15) Other financial liabilities and Interest expense

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

	Other financial liabilities		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Company's directors:			
Others	<u>\$ 3,243</u>	<u>\$ 1,798</u>	<u>\$ 2,807</u>
Other related parties:			
Others	<u>4</u>	<u>2</u>	<u>1</u>
	<u>\$ 3,247</u>	<u>\$ 1,800</u>	<u>\$ 2,808</u>
	Interest expense		
	For the three months ended September 30,		
	<u>2018</u>	<u>2017</u>	
Company's directors:			
Others	<u>\$ 5</u>	<u>\$ -</u>	
Other related parties:			
Others	<u>3</u>	<u>-</u>	
	<u>\$ 8</u>	<u>\$ -</u>	
	For the nine months ended September 30,		
	<u>2018</u>	<u>2017</u>	
Company's directors:			
Others	<u>\$ 5</u>	<u>\$ -</u>	
Other related parties:			
Others	<u>17</u>	<u>-</u>	
	<u>\$ 22</u>	<u>\$ -</u>	

(16)Accounts payable			
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Antay Securities	\$ <u>237</u>	\$ <u>242</u>	\$ <u>186</u>
(17)Others payables			
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Company's directors:			
Others	\$ <u>28</u>	\$ <u>296</u>	\$ <u>32</u>
(18)Stocks issued by fellow subsidiary			
	<u>Ending balance</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties			
Sintronic Technology	\$ 118,504	\$ 124,328	\$ 159,213
Others	<u>1,990</u>	<u>1</u>	<u>-</u>
	<u>\$ 120,494</u>	<u>\$ 124,329</u>	<u>\$ 159,213</u>
	<u>For the three months ended September 30, 2018</u>		
	<u>Unrealized (loss) gain</u>		<u>Realized gain</u>
Other related parties			
Sintronic Technology	(\$ 4,979)	\$ -	-
Others	<u>26</u>	<u>310</u>	<u>310</u>
	<u>(\$ 4,953)</u>	<u>\$ 310</u>	<u>310</u>
	<u>For the nine months ended September 30, 2018</u>		
	<u>Unrealized (loss) gain</u>		<u>Realized (loss) gain</u>
Other related parties			
Sintronic Technology	(\$ 12,239)	(\$ 545)	545
Others	<u>25</u>	<u>274</u>	<u>274</u>
	<u>(\$ 12,214)</u>	<u>(\$ 271)</u>	<u>271</u>
	<u>For the three months ended September 30, 2017</u>		
	<u>Unrealized gain</u>		<u>Realized loss</u>
Other related parties			
Sintronic Technology	\$ 1,905	\$ -	-
Others	<u>-</u>	<u>(14)</u>	<u>14</u>
	<u>\$ 1,905</u>	<u>(\$ 14)</u>	<u>14</u>
	<u>For the nine months ended September 30, 2017</u>		
	<u>Unrealized gain</u>		<u>Realized loss</u>
Other related parties			
Sintronic Technology	\$ 1,905	\$ -	-
Others	<u>-</u>	<u>(14)</u>	<u>14</u>
	<u>\$ 1,905</u>	<u>(\$ 14)</u>	<u>14</u>

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

		<u>September 30, 2018</u>		
		Balance of guaranteed price from		
		<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>
Company's directors:				
Others	\$	5,043	\$	29,024
			\$	40,427
Other related parties:				
Others		118		539
	\$	<u>5,161</u>	\$	<u>29,563</u>
			\$	<u>68,037</u>
		<u>December 31, 2017</u>		
		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
			\$	72,010
Other related parties:				
Others		2,431		4,698
	\$	<u>7,668</u>	\$	<u>9,694</u>
			\$	<u>110,508</u>
		<u>September 30, 2017</u>		
		Balance of guaranteed price from		
		<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>
Company's directors:				
Others	\$	7,790	\$	7,538
			\$	71,181
Other related parties:				
Others		649		1,839
	\$	<u>8,439</u>	\$	<u>9,377</u>
			\$	<u>99,424</u>
		<u>Security financing interest receivable</u>		
		<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Company's directors:				
Others	\$	1,045	\$	1,226
			\$	981
Other related parties:				
Others		704		663
	\$	<u>1,749</u>	\$	<u>1,889</u>
			\$	<u>1,487</u>

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

		For the three months ended September 30,			
		2018		2017	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	-	\$ 432	\$ -	\$ 266
Other related parties:					
Others		<u>1</u>	<u>294</u>	<u>-</u>	<u>151</u>
	\$	<u>1</u>	\$ <u>726</u>	\$ <u>-</u>	\$ <u>417</u>

		For the nine months ended September 30,			
		2018		2017	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	1	\$ 1,971	\$ 31	\$ 1,684
Other related parties:					
Others		<u>1</u>	<u>921</u>	<u>4</u>	<u>1,022</u>
	\$	<u>2</u>	\$ <u>2,892</u>	\$ <u>35</u>	\$ <u>2,706</u>

(20) Consultant fees

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

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

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

		For the three months ended September 30,	
		2018	2017
Other related parties:			
Antay Securities	\$	<u>946</u>	\$ <u>1,358</u>
		For the nine months ended September 30,	
		2018	2017
Other related parties:			
Antay Securities	\$	<u>2,226</u>	\$ <u>1,358</u>

(22)ETF redemption fees

	For the three months ended September 30,	
	2018	2017
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 11,298	\$ 9,273

	For the nine months ended September 30,	
	2018	2017
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 29,295	\$ 26,008

(23)Information technology expense

	For the three months ended September 30,	
	2018	2017
Other related parties:		
Reuters	\$ 1,845	\$ 2,799

	For the nine months ended September 30,	
	2018	2017
Other related parties:		
Reuters	\$ 8,050	\$ 8,432

(24)Operating expenses:

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

		For the nine months ended September 30,	
	Nature	2018	2017
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 50,000	\$ 50,000
Polaris Research	Donation expenditure	23,000	22,500
		<u>\$ 73,000</u>	<u>\$ 72,500</u>

(25)Premium income

	For the three months ended September 30,	
	2018	2017
Other related parties:		
Others	\$ 91,796	\$ 84,567

	For the nine months ended September 30,	
	2018	2017
Other related parties:		
Others	\$ 272,117	\$ 262,828

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

	Rental expenses	
	For the three months ended September 30,	
	2018	2017
Other related parties:		
He Xing Construction	\$ -	\$ 1,233
Others	48	-
	<u>\$ 48</u>	<u>\$ 1,233</u>

	For the nine months ended September 30,	
	2018	2017
	Other related parties:	
He Xing Construction	\$ -	\$ 3,698
Others	48	-
	<u>\$ 48</u>	<u>\$ 3,698</u>

	Security deposits		
	September 30, 2018	December 31, 2017	September 30, 2017
	Other related parties:		
He Xing Construction	<u>\$ -</u>	<u>\$ 250,000</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:

	For the three months ended September 30,	
	2018	2017
	Company's directors:	
Others	\$ 4,822	\$ 4,655
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	68,927	35,816
Others	6,103	16,153
	<u>\$ 79,852</u>	<u>\$ 56,624</u>

	For the nine months ended September 30,	
	2018	2017
	Company's directors:	
Others	\$ 13,425	\$ 12,752
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	182,226	133,756
Others	17,520	24,441
	<u>\$ 213,171</u>	<u>\$ 170,949</u>

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

	For the three months ended September 30,	
	2018	2017
Other related parties:		
Polaris Research	\$ 549	\$ 548
Yuanta Construction Development	171	147
Yuanta Foundation	10	10
	<u>\$ 730</u>	<u>\$ 705</u>
	For the nine months ended September 30,	
	2018	2017
Other related parties:		
Polaris Research	\$ 1,646	\$ 1,646
Yuanta Construction Development	513	410
Yuanta Foundation	30	30
	<u>\$ 2,189</u>	<u>\$ 2,086</u>

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

	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties:			
Polaris Research	\$ 547	\$ 547	\$ 547
Yuanta Foundation	11	11	11
	<u>\$ 558</u>	<u>\$ 558</u>	<u>\$ 558</u>

(30) Other operating income
(a) Dividend Income

	For the three months ended September 30,	
	2018	2017
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 7,934	\$ 7,728
	For the nine months ended September 30,	
	2018	2017
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 9,744	\$ 8,834

(b)Revenue from best-effort and underwriting (shown as “Net service fee and commission income”)

	For the three months ended September 30,	
	2018	2017
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ -	\$ 4,116
	For the nine months ended September 30,	
	2018	2017
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ -	\$ 4,116
(31)Information on remunerations to the Company’s key management:		
	For the three months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 951,632	\$ 1,301,543
Termination benefits	4,373	4,796
Post-employment benefit	41,041	26,621
Total	\$ 997,046	\$ 1,332,960
	For the nine months ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 3,513,674	\$ 3,282,269
Termination benefits	35,300	28,179
Post-employment benefit	169,379	99,144
Total	\$ 3,718,353	\$ 3,409,592

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

(1) Yuanta Bank and its subsidiaries

(A) Deposits

September 30, 2018

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 50,524,066	4.79	0.00~6.065

December 31, 2017

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

September 30, 2017

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 46,147,029	4.20	0.00~6.50

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the nine months ended September 30, 2018 and 2017, the range of interest rates on other related parties' demand savings deposits were 0.00% to 5.39% and 0.00% to 6.50%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the three months and nine months ended September 30, 2018 and 2017, interest expense on the above deposits was \$104,813, \$54,979, \$235,594 and \$173,851, respectively.

(BLANK)

(B)Loans

September 30, 2018

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	390	\$ 54,727	\$ 34,830	\$ 34,830	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	448	3,628,601	3,107,267	3,107,267	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	34,380	34,380	-	Real estate	None
	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	88	309,974	160,844	160,844	-	Stock, deposits, policy and real estate	None
Total			3,386,321	3,386,321	-		

December 31, 2017

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	291	\$ 56,221	\$ 32,872	\$ 32,872	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	456	4,005,331	3,223,943	3,223,943	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
	Asia Carbons	3,000	2,083	2,083	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
		74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,488,727	3,488,727	-		

September 30, 2017

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	245	\$ 51,788	\$ 34,758	\$ 34,758	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	442	3,921,728	3,249,920	3,249,920	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	37,692	36,273	36,273	-	Real estate	None
	Asia Carbons	3,000	2,333	2,333	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	71	230,658	152,361	152,361	-	Stock, deposits, policy and real estate	None
Total			3,502,645	3,502,645	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.68% to 2.52% and 1.80% to 2.80%, the interest rates on the remaining loans are ranging from 0.00% to 8.58% and 0.00% to 4.99% for the nine months ended September 30, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the three months and nine months ended September 30, 2018 and 2017, interest income resulting from the above loans amounted to \$14,063, \$13,883, \$41,319 and \$42,801, respectively.

(C)Service fee income

	For the three months ended September 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Life	\$ 210,749	\$ 153,058
Yuanta Securities Investment Trust	2,000	2,089
	<u>\$ 212,749</u>	<u>\$ 155,147</u>

	For the nine months ended September 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Life	\$ 543,422	\$ 422,691
Yuanta Securities Investment Trust	7,260	7,065
	<u>\$ 550,682</u>	<u>\$ 429,756</u>

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Fellow subsidiary:			
Yuanta Life	\$ 95,741	\$ 29,376	\$ 77,998
Yuanta Securities Investment Trust	390	400	430
	<u>\$ 96,131</u>	<u>\$ 29,776</u>	<u>\$ 78,428</u>

(D)Rental expense

Name	Purpose	For the three months ended September 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 30,073	\$ 26,887
Yuanta Securities Finance	Office rental	635	634
Other related parties:			
He Xing Construction	Office rental	-	1,233
		<u>\$ 30,708</u>	<u>\$ 28,754</u>

Name	Purpose	For the nine months ended September 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 90,723	\$ 75,962
Yuanta Securities Finance	Office rental	1,903	1,903
Other related parties:			
He Xing Construction	Office rental	-	3,698
		<u>\$ 92,626</u>	<u>\$ 81,563</u>

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

(E) Current income tax assets/liabilities

	September 30, 2018	December 31, 2017	September 30, 2017
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax refundable	<u>\$ 2,275,250</u>	<u>\$ 2,276,587</u>	<u>\$ 2,230,339</u>
Consolidated income tax payable	<u>\$ 69,795</u>	<u>\$ 477,017</u>	<u>\$ 292,351</u>

(F) Other

- As of December 31, 2017 and September 30, 2017, Yuanta Financial Holdings both held 0 thousand shares of Ta Chong Bank's Class C registered convertible preferred stock, respectively. For the three months and nine months ended September 30, 2017, Ta Chong Bank recognised interest expense of \$2,396,853 and \$2,461,853 on the aforementioned preferred stock, respectively.
- On August 17, 2017, the Board of Directors of Ta Chong Bank on behalf of ordinary and preferred shareholders resolved to revise Ta Chong Bank's Articles of Incorporation in order to repurchase Series C convertible preferred shares. On September 30, 2017, Series C convertible preferred shares have been repurchased at maturity.
- On August 17, 2017, the Board of Directors of Ta Chong Bank approved to acquire 17,765,300 ordinary shares of Taiwan Depository and Clearing Corporation from Yuanta Securities Finance with a consideration totaled \$1,081,729. The stock acquisition was approved by the Competent Authority on September 27, 2017 and was settled on October 31, 2017.

(2) Yuanta Securities and its subsidiaries

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

		September 30, 2018		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:				
Yuanta Futures		\$ 18,195	\$ 669,091	\$ 2,068,121
		December 31, 2017		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:				
Yuanta Futures		\$ 24,335	\$ 671,815	\$ 2,068,468
		September 30, 2017		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:				
Yuanta Futures		\$ 25,479	\$ 1,226,554	\$ 1,766,576
		Settlement and clearing service fees payable		
		September 30, 2018	December 31, 2017	September 30, 2017
Fellow subsidiary:				
Yuanta Futures		\$ 3,352	\$ 3,170	\$ 4,415
		For the three months ended September 30, 2018		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures		\$ 61,329	\$ 9,507	\$ 21,570

		<u>For the three months ended September 30, 2017</u>		
		<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:				
	Yuanta Futures	\$ <u>75,323</u>	\$ <u>11,561</u>	\$ <u>21,946</u>
		<u>For the nine months ended September 30, 2018</u>		
		<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:				
	Yuanta Futures	\$ <u>188,417</u>	\$ <u>28,359</u>	\$ <u>72,977</u>
		<u>For the nine months ended September 30, 2017</u>		
		<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:				
	Yuanta Futures	\$ <u>180,367</u>	\$ <u>29,387</u>	\$ <u>58,126</u>

(B) Bank deposits, interest income and interest receivable

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

		<u>September 30, 2018</u>	
		<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>
Fellow subsidiary:			
	Yuanta Bank	\$ <u>8,429,044</u>	\$ <u>3,312</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>September 30, 2017</u>	
		<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>
Fellow subsidiary:			
	Yuanta Bank	\$ <u>14,774,334</u>	\$ <u>1,070</u>
		<u>For the three months ended September 30,</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>13,815</u>	\$ <u>11,236</u>

	For the nine months ended September 30,	
	2018	2017
	Other gains and losses – interest revenue (Note)	Other gains and losses – interest revenue (Note)
Fellow subsidiary:		
Yuanta Bank	\$ 41,784	\$ 32,306

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 \$814,000, \$1,036,000 and \$727,000, respectively, as of September 30, 2018, December 31, 2017 and September 30, 2017.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax return receivables	\$ 682,431	\$ 682,431	\$ 682,431
Consolidated income tax return payables	\$ 481,388	\$ 1,108,346	\$ 860,566

(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:

	September 30, 2018	December 31, 2017	September 30, 2017
Fellow subsidiary:			
Yuanta Bank	\$ 925,000	\$ 975,000	\$ 985,000

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

	September 30, 2018		
	Refundable deposits for securities lending	Refundable deposits receivable lending	Borrowing expenses payable
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 3,402	\$ -	\$ 962

	December 31, 2017		
	<u>Refundable deposits for securities lending</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 125,605	\$ 5,879	\$ 1,779

	September 30, 2017		
	<u>Refundable deposits for securities lending</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 184,113	\$ -	\$ 387

	Security borrowing expenses	
	For the three months ended September 30,	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities Finance	\$ 777	\$ 638
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	1,159	563
	<u>\$ 1,936</u>	<u>\$ 1,201</u>

	For the nine months ended September 30,	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities Finance	\$ 1,547	\$ 937
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	6,146	1,219
	<u>\$ 7,693</u>	<u>\$ 2,156</u>

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

(G)Commission receivables and commission income

	Commission receivables		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Fellow subsidiary:			
Yuanta Life	\$ 38,631	\$ 22,148	\$ 34,968
Others	16	376	219
	<u>\$ 38,647</u>	<u>\$ 22,524</u>	<u>\$ 35,187</u>

	Commission income			
	For the three months ended September 30,			
	2018		2017	
Fellow subsidiary:				
Yuanta Life	\$	91,016	\$	87,074
Others		347		277
	\$	<u>91,363</u>	\$	<u>87,351</u>
	Commission income			
	For the nine months ended September 30,			
	2018		2017	
Fellow subsidiary:				
Yuanta Life	\$	329,639	\$	283,664
Others		901		706
	\$	<u>330,540</u>	\$	<u>284,370</u>

(H) Investment refund receivable

Please refer to Note 7B(11).

(I) Pending settlements

As of September 30, 2018, Yuanta Securities had amounts held for settlement of \$1,084,637, which were deposited at its affiliate Yuanta Bank. Such deposits did not exist as of December 31, 2017 and September 30, 2017.

(J) Property transactions

(a) Bonds transactions under repurchase agreements:

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

(b) Bonds sold and purchased:

	For the nine months ended September 30,			
	2018		2017	
	Bonds Purchased	Bonds Sold	Bonds Purchased	Bonds Sold
Parent company:				
Yuanta Financial Holdings	\$ 1,900,000	\$ -	\$ -	\$ -
Fellow subsidiary:				
Yuanta Bank		99,875	100,497	50,013
Ta Chong Securities	-	-	-	50,075
Other related parties:				
Yuanta SPAC I	-	-	23,258	-
Yuanta SPAC II	-	-	20,486	-
Yuanta SPAC III	18,321	-	-	-
Mercuries Life Insurance	-	4,830,532	-	400,000
	<u>\$ 1,918,321</u>	<u>\$ 4,930,407</u>	<u>\$ 144,241</u>	<u>\$ 500,088</u>

The above bond transactions were matched by the Electronic Bond Trading System of GreTai Securities Market.

(c) Bonds transactions under repurchase agreements

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

(K) Structured notes

Please refer to Note 7B(4).

(L) Other operating expense - professional service expense

Yuanta Securities and its subsidiaries are provided investing strategies and advises by related parties as follow:

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities		
Investment Consulting	<u>\$ 45,666</u>	<u>\$ 45,940</u>
	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities		
Investment Consulting	<u>\$ 136,998</u>	<u>\$ 137,853</u>

(M) Funds and beneficiary certificates managed by fellow subsidiary

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	
Other related parties:				
Fund managed by Yuanta				
Securities Investment Trust	<u>\$ 2,300,959</u>	<u>\$ 2,149,321</u>	<u>\$ 2,400,186</u>	
	<u>For the three months ended September 30,</u>			
	<u>2018</u>	<u>2017</u>		
	<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized loss</u>	<u>Realized gain</u>
Other related parties:				
Fund managed by				
Yuanta Securities				
Investment Trust	<u>\$ 23,751</u>	<u>\$ 181,438</u>	<u>(\$ 23,413)</u>	<u>\$ 230,502</u>
	<u>For the nine months ended September 30,</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:				
Fund managed by				
Yuanta Securities				
Investment Trust	<u>(\$ 2,253)</u>	<u>\$ 342,961</u>	<u>(\$ 11,503)</u>	<u>\$ 326,901</u>

(N) Stocks issued by fellow subsidiary

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Sintronic Technology	118,504	124,328	159,213
Others	<u>1,990</u>	<u>1</u>	<u>-</u>
	<u>\$ 120,494</u>	<u>\$ 124,329</u>	<u>\$ 159,213</u>

		For the three months ended September 30,			
		2018		2017	
		Unrealised (loss) gain	Realised gain	Unrealised (loss) gain	Realised (loss) gain
Parent company:					
Yuanta Financial					
Holdings	\$	-	\$ 13	(\$ 175,120)	\$ 147,761
Other related parties:					
Sintronic					
Technology	(	4,979)	-	1,905	-
Others		26	310	-	(14)
	(\$	4,953)	\$ 323	(\$ 173,215)	\$ 147,747

		For the nine months ended September 30,			
		2018		2017	
		Unrealised (loss) gain	Realised (loss) gain	Unrealised (loss) gain	Realised (loss) gain
Parent company:					
Yuanta Financial					
Holdings	\$	-	(\$ 3)	(\$ 21,890)	\$ 147,744
Other related parties:					
Sintronic					
Technology	(	12,239)	(545)	1,905	-
Others		25	274	-	(14)
	(\$	12,214)	(\$ 274)	(\$ 19,985)	\$ 147,730

(O)Credit transaction

		September 30, 2018		
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Fellow subsidiary:				
Yuanta Futures	\$	969	\$ 1,072	\$ -
Company's directors:				
Others		5,043	29,024	40,427
Other related parties:				
Others		118	539	27,610
	\$	6,130	\$ 30,635	\$ 68,037

		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>	
		September 30, 2017			
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance	
Fellow subsidiary:					
Yuanta Futures	\$	14,385	\$ 15,910	\$ -	
Company's directors:					
Others		7,790	7,538	71,181	
Other related parties:					
Others		649	1,839	28,243	
	\$	<u>22,824</u>	<u>\$ 25,287</u>	<u>\$ 99,424</u>	
		September 30, 2018	December 31, 2017	September 30, 2017	
		Financial interest receivable	Financial interest receivable	Financial interest receivable	
Company's directors:					
Others	\$	1,045	\$ 1,226	\$ 981	
Other related parties:					
Others		704	663	506	
	\$	<u>1,749</u>	<u>\$ 1,889</u>	<u>\$ 1,487</u>	
		For the three months ended September 30,			
		2018	2017		
		Security short- selling interest expenditures	Security financing interest revenue	Security short- selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	-	\$ 432	\$ -	\$ 266
Other related parties:					
Others		1	294	-	151
	\$	<u>1</u>	<u>\$ 726</u>	<u>\$ -</u>	<u>\$ 417</u>

	For the nine months ended September 30,			
	2018		2017	
	Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:				
Others	\$ 1	\$ 1,971	\$ 31	\$ 1,684
Other related parties:				
Others	<u>1</u>	<u>291</u>	<u>4</u>	<u>1,022</u>
	<u>\$ 2</u>	<u>\$ 2,262</u>	<u>\$ 35</u>	<u>\$ 2,706</u>

(P) Others

As of September 30, 2018, December 31, 2017 and September 30, 2017, the lines of credit Yuanta Securities and its subsidiaries have drawn in order to acquire Yuanta Bank were all \$4,600,000. The carrying amounts of land and building amounting to \$3,651,412 \$3,678,840 and \$3,690,981, respectively, were designated as collateral.

(3) Yuanta Securities Finance

(A) Bank deposits

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Fellow subsidiary:			
Yuanta Bank			
-Recognised in refundable deposits	\$ 100,000	\$ 100,000	\$ 100,000
-Recognised in cash and cash equivalents	<u>2,183</u>	<u>3,192</u>	<u>1,069</u>
	<u>\$ 102,183</u>	<u>\$ 103,192</u>	<u>\$ 101,069</u>

For the three months and nine months ended September 30, 2018 and 2017, interest income resulting from the above deposits amounted to \$261, \$261, \$775 and \$777, respectively.

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>\$ 9,245</u>	<u>\$ 19,809</u>	<u>\$ 114,952</u>

For the three months and nine months ended September 30, 2018 and 2017, gains (loss) on disposal of fund handled by Yuanta Securities Investment Trust are \$5, \$79, (\$577), \$79, respectively.

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ 37,043</u>	<u>\$ 128,812</u>	<u>\$ 35,987</u>

(4) Yuanta Futures and its subsidiaries

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

September 30, 2018			
	Bank deposits	Operating guarantee deposits	Customer margin deposits
Fellow subsidiary:			
Yuanta Bank	\$ 1,475,327	\$ 140,000	\$ 12,373,317
Yuanta Securities (Hong Kong)	-	-	39
	<u>\$ 1,475,327</u>	<u>\$ 140,000</u>	<u>\$ 12,373,356</u>
December 31, 2017			
	Bank deposits	Operating guarantee deposits	Customer margin deposits
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,121,330</u>	<u>\$ 140,000</u>	<u>\$ 13,026,164</u>
September 30, 2017			
	Bank deposits	Operating guarantee deposits	Customer margin deposits
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,186,644</u>	<u>\$ 140,000</u>	<u>\$ 13,522,063</u>

(B) Equity of futures traders

	September 30, 2018	December 31, 2017	September 30, 2017
Fellow subsidiary:			
Yuanta Securities	\$ 2,287,002	\$ 2,315,602	\$ 2,581,349
Yuanta Securities (Hong Kong)	390,481	446,634	435,834
Yuanta Securities (Korea)	155,332	96,090	-
Yuanta Bank	14,944	16,856	53,786
Company's directors :			
Others	869,272	857,927	873,365
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	20,997,612	13,888,715	15,504,615
Others	33,488	14,889	15,336
	<u>\$ 24,748,131</u>	<u>\$ 17,636,713</u>	<u>\$ 19,464,285</u>

(C) Brokerage service fee income

	For the three months ended September 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 21,473	\$ 21,051
Yuanta Securities (Hong Kong)	1,296	972
Yuanta Securities (Korea)	326	353
Yuanta Bank	15	180
Company's directors :		
Others	1,000	716
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	56,486	29,331
Others	607	2,214
	<u>\$ 81,203</u>	<u>\$ 54,817</u>

	For the nine months ended September 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 72,468	\$ 55,659
Yuanta Securities (Hong Kong)	2,844	2,531
Yuanta Securities (Korea)	1,246	425
Yuanta Bank	302	1,788
Company's directors :		
Others	2,471	3,151
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	144,989	112,363
Others	1,672	6,694
	<u>\$ 225,992</u>	<u>\$ 182,611</u>

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

	For the three months ended September 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 61,329	\$ 75,323
Yuanta Securities (Hong Kong)	-	1,017
Other related parties:		
Antay Securities	946	1,358
	<u>\$ 62,275</u>	<u>\$ 77,698</u>

	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities	\$ 188,417	\$ 180,367
Yuanta Securities (Hong Kong)	43	4,792
Other related parties:		
Antay Securities	<u>2,226</u>	<u>1,358</u>
	<u>\$ 190,686</u>	<u>\$ 186,517</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.

(E) Interest income

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Bank	<u>\$ 35,539</u>	<u>\$ 47,854</u>

	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Bank	<u>\$ 109,390</u>	<u>\$ 126,949</u>

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 September 30, 2018, December 31, 2017 and September 30, 2017, Yuanta Securities Investment Consulting respectively deposited \$207,666, \$223,071 and \$200,714 to Yuanta Bank, amongst which, the operating guarantee deposits were all \$5,000, with annual interest rates were 0.6%~1.2%, 0.6%~1.035%, 0.6%~1.035%, respectively.

(B) Operating income

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities	<u>\$ 43,491</u>	<u>\$ 43,754</u>
	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities	<u>\$ 130,474</u>	<u>\$ 131,260</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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Fellow subsidiary:			
Yuanta Bank	\$ <u>2,080,321</u>	\$ <u>1,631,665</u>	\$ <u>1,242,449</u>

(B) Management fee receivable and agent fee income

	<u>Management fee receivable</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ <u>187,939</u>	\$ <u>201,467</u>	\$ <u>203,359</u>
		<u>Agent fee income</u>	
		<u>For the three months ended September 30,</u>	
		<u>2018</u>	<u>2017</u>
Fellow subsidiary:			
Yuanta Life		\$ 1,697	\$ 2,310
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		<u>586,349</u>	<u>590,505</u>
		\$ <u>588,046</u>	\$ <u>592,815</u>
		<u>For the nine months ended September 30,</u>	
		<u>2018</u>	<u>2017</u>
Fellow subsidiary:			
Yuanta Life		\$ 5,074	\$ 6,078
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		<u>1,764,654</u>	<u>1,741,488</u>
		\$ <u>1,769,728</u>	\$ <u>1,747,566</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>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Yuanta Securities			
Investment Trust	\$ 182,797	\$ 291,186	\$ 239,189
Fellow subsidiary:			
Yuanta Securities	2,300,959	2,149,321	2,400,186
Yuanta Life	316,678	277,735	19,725
Yuanta Futures	47,735	-	20,048
Yuanta Securities			
Finance	9,245	19,809	114,952
Other related parties:			
Yuanta Foundation	-	2,217	-
	<u>\$ 2,857,414</u>	<u>\$ 2,740,268</u>	<u>\$ 2,794,100</u>

(7)Yuanta Life

(A)Bank deposits

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Fellow subsidiary:			
Yuanta Bank (Note)	\$ 2,375,756	\$ 562,395	\$ 535,621

Note: Including other financial assets.

(B)Current income tax assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Parent company:			
Yuanta Financial			
Holdings	\$ 1,754,848	\$ 1,452,397	\$ 1,390,838

The above represents consolidated income tax return receivable.

(C)Property transactions – beneficiary certificates

Other related parties:	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Funds managed by			
Yuanta Securities			
Investment Trust	\$ 316,678	\$ 277,735	\$ 19,725
	<u>For the nine months ended September 30, 2018</u>		
	<u>Purchase price</u>	<u>Proceeds on disposal</u>	
Other related parties:			
Funds managed by Yuanta Securities			
Investment Trust	\$ 600,000	\$ 538,031	
	<u>For the nine months ended September 30, 2017</u>		
	<u>Purchase price</u>	<u>Proceeds on disposal</u>	
Other related parties:			
Funds managed by Yuanta Securities			
Investment Trust	\$ 30,000	\$ 69,132	

(D) Payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Parent company:			
Yuanta Financial Holdings	\$ 420	\$ 1,766	\$ 814
Fellow subsidiary:			
Yuanta Bank	74,269	29,989	64,554
Yuanta International Insurance Brokers	38,631	22,148	34,968
	<u>\$ 113,320</u>	<u>\$ 53,903</u>	<u>\$ 100,336</u>

(E) Premium income

Please refer to Note 7 B(25)

(F) Commission expense

	<u>For the three months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Bank	\$ 194,285	\$ 144,697
Yuanta International Insurance Brokers	91,016	87,073
	<u>\$ 285,301</u>	<u>\$ 231,770</u>

	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Bank	\$ 510,519	\$ 394,070
Yuanta International Insurance Brokers	329,639	283,663
	<u>\$ 840,158</u>	<u>\$ 677,733</u>

(BLANK)

8. Pledged assets

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

Items	September 30, 2018	December 31, 2017	September 30, 2017	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 185,651,140	\$ 160,607,163	\$ 136,788,141	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	69,553,365	73,168,453	70,745,159	Merchant business
	50,025	50,424	50,549	Guarantee deposits for notes
Available-for sale financial assets	-	2,737,764	3,030,209	Guarantees on asset disposal, OTC performance bonds, collateral for securities lending business and customer default fine
	-	1,496,356	2,081,590	Operating guarantee deposits
	-	29,473,729	34,395,719	Bonds under repurchase agreement
	-	164,200	163,700	Guarantee deposits with the courts
	-	60,000	60,000	Deposits for reserve of trust fund
	-	50,000	50,000	Deposits for guarantees in the Central Bank
	-	10,000	10,000	Operating guarantee deposits in Bank of Taiwan
	-	-	4,400	Deposits for transaction reserve in Financial Information Service Co., Ltd.
	-	-	70,000	Deposits for clearing reserve in the GreTai Securities Market
	-	5,500,000	5,500,000	Overdraft guarantee for foreign currency settlement
Financial assets at fair value through other comprehensive income	2,916,762	-	-	- Claim reserve from trust fund, collateral for securities lending business and customer default fine
	1,616,402	-	-	- Operating guarantee deposits
	16,068,637	-	-	- Bonds under repurchase agreement, operating guarantee deposits, OTC performance bonds and guarantees on asset disposal
	351,169	-	-	- Collateral for provisional seizure
Held-to-maturity financial assets	-	801,354	801,028	Operating guarantee deposits and claim reserve from trust fund
	-	40,215	40,239	Stock borrowings
	-	64,362	64,611	Deposits for guarantees in the Central Bank
	-	600,000	-	- Operating guarantee deposits
Financial assets at amortised cost	2,992	-	-	- Operating guarantee deposits
	40,142	-	-	- Stock borrowings
	63,530	-	-	- Deposits for guarantees in the Central Bank
	680,593	-	-	- Operating guarantee deposits
	187,096	-	-	- Claim reserve from trust fund
	11,332,000	-	-	- Overdraft guarantee for foreign currency settlement
	110,627	-	-	- Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	55,313	-	-	- Deposit guarantees of bills merchants
	282,872	-	-	- Collateral for provisional seizure
	4,978	-	-	- VISA international card payment reserves
	44,250	-	-	- Guarantee deposits from security underwriters
	11,063	-	-	- Guarantee deposits from security dealers
Other financial assets	-	88,298	88,204	Claim reserve from trust fund
	-	49,576	49,538	Deposit guarantees of bills merchants
	-	339,891	214,499	Collateral for provisional seizure
	-	39,661	39,631	Guarantee deposits from security underwriters
	-	9,915	9,908	Guarantee deposits from security dealers

Items	September 30, 2018	December 31, 2017	September 30, 2017	Purpose of pledge
Other financial assets	\$ -	\$ 4,452	\$ 4,351	VISA international card payment reserves
	-	98,109	98,004	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	-	10,126,382	10,021,464	Overdraft guarantee for foreign currency settlement
	-	445,694	336,943	Claim reserve from credit default loss
Accounts receivable	6,000	-	-	Collateral for provisional seizure
Restricted assets	2,111,290	2,279,915	1,662,635	Collateral for settlement limit, short-term loans, payable short-term bills and OTC derivative transactions
	436,708	37,284	1,264,154	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,047	1,060	1,003	Overdraft guarantee
	-	279,000	580,800	Collateral for settlement limit and structured products
	83,855	125,419	-	Dividends payable arising from stock agency business
Other assets	504,142	349,911	360,367	Operating guarantee deposits
	220,000	300,000	210,000	Stock borrowings
	2,227,815	1,284,435	1,245,661	Performance bond and rental deposits
	140,000	140,000	140,000	Deposits for guarantees in the Central Bank
	151	204,170	18,709	Underwriting share proceeds collected on behalf of customers
Property and equipment and investment property	3,643,044	3,439,445	3,365,896	Collateral for settlement limit and short-term loans; collateral for mortgage loans and leases
Treasury share of Yuanta Securities (Korea)	721,411	743,089	608,414	Collateral for securities lending business

9. Significant contingent liabilities and unrecognised contract commitments

(1) As of September 30, 2018, December 31, 2017 and September 30, 2017, capital expenditure contracted for at the balance sheet date but not yet incurred was \$1,530,856, \$453,178 and \$540,930, respectively.

(2) Stocks entrusted to custody

As of September 30, 2018, December 31, 2017 and September 30, 2017, the stocks entrusted to the custody of Yuanta Securities Finance by clients were all 7,483 thousand shares. The market value of these entrusted stocks was approximately \$77,613, \$77,550 and \$77,270, respectively.

(3) Operating leases

Please see Note 12(3)B(C)e.

(4) Transactions on behalf of customers

Yuanta Securities had several proxy delivery agreements with certain securities companies. In accordance with these agreements, these securities companies have agreed to be Yuanta Securities' first and second proxy. If Yuanta Securities is unable to fulfil its obligations to the TWSE, the proxies must then act pursuant to said obligations and responsibilities.

(5) As of September 30, 2018, Yuanta Securities (Korea) entered into a bond purchase contract with Pospower Co.,Ltd.. Yuanta Securities (Korea) has committed an investment limit of ₩250 billion (NT\$ 6.89 billion), and has provided performance guarantee in relation to a lease fund with total limit of ₩0.1 billion (approximately NT\$2.76 million) for IGIS Professional Private Real Estate Investment Trust.

(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 overrule the lawsuit brought forth by the plaintiffs (i.e. Yuanta Securities obtained a favorable decision in the case). However, the clients have filed an appeal, and the case is currently under judicial examination with the Taiwan High Court.
- B. With respect to the land and parking space sales dispute, Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated a mediation procedure against Yuanta Securities et al. On January 17, 2018, the plaintiff claimed that the compensation was raised to \$952,511 (of which \$950,861 was subject to joint liability). The mediation failed in the Taiwan Taipei District Court. On July 11, 2018, Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated another indictment for the same proceeding and claimed the same compensation. The case is currently under the judicial proceedings of the Taiwan Taipei District Court. Yuanta Securities has retained lawyers to handle the case.
- C. As of September 30, 2018, of the total 24 litigations against Yuanta Securities (Korea) and its subsidiaries, 11 litigations were related to financial commodities sales disputes of former TongYang Securities Inc. (please refer to the explanation in Note 6(29)). The remaining 13 litigations were unrelated to financial commodities sales disputes with demanded compensation totaling ₩783,403 million (approximately NT\$21.6 billion) among which Anbang Group Holdings Co., Ltd. and Anbang Life Insurance Co., Ltd. (collectively, “Anbang”) filed an arbitration counterclaim against Yuanta Securities (Korea) and other four entities. The original claimed amount was ₩698,000 million (approximately NT\$19.2 billion). Thereafter, due to Anbang’s allegations, the claimed amount was changed and expressed in plural claims and different ranges and the amounts of such claims cannot be clearly specified, so the Company cited the claimed amount of ₩775,000 million (approximately NT\$21.4 billion) which was disclosed in the business report of Yuanta Securities (Korea). The allegations made by Anbang were denied. The arbitration will proceed and continue according to the arbitration rules. As of September 30, 2018, there was ₩419 million (approximately NT\$11.5 million) of provisions recognized for the abovementioned litigations unrelated to financial commodities sales disputes. In addition, there were 9 litigations where Yuanta Securities (Korea) acted as a plaintiff with the claimed amount of ₩30,380 million (approximately NT\$840 million).
- D. Due to the fraudulent act committed by a former employee of KK Trade Securities Co., Ltd. as alleged, the affected clients filed a civil lawsuit against Yuanta Securities (Thailand) and the former employee for joint liability to pay the compensation of ฿301 million (approximately NT\$280 million). In August 2017, Yuanta Securities (Thailand) received a civil complaint of the lawsuit. Nevertheless, as part of the claimed amount was not remitted to the company account of Yuanta Securities (Thailand), but rather directly to the former employee from the plaintiffs in relation to private transfer, the liability thereof is thereby denied by Yuanta securities (Thailand). Yuanta Securities (Thailand) has retained lawyers to proceed in subsequent proceedings for defense.

E. As at September 30, 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. 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 which had an indemnification clause stating that the seller must compensate and guarantee that Yuanta Bank was free from any losses resulting from or related to Yuanta Savings Bank (Korea)'s litigations. Information regarding the lawsuit as of September 30, 2018 are as follows:

In March 2016, Trust Investment (a borrower) petitioned to the Financial Services Commission of the Republic of Korea that Yuanta Savings Bank (Korea) overcharged expenses for prior loan cases and thus claimed Yuanta Savings Bank (Korea) should return ₩4 billion unjustly received fees. Because Yuanta Savings Bank (Korea) believed that such a claim had no merit, Yuanta Savings Bank (Korea) filed a litigation with the Seoul District Court to confirm that obligations at issue lacked legal merit and to clarify related disputes in the petition. Upon the acquisition date of Yuanta Savings Bank (Korea), Yuanta Bank had reached an agreement with AON BGN Limited Liability Company that required AON BGN Limited Liability Company to pledge ₩5 billion to Yuanta Bank as a guarantee for losses related to the litigation. As of September 30, 2018, recognised compensatory assets and contingent liabilities resulting from the litigation were ₩4,024,469 thousand, accounted respectively under "Other assets-net" and "liability reserves". On June 16, 2017, the aforementioned case was adjudicated in favor of the plaintiff, Yuanta Savings Bank (Korea), by the Seoul District Court, Korea. On May 25, 2018, the case was adjudicated in the favor of plaintiff, Yuanta Saving Bank (Korea), by Seoul High Court; the defendant, Trust Investment, has submitted the pleadings to the Supreme Court of South Korea. As of September 30, 2018, the aforementioned litigation is under the judicial proceeding of Supreme Court of South Korea. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

B. Ta Chong Bank had conducted foreign exchange derivatives transactions with Sino United International Co., Ltd. and Plosa International Co., Ltd. As Sino United International Co., Ltd. and Plosa International Co., Ltd. disputed the loss in Target Redemption Forward (TRF) when closing position, they filed a complaint against Ta Chong Bank and alleged that Ta Chong Bank shall reimburse the loss in transactions (underlying claim: US\$3,123 thousand and its interest; secondary claim: US\$1,445 thousand and its interest). Yuanta Bank has taken on the lawsuit after acquiring Ta Chong Bank. On January 26, 2018, the first instance court has ruled in favour of Ta Chong Bank. The defendant, Sino United International Co., Ltd. and Plosa United International Co., Ltd., have titled an appeal, and the case is under the judicial proceeding of Taiwan High Court.

C. 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, which was

originally held by Yuanta Savings Bank (Korea) and another shareholder, and Pentagon City returned cash of ₩28 billion to Yuanta Savings Bank (Korea). Pentagon City claimed that Yuanta Savings Bank (Korea) breached the 10% holding limit for an unlisted company made by Korea Investment Savings Bank, and thus claimed Yuanta Savings Bank (Korea) should return ₩19,599,160 thousand as unjustly received benefit, which is over the 10% holding limit. On November 2, 2018, Yuanta Savings Bank received the notice of court session and the case is still under the assessment 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 offshore funds master agent contracts with Mellon Global Investments Limited. According to the contracts, the Company receives commission based on sale units and scale. The contract shall be expired annually on June 30, and the contracts are subject to be auto-renewed for 1 year except if either party cancels the contract by written notification.
- B. Yuanta Securities Investment Trust was commissioned to handle discretionary investment businesses of domestic investment contracts on behalf of its principal—the Bureau of Labor Funds, Ministry of Labor (formerly the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs, Executive Yuan, restructured as of February 17, 2014, herein referred to as the “Labor Pension”). Due to the now resigned manager of former Polaris Securities Investment Trust, surnamed Qu (herein referred to as “Manager Qu”), who was suspected of being involved in illegal activities from 2011 to 2012 for commissioned trading of stocks for government funds, the Labor Pension, in accordance with the indictment issued by the Special Investigation Division of the Supreme Prosecutor Office, has filed a litigation on January 28, 2014, indicting Manager Qu and Yuanta Securities Investment Trust with criminal charges, attached with civil charges, claiming joint and several liability for compensations. In order to protect its interests, Yuanta Securities Investment Trust has appointed a lawyer to assist in handling the case. After the aforementioned criminal charges against manager Qu was adjudicated by the first instance of the Taipei District Court and transferred to the civil court, on September 5, 2016, the Labor Pension decreased its joint and several liability claims to \$108,411. On April 28, 2017, the Labor Pension decreased the compensation claim to \$71,575 after the Taiwan High Court rendered its decision for the aforementioned criminal case. Based on the appointed lawyer's assessment, the aforementioned criminal lawsuit made by the first and second instance courts was adjudicated to be a breach of trust by Manager Qu against the Company, while the Labor Pension was concluded to not be the principal of Manager Qu's commissioned services. Furthermore, anticipatory trading that is considered a criminal breach of trust offense and actions in violation of the Securities Exchange Act, which are alleged to have damaged the Labor Pension as illustrated in the indictment, are considered unverifiable crimes. Therefore, there is major doubt in whether the Labor Pension can claim damages, prove causation, and determine how damages are calculated; this case still requires further assessment by the court to render a substantive evaluation.

(9) Other lawsuits- Yuanta Life Insurance

As of September 30, 2018, Yuanta Life Insurance still has several insurance claim litigations in process. Yuanta Life Insurance has appointed lawyers to handle these cases and has provisioned an appropriate amount of claims reserve.

(10)Others

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Commitment of the securities under a repurchase agreement	\$ 208,596,197	\$ 201,715,121	\$ 171,541,351
Commitment of the securities under a resale agreement	33,612,469	35,098,339	36,149,620
Unused loan commitments	29,669,866	41,025,752	32,742,272
Credit commitment on credit card	121,445,571	127,897,664	126,973,572
Unused L/C balance	4,396,389	4,863,673	4,299,138
Other guarantees	14,714,308	25,253,767	29,458,412
Consignment collection for others	20,541,460	21,727,077	23,163,456
Trust assets	241,661,969	242,737,979	231,796,138
Items under custody	36,619,876	38,276,607	43,388,350

(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: Not applicable.

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 to Yuanta Securities.

(2) Subsidiaries:

1. The subsidiary, Yuanta Bank, in order to enhance its assets utilization, with the approval of the Board of Directors on October 25, 2018 and November 8, 2018 on the sale of properties, transferred such properties to assets classified as held for sale.
2. To integrate the Group's resources and enhance the benefit on capital utilisation, the Board of Directors of Yuanta International Leasing, subsidiary of Yuanta Bank, on behalf of the shareholders' meeting approved to transfer partial business to Yuanta Asset Management Co., Ltd. on November 8, 2018.
3. On October 30, 2018, the Board of Directors of Yuanta Life on behalf of the shareholders' meeting approved to decrease the capital in the amount of \$3,483,002, and increase the capital by issuing common stock amounting to \$1,000,000, equivalent to 100 million shares with par value of NT\$10 dollars per share. New shares will be subscribed by single shareholder, Yuanta Financial Holding Co., Ltd.. Aforementioned capital decrease and increase are approved by the competent authority.

12. Others

(1) Capital risk management

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

- (A) Meeting the minimum regulated capital adequacy ratio is the most basic objective for the qualifying self-owned capital of the financial group controlled by the Company. The calculation of qualifying self-owned capital and legal capital should be made in compliance

with regulations of competent authorities.

- (B) In order to process sufficient capital to assume various risks, the Company assesses the required capital with consideration of the risk portfolio it faces and the risk characteristic, and manages risk through capital allocation to realise utilization of capital allocation.

B. Capital management procedure:

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

(2) Fair value information of financial instruments

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

(A) Outline

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

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

a. Level 1

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

b. Level 2

Level 2 refers to prices in active markets other than quoted market prices that are

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

c. Level 3

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

B. Financial instruments measured at fair value

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

	September 30, 2018			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Equity investments	\$ 31,750,675	\$ 29,387,157	\$ -	\$ 2,363,518
Bond investments	266,254,893	73,357,700	192,414,269	482,924
Others	159,761,783	39,922,156	118,923,470	916,157
Financial assets at fair value through other comprehensive income (Note 1)				
Equity investments	24,246,312	7,494,510	-	16,751,802
Debt investments	207,277,543	79,294,171	126,496,897	1,486,475
Other financial assets				
Purchase of claim receivable	1,871,777	-	-	1,871,777
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 12,378,832	\$ 12,378,832	\$ -	\$ -
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 25,567,934	\$ 5,369,502	\$ 7,883,404	\$ 12,315,028
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 87,825,383	\$ 1,621,515	\$ 31,963,045	\$ 54,240,823

	December 31, 2017				September 30, 2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Recurring fair value measurements								
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss								
Financial assets held for trading								
Stock investments	\$ 34,788,261	\$ 34,129,581	\$ -	\$ 658,680	\$ 31,091,721	\$ 30,652,333	\$ -	\$ 439,388
Bond investments	221,289,802	74,939,880	146,349,922	-	209,023,168	80,030,891	128,992,277	-
Others	80,969,214	34,580,366	46,388,848	-	73,911,410	28,169,887	45,592,665	148,858
Financial assets designated as at fair value through profit or loss	246,804	-	246,804	-	1,788,305	-	1,788,305	-
Available-for-sale financial assets (Note 1)								
Stock investments	28,146,015	11,123,502	14,077	17,008,436	26,439,890	8,795,917	34,820	17,609,153
Bond investments	219,639,019	56,711,912	162,102,912	824,195	212,385,216	54,374,348	156,954,940	1,055,928
Others	148,947,861	5,820,033	142,914,017	213,811	128,663,639	972,011	127,483,784	207,844
Other financial assets								
Purchase of claim receivable	1,892,299	-	-	1,892,299	1,896,395	-	-	1,896,395
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 22,454,862	\$ 19,250,990	\$ 2,057,532	\$ 1,146,340	\$ 24,052,324	\$ 20,868,679	\$ 2,041,419	\$ 1,142,226
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	\$ 95,342,782	\$ 4,211,759	\$ 78,134,240	\$ 12,996,783	\$ 95,109,682	\$ 7,622,340	\$ 74,317,490	\$ 13,169,852
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 97,664,654	\$ 2,750,459	\$ 23,731,768	\$ 71,182,427	\$ 100,143,945	\$ 2,937,164	\$ 24,612,839	\$ 72,593,942
Non-recurring fair value								
Assets								
Assets held for sale (Note 2)	\$ -	\$ -	\$ -	\$ -	\$ 35,451	\$ -	\$ 35,451	\$ -

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

Note 2: In accordance with the requirements of IFRS 5, when the fair value of an asset classified as held for sale is lower than its carrying amount, it should be measured at fair value less cost to sell.

(B) Financial instruments measured at fair value

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

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

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

(C) Fair value adjustment

a. Limits and adjustments of financial valuation models

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

b. Credit risk valuation adjustment

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

(D) Transfer between Level 1 and Level 2

As of September 30, 2018, certain foreign debt held by the Company, totaling USD 314,291, 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 3,619, have been transferred from level 2 to level 1 since these assets now have steady sources for price information. As of December 31, 2017 and

September 30, 2017, a portion of government bonds denominated under NTD held by the Company was determined to be non-active bond instrument investments in accordance with the Taipei Exchange's active securities standard, \$1,093,452 and \$1,093,452 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:

For the nine months ended September 30, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through profit or loss	\$ 15,421,688	(\$ 2,248,322)	\$ -	\$ 19,476,504	\$ 1,155,713	(\$ 15,127,201)	(\$ 2,600,755)	\$ 16,077,627
Financial assets at fair value through other comprehensive income	19,570,959	(70,566)	(395,307)	431,943	545,153	(924,264)	(919,641)	18,238,277
Other financial assets- purchase of claim receivable	1,892,299	771	-	-	-	(21,293)	-	1,871,777
Total	\$ 36,884,946	(\$ 2,318,117)	(\$ 395,307)	\$ 19,908,447	\$ 1,700,866	(\$ 16,072,758)	(\$ 3,520,396)	\$ 36,187,681

For the nine months ended September 30, 2017								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through profit or loss	\$ 11,632,096	(\$ 1,543,273)	\$ -	\$ 17,185,522	\$ 248,061	(\$ 13,652,956)	(\$ 111,352)	\$ 13,758,098
Available-for-sale financial assets	18,933,364	(354,424)	498,809	822,546	-	(373,217)	(654,153)	18,872,925
Other financial assets- purchase of claim receivable	1,925,073	12,859	-	-	-	(41,537)	-	1,896,395
Total	\$ 32,490,533	(\$ 1,884,838)	\$ 498,809	\$ 18,008,068	\$ 248,061	(\$ 14,067,710)	(\$ 765,505)	\$ 34,527,418

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. As of September 30, 2018 and 2017, the losses on assets were \$1,918,661 and \$23,106, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of September 30, 2018 and 2017, the losses on assets were \$535,864 and \$2,978, respectively.

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

For the nine months ended September 30, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	<u>\$ 72,328,766</u>	<u>(\$ 4,624,682)</u>	<u>(\$ 5,293)</u>	<u>\$ 121,677,558</u>	<u>\$ -</u>	<u>(\$ 133,411,921)</u>	<u>(\$ 1,723,605)</u>	<u>\$ 54,240,823</u>

For the nine months ended September 30, 2017								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	<u>\$ 54,420,640</u>	<u>\$ 469,546</u>	<u>\$ 2</u>	<u>\$ 148,751,457</u>	<u>\$ -</u>	<u>(\$ 129,876,084)</u>	<u>(\$ 29,393)</u>	<u>\$ 73,736,168</u>

Above valuation gains and losses are recognised in gain and loss in the period. As of September 30, 2018 and 2017, the gains (losses) on liabilities were \$4,175,912 and (\$896,393), respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of September 30, 2018 and 2017, the gains (losses) on liabilities were \$5,293 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
September 30, 2018				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 79,286	(\$ 75,041)	\$ -	\$ -
Derivative instruments	290,834	(290,834)	-	-
Financial assets at fair value through other comprehensive income	-	-	427,449	(390,999)
Other financial asset- purchase of claim receivable	83,563	(83,563)	-	-
<u>Liabilities</u>				
Derivative instruments	\$ 300,011	(\$ 300,010)	\$ -	\$ -
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)	-	-
September 30, 2017				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 218	(\$ 218)	\$ -	\$ -
Derivative instruments	20,841	(20,819)	-	-
Available-for-sale financial assets	-	-	89,743	(89,781)
Other financial assets- purchase of claim receivable	96,016	(96,016)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	\$ 11,423	(\$ 11,423)	\$ 1	(\$ 1)
Derivative instruments	57,415	(57,414)	-	-

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:

September 30, 2018	Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss			
Equity investments	\$ 2,363,518	1. Market method	Price to earnings ratio multiple 13.39~31.22
		2. Income method	Price to book ratio multiple 1.19~10.98
		3. Equity Model	Price-to-sales ratio multiplier 1.37
		by L. Anderson	Discount for marketability 0%~40%
		and D. Buffum	Discount rate 6.34%~20%
			Stock price volatility 17.83%~35.13%
			Credit Spread 2.33%~5.92%
			Recovery rate 20%
Bond investments	482,924	1. Hybrid Model	Stock price volatility 10.46%~42.28%
		2. Equity Model	Credit Spread 0.27%~5.92%
		by L. Anderson	
		and D. Buffum	
		3. Monte Carlo Simulation	Recovery rate 20%
Derivative instruments (including futures and options in futures market)	12,315,028	1. Option Model	Dividend rate 1.80%~4.03%
		2. Hybrid Model	Stock price volatility 2.63%~20.52%
		3. FDM	Correlation coefficient 0.13~0.95
		4. Monte Carlo Simulation	Default rate 0.03%~100%
			Recovery rate 55%
Other	916,157	Net asset value	N/A
Other financial assets			
Purchase of claim receivable	1,871,777	Recoverable amount	Contact rate 1.94%~41.19%
			Payment rate 2.41%~39.21%
			Discount rate 2.59%~39.59%
Financial assets at fair value through other comprehensive income			
Equity investments	16,751,802	1. Market method	Price to earnings ratio multiple 12.26~29.66
		2. Residual income valuation model	Price to book ratio multiple 0.72~2.85
		3. Discounted cash flow	Discount for marketability 0%~40%
			Expected growth rate 2%
			Discount rate 14.16%~18.31%
Bond investments	1,486,475	Discounted cash flow	Discount rate 0.73%~9.01%
Financial liabilities at fair value through profit or loss			
Derivative instruments (including options trade in futures market)	54,240,823	1. IR Model	Dividend rate 1.80%~4.03%
		2. Option Model	Stock price volatility 0.83%~36.90%
		3. Hybrid Model	Correlation coefficient 0.13~0.95
		4. FDM	Credit Spread 0.27%~0.33%
		5. Monte Carlo Simulation	Default rate 0.03%~100%
			Recovery rate 25%~55%

December 31, 2017		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Stock investments	\$ 658,680	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	11.91 ~ 21.93 1.09 ~ 4.93 0% ~ 40%
Derivative instruments (including futures and options in futures market)	12,996,783	1. Market method 2. Option Model 3. Hybrid Model 4. FDM 5. Monte Carlo Simulation 6. Equity Model by L. Anderson and D. Buffum	Price to book ratio multiple Discount for marketability Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.76 ~ 4.68 0% ~ 35% 0.35% ~ 3.60% 4.00% ~ 42.23% 0.13 ~ 0.93 0.47% ~ 7.45% 0.03% ~ 100% 20% ~ 55%
Available-for-sale financial assets				
Stock investments	17,008,436	1. Market method 2. Income method 3. Discounted cash flow 4. Residual income valuation model 5. Equity Model by L. Anderson and D. Buffum	Price to earnings ratio multiple Price to book ratio multiple Price-to-sales ratio multiplier Discount for marketability Expected growth rate Discount rate Stock price volatility Credit Spread Recovery rate	11.91 ~ 40.32 0.75 ~ 21.30 1.97 0% ~ 40% 0% ~ 2% 12.20% ~ 17.62% 13.16% ~ 57.20% 1.74% ~ 18.17% 20%
Bond investments	824,195	1. Market method 2. Hybrid Model 3. Monte Carlo Simulation 4. Equity Model by L. Anderson and D. Buffum 5. Discounted cash flow	Price to book ratio multiple Discount for marketability Credit Spread Recovery rate Stock price volatility Discount rate	0.76 ~ 4.68 0% ~ 35% 0.47% ~ 7.45% 20% 14.44% ~ 42.23% 0.67% ~ 9.15%
Other	213,811	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,892,299	Recoverable amount	Contact rate Payment rate Discount rate	2.20% ~ 42.27% 1.85% ~ 42.15% 1.98% ~ 39.70%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	71,182,427	1. IR Model 2. Option Model 3. Hybrid Model 4. FDM 5. Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.35% ~ 3.60% 0.37% ~ 53.97% 0.13 ~ 0.93 0.37% ~ 0.51% 0.03% ~ 100% 25% ~ 55%
Bond issue	1,146,340	Hybrid Model	Credit Spread Discount for marketability	0% ~ 1% 0% ~ 1%

September 30, 2017	Valuation technique	Significant unobservable input	Range	
Financial assets at fair value through profit or loss				
Stock investments	\$ 439,388	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	11.46~21.37 1.10~5.51 0%~40%
Derivative instruments (including futures and options in futures market)	13,169,852	1.Option Model 2.Hybrid Model 3.FDM 4.Monte Carlo Simulation 5.Equity Model by L. Anderson and D. Buffum	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.37%~3.82% 9.69%~32.92% 0.14~0.93 7.45%~7.46% 0.03%~100% 20%~55%
Available-for-sale financial assets				
Stock investments	17,609,153	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	11.80~41.80 0.74~17.70 2.02 0%~40% 0%~1% 5.55%~14.35% 11.85%~88.28% 2.39%~14.39% 20%
Bond investments	1,055,928	1.Hybrid Model 2.Monte Carlo simulation 3.Equity Model by L. Anderson and D. Buffum 4.Discounted cash flow	Credit Spread Recovery rate Stock price volatility Discount rate	0.56%~7.46% 20%~40% 13.67%~32.92% 0.48%~7.11%
Other	207,844	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,896,395	Recoverable amount	Contact rate Payment rate Discount rate	1.92%~43.55% 1.69%~42.15% 1.82%~39.58%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	72,593,942	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	0.37%~3.82% 0.83%~62.93% 0.14~0.93 0.45%~0.48% 0.03%~100% 25%~55%
Bond issue	1,142,226	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.

B. 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.

	September 30, 2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Investments in debt instruments at amortised cost (Note 1 and 2)	\$ 230,975,661	\$ 233,332,086	\$ 2,934,881	\$ 230,397,205	\$ -
<u>Financial liabilities</u>					
Bonds payable	69,633,128	72,420,795	-	59,547,279	12,873,516
Long-term borrowings	826,500	826,500	-	826,500	-
	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
Long-term borrowings	2,790,000	2,790,000	-	2,790,000	-
	September 30, 2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity financial assets - net	\$ 126,058,241	\$ 130,779,791	\$ -	\$ 130,779,791	\$ -
Other financial assets (Note 2)	54,892,752	56,403,182	10,719,418	44,844,349	839,415
<u>Financial liabilities</u>					
Bonds payable	68,648,145	71,199,309	-	58,831,681	12,367,628
Preferred stock liabilities	3,972,208	3,972,208	-	3,972,208	-
Long-term borrowings	2,640,000	2,640,000	-	2,640,000	-

Note 1: Including the statutory deposits of \$600,000 of Yuanta Life of the Yuanta Group as of September 30, 2018 and December 31, 2017.

Note 2: The government bonds, corporate bonds, and bank debentures which are classified as debt instruments without active market.

(B) Financial valuation technique :

The assumptions and methods used to estimate the financial instruments not measured by fair value:

- a. The financial instruments such as cash and cash equivalents, due from Central Bank and call loans to other banks, investments in bills and bonds under resale agreements, receivables- net, other financial assets - net (not including debt instruments without active market), refundable deposits, due to Central Bank and other banks, payables, and deposits received. As the short maturities or future payment or receipt is close to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.
- b. Bills discounted and loans (including non-performing loans): The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.
- c. Investments in debt instruments at amortised cost/Held-to-maturity financial assets: When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offered by the counterparties will be adopted to measure the fair value.
- d. Other financial assets - Investments on debt instruments without active markets: when prices on recent deals, or quotes from market makers exists, the most recent deal price or quote is the basis for fair value evaluation. When no market values are able to be referenced, a valuation method is elected for estimation. The financial valuation method utilises the present value from discounted cash flows as its fair value.
- e. Deposits and remittances: The duration between the commencement date and maturity date for deposits and remittances are usually within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. The fair value of long-term fixed rate deposits should be estimated by discounting expected future cash flows; however, since the duration between the commencement date and the maturity date is within three years, it is reasonable to use the carrying amount to estimate the fair value.
- f. Bonds payable/preferred stock liabilities: The coupon rate for bank debentures and preferred stock liabilities issued by Yuanta Group is approximate to the market interest rate. Thus, the present value of its expected future cash flows for estimating fair value is approximate to its carrying value.

(3) Management objective and policy for financial risk

A. Risk management policy and structural organization

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

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

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

(B) Risk management policy

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

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

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

(A) Credit risk

a. Source and definition of credit risk

Credit risks occur when the bond issuer, borrower or counterparty fails to fulfil its obligation and results in a loss of default. Credit risk may happen due to accounts on and off the balance sheet. For accounts on the balance sheet, credit risk exposure of the

Yuanta Group mainly comprises of bills discounted and loans and credit card business, debt instrument and derivatives and call loans from banks, etc. Off-balance-sheet accounts include financial guarantee, acceptance bill, letter of credit and loan commitments that could give rise to credit risk exposure to the Yuanta Group.

b. Principle of credit risk management

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

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

c. Methods used in credit risk management

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

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

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

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

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

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

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

(b) Debt instruments investment and derivatives

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

(c) Margin purchase and short sale

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

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

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

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

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

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

(b) Expected credit losses calculation

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

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

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

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

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

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

(A) Credit business

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

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

(B) Investments in debt instruments

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

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

(C) Other financial assets

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

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

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

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

(A) Credit business

- a. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or liquidation of collateral.
- b. New payment schedule is negotiated so that loan is not classified as non-performing.
- c. Non-performing loans in negotiation according to the rules of the Debt Negotiation Mechanism issued by the Bankers Association in 2006 (including pre-mediation).
- d. Loans that have gone through pre-mediation and have signed agreements in accordance with the Consumer Debt Clearance Act (excluding secured loans where the original terms of the loans are enforced).
- e. Cases where the court has initiated reorganization or liquidation proceedings.
- f. Declaration of bankruptcy in court.
- g. Reclassified as non-accrual.
- h. Special criterion for credit card products: credit card accounts closed by the issuer.
- i. Debtor's loans from other banking institutions have been recognized as non-performing, and reclassified as non-accrual or written off as bad debt.
- j. Debtor has filed for bankruptcy, reorganization, or other debt clearance proceedings.
- k. Debtor renews, extends the length of, and negotiates new payment terms on the loan in accordance with the Bankers Association Self-regulatory Rules for Debt Workouts.
- l. Non-performing loans where a payment installment plan has been negotiated.
- m. Loans classified as "in default" according to the Yuanta Group's internal credit rating model.

(B) Investments in debt instruments

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

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

(C) Other financial assets

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

terms specify it.

- c. Remaining receivables: At the balance sheet date, the number of past-due days is over the days recorded in the contract, and receivables have been transfer to overdue receivables or have been provided the bed debt expense.

(D) Definition of default

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

C. Eliminating policy

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

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

D. Measurement of expected credit losses

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

(A) Credit business

a. Probability of default

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

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

b. Loss given default

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

- c. Exposure at default (EAD)
 - (a) On balance sheet—Loans and loan receivables: calculated from credit balance
 - (b) Off balance sheet—Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the “Calculation Method of Equity Capital and Risky Assets and Accompanying Forms—Credit Risk Standard Rules.”
- (B) Investments in debt instruments
 - a. Probability of default: Calculated based on default rate tables published by external credit rating agencies, incorporating forecastable information.
 - b. Loss given default: Calculated based on the collateral and liquidity preference of the debt instrument, incorporating the average recovery rate disclosed by external credit rating agencies; or set in accordance with rules of the competent authority.
 - c. Exposure at default: Total carrying amount, including interest receivable. Total carrying amount is the amortized cost of the financial asset before any adjustment to the loss allowance.
- E. Consideration of forecastable information

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

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

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

(C) Other

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

e. Hedging or mitigation of credit risk

(a) Collateral

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

(b) Credit risk limit and credit risk concentration control

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

(c) Net-settled general agreement

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

(d) Others

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

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

f. Maximum risk exposure of the Yuanta Group

The maximum risk exposure of assets on the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the

carrying amount. Please see Note 9(11) for the maximum credit risk exposure of the consolidated balance sheet.

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

Bills discounted and loans

September 30, 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	\$ 489,129,395	\$ 1,798,826	\$ -	\$ -	\$ 490,928,221
Internal ratings— acceptable	121,954,345	2,131,585	-	-	124,085,930
Internal ratings— weak	13,747,361	915,399	-	-	14,662,760
Internal ratings— not rated	123,007,415	268,780	-	-	123,276,195
Internal ratings— bad	-	-	8,221,669	-	8,221,669
The total carrying amount	747,838,516	5,114,590	8,221,669	-	761,174,775
Allowance for bad debt	(2,211,675)	(950,573)	(4,422,977)	-	(7,585,225)
Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans					
	-	-	-	(5,827,924)	(5,827,924)
Total (Note)	<u>\$ 745,626,841</u>	<u>\$ 4,164,017</u>	<u>\$ 3,798,692</u>	<u>(\$ 5,827,924)</u>	<u>\$ 747,761,626</u>

Note: Including interest receivable and temporary payments for others amounting to \$1,015,304. In addition, allowance for doubtful receivables was \$27,205.

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 \$142,418,008 and \$549,900,509, 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:

September 30, 2018	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables-other	\$ 245,220	\$ -	\$ 245,220
Bills discounted and loans	527,016,487	-	527,016,487
Financial assets at fair value through profit or loss	330,675	1,766,054	2,096,729
<u>For accounts off the balance sheet</u>			
Unused loan commitments	4,316,161	-	4,316,161
Unused credit commitment	147,383	-	147,383
Guarantees (including for non-performing loans)	5,799,346	-	5,799,346
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
September 30, 2017	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables-other	\$ 331,851	\$ -	\$ 331,851
Bills discounted and loans	541,130,716	-	541,130,716
Financial assets at fair value through profit or loss	1,563,919	1,777,136	3,341,055
<u>For accounts off the balance sheet</u>			
Unused loan commitments	2,644,342	-	2,644,342
Unused credit commitment	151,032	-	151,032
Guarantees (including for non-performing loans)	7,806,597	-	7,806,597

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	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	%	Amount	%	Amount	%
Privately owned businesses	\$ 642,247,675	30.05	\$ 628,005,869	29.72	\$ 633,926,336	30.30
Natural person	522,584,916	24.45	534,843,909	25.31	525,932,707	25.14
Financial institutions	570,855,218	26.71	519,525,208	24.59	545,578,547	26.08
Governmental institutions	390,581,331	18.28	416,027,230	19.69	366,973,718	17.54
Government-owned businesses	7,443,937	0.35	11,058,598	0.52	16,434,710	0.79
Others	3,389,044	0.16	3,581,146	0.17	3,141,422	0.15
Total	<u>\$ 2,137,102,121</u>	<u>100.00</u>	<u>\$ 2,113,041,960</u>	<u>100.00</u>	<u>\$ 2,091,987,440</u>	<u>100.00</u>

(b) Geographic location:

Geography location	September 30, 2018	December 31, 2017	September 30, 2017
Taiwan	\$ 1,405,983,918	\$ 1,393,009,059	\$ 1,421,464,326
Asia	532,961,183	453,904,701	438,056,580
America	116,561,364	163,687,853	147,844,608
Europe	64,682,154	77,618,815	58,500,718
Oceania	16,720,810	24,496,221	22,782,689
Africa	192,692	325,311	3,338,519
Total	<u>\$ 2,137,102,121</u>	<u>\$ 2,113,041,960</u>	<u>\$ 2,091,987,440</u>

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

(a)Credit business

For the nine months ended September 30, 2018, the reconciliation of the balance of allowance for bad debt is as follows:

Bills discounted and loans

For the nine months ended September 30, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
The beginning balances	\$ 2,241,937	\$ 1,666,388	\$ 5,171,095	\$ 9,079,420	\$ 5,404,768	\$ 14,484,188
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(6,237)	43,695	(37,458)	-	-	-
-Transferred to credit-impaired financial asset	(17,749)	(5,899)	23,648	-	-	-
-Transferred to 12-month expected credit losses	157,864	(32,904)	(114,634)	10,326	-	10,326
-Financial assets derecognised in the current period	(624,331)	(43,678)	(815,534)	(1,483,543)	-	(1,483,543)
Impairment allowance for purchased or originated financial assets	694,059	29,854	334,745	1,058,658	-	1,058,658
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	-	-	-	-	416,882	416,882
Write-off as bad debt	(211,893)	(178,761)	(1,225,061)	(1,615,715)	-	(1,615,715)
Change in exchange and others	(25,827)	(528,936)	1,069,912	515,149	-	515,149
The ending balances	<u>\$ 2,207,823</u>	<u>\$ 949,759</u>	<u>\$ 4,406,713</u>	<u>\$ 7,564,295</u>	<u>\$ 5,821,650</u>	<u>\$ 13,385,945</u>

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

Bills discounted and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
The beginning balances	\$ 760,186,319	\$ 4,991,775	\$ 8,935,481	\$ 774,113,575
Changes from financial instruments recognised at the beginning:				
-Transferred to lifetime expected credit losses	(1,995,307)	2,067,100	(71,793)	-
-Transferred to credit-impaired financial asset	(1,816,425)	(400,456)	2,216,881	-
-Transferred to 12-month expected credit losses	3,869,589	(599,251)	(300,206)	2,970,132
-Financial assets derecognised in the current period	(236,574,132)	(2,302,899)	(1,493,359)	(240,370,390)
Impairment allowance for purchased or originated financial assets	259,344,621	1,773,460	569,578	261,687,659
Write-off as bad debt	(212,124)	(178,761)	(1,225,044)	(1,615,929)
Change in exchange and others	(35,936,221)	(252,679)	(436,675)	(36,625,575)
The ending balances	\$ 746,866,320	\$ 5,098,289	\$ 8,194,863	\$ 760,159,472

(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 September 30, 2018, the carrying amount of accounts receivable amounted to \$32,328,999, and the loss allowance is \$20,775 if taking into consideration the expected credit loss rate. For the nine months ended September 30, 2018, movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, are as follows:

	For the nine months ended September 30, 2018
January 1_IFRS 9	(\$ 8,086)
Provision for impairment	(12,689)
September 30	(\$ <u>20,775</u>)

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

(BLANK)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 2)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the nine months ended September 30, 2018						
The beginning balances	\$ 229,244	\$ 85,311	\$ 1,999,498	\$ 2,314,053	\$ 73,213	\$ 2,387,266
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(169)	17,859	(17,690)	-	-	-
-Transferred to credit-impaired financial asset	(110)	(1,379)	1,489	-	-	-
-Transferred to 12-month expected credit losses	54,475	(25,658)	(28,817)	-	-	-
-Financial assets derecognised in the current period	(16,623)	(1,528)	(16,930)	(35,081)	-	(35,081)
Impairment allowance for purchased or originated financial assets	16,392	3,765	20,261	40,418	-	40,418
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	-	-	-	-	20,170	20,170
Write-off as bad debt	(59,983)	(26,093)	(62,117)	(148,193)	-	(148,193)
Change in exchange and others	(12,304)	152,112	848,182	987,990	-	987,990
The ending balances	\$ 210,922	\$ 204,389	\$ 2,743,876	\$ 3,159,187	\$ 93,383	\$ 3,252,570

For the nine months ended September 30, 2018, there were no significant changes to allowance for bad debt for accounts receivable and other financial assets.

(c) Guarantee reserve and Loan commitment reserve

For the nine months ended September 30, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
The beginning balances	\$ 94,717	\$ 7,794	\$ 64,956	\$ 167,467	\$ 162,925	\$ 330,392
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(49)	59 (	( 10)	-	-	-
-Transferred to credit-impaired financial asset	(3)	(11)	14	-	-	-
-Transferred to 12-month expected credit losses	5,269 (	4,584)	(685)	-	-	-
-Financial assets derecognised in the current period	(41,581)	(2,769)	(21,712)	(66,062)	-	(66,062)
Impairment allowance for purchased or originated financial assets	25,221	1,047	16,651	42,919	-	42,919
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	-	-	-	-	(46,696)	(46,696)
Change in exchange and others	(9,722)	19,363	3,208	12,849	-	12,849
The ending balances	<u>\$ 73,852</u>	<u>\$ 20,899</u>	<u>\$ 62,422</u>	<u>\$ 157,173</u>	<u>\$ 116,229</u>	<u>\$ 273,402</u>

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

(d) Bills and bonds investments

For the nine months ended September 30, 2018, the beginning balances of the cumulative impairment of financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost were \$140,469 and \$119,664, respectively; the ending balances were \$90,211 and \$139,503, 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 nine months ended September 30, 2018			
	September 30, 2018	VaR Average	VaR Minimum	VaR Maximum
Interest rate	110,635	118,390	93,021	151,661
Equity securities	236,545	242,190	192,848	280,222
Foreign exchange	407,173	399,326	328,062	467,967
Commodity	5,906	10,240	2,480	21,813
Less: diversification effects	(290,508)	(257,453)	-	-
Total VaR	469,751	512,693	453,777	584,211

Instrument type	For the nine months ended September 30, 2017			
	September 30, 2017	VaR Average	VaR Minimum	VaR Maximum
Interest rate	109,226	132,703	109,226	155,881
Equity securities	261,938	275,708	223,982	347,005
Foreign exchange	272,470	229,971	192,063	303,641
Commodity	16,894	26,433	7,969	129,582
Less: diversification effects	(255,892)	(227,077)	-	-
Total VaR	404,636	437,738	356,844	503,713

- (b) Non-trading purpose

Sensitivity analysis on interest rate:

	Interest rate shift	September 30, 2018	December 31, 2017	September 30, 2017
		Effect on other comprehensive income	Effect on other comprehensive income	Effect on other comprehensive income
Financial assets at fair value through other comprehensive income/available-for-sale financial assets-Bonds				
Yuanta Bank	Increase of 1 basis point	(\$ 17,561)	(\$ 25,732)	(\$ 26,765)
Yuanta Life	Increase of 1 basis point	(23,419)	(31,579)	(25,281)

d. As of September 30, 2018, December 31, 2017 and September 30, 2017, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

	September 30, 2018		December 31, 2017		September 30, 2017	
	Carrying amount		Carrying amount		Carrying amount	
	USD position	(NTD)	USD position	(NTD)	USD position	(NTD)
Foreign currency denominated financial assets						
Cash and cash equivalents	\$ 776,546	\$ 23,724,252	\$ 565,102	\$ 16,822,917	\$ 571,840	\$ 17,329,616
Financial assets at fair value through profit or loss	939,481	28,702,092	1,004,251	29,974,876	1,052,764	31,904,023
Financial assets at fair value through other comprehensive income	2,099,072	64,128,744	-	-	-	-
Held-to-maturity financial assets	4,102,695	125,341,435	2,786,242	83,163,756	2,558,664	77,540,304
Bills discounted and loans	2,838,614	86,722,497	2,966,829	88,553,919	3,420,417	103,655,736
Foreign currency denominated financial liabilities						
Bills and bonds payable under repurchase agreements	952,212	29,091,022	1,334,315	39,826,638	736,624	22,323,405
Deposits and remittances	4,095,014	125,106,776	4,702,896	140,327,792	5,089,281	154,230,661
Other liabilities	738,213	22,553,143	553,396	16,517,772	743,900	22,543,876

Note: As of September 30, 2018, December 31, 2017 and September 30, 2017, USD to TWD exchange rates were 30.551, 29.848 and 30.305, respectively.

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

	September 30, 2018		December 31, 2017		September 30, 2017	
	Carrying amount		Carrying amount		Carrying amount	
	KRW position	(NTD)	KRW position	(NTD)	KRW position	(NTD)
Effect on profit or loss						
Financial assets						
Cash and cash equivalents	\$ 768,419,352	\$ 21,169,953	\$ 637,072,906	\$ 17,774,334	\$ 670,411,601	\$ 17,698,866
Financial assets at fair value through profit or loss	2,507,693,594	69,086,959	2,644,460,498	73,780,448	2,562,796,726	67,657,834
Financial assets at fair value through other comprehensive income	224,795,254	6,193,109	-	-	-	-
Accounts receivable	293,658,389	8,090,289	304,848,612	8,505,276	390,907,760	10,319,965
Prepayments and other receivables	60,802,051	1,675,097	48,043,787	1,340,422	27,294,453	720,574
Other current assets	180,326,899	4,968,006	223,321,861	6,230,680	235,118,601	6,207,131
Non-current assets	385,808,002	10,629,010	656,756,945	18,323,519	642,813,094	16,970,266
Financial liabilities						
Financial liabilities at fair value through profit or loss	1,198,077,687	33,007,040	1,907,149,701	53,209,477	1,418,299,031	37,443,094
Bonds sold under repurchase agreements	3,362,724,563	92,643,062	3,267,723,425	91,169,484	3,073,408,790	81,137,992
Guarantee deposit-in and margin deposits	-	-	2,571,171	71,736	2,821,140	74,478
Other current liabilities	283,134,673	7,800,360	161,425,771	4,503,779	76,281,912	2,013,842
Non-current liabilities	170,037,234	4,684,526	154,469,886	4,309,710	151,828,729	4,008,278
Effect on profit or loss and equity						
Financial assets						
Equity investments accounted for under the equity method	64,138,695	1,767,021	52,486,779	1,464,381	57,585,418	1,520,255

Note: As of September 30, 2018, December 31, 2017 and September 30, 2017, the KRW to TWD exchange rate were 0.028, 0.028 and 0.026, 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)

September 30, 2018

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 61,171,571	\$ 1,816,126	\$ 148,416	\$ 63,136,113
Due from Central Bank and call loans to other banks	25,270,801	11,199,863	9,052,588	45,523,252
Financial assets at fair value through profit or loss	327,741,163	33,275,210	122,318,912	483,335,285
Financial assets at fair value through other comprehensive income	9,310,776	12,137,182	208,859,797	230,307,755
Investments in bills and bonds under resale agreements	33,591,895	-	-	33,591,895
Receivables	136,530,180	35,800,929	2,136,210	174,467,319
Bills discounted and loans	144,966,075	160,480,668	454,712,729	760,159,472
Reinsurance assets	472,508	-	-	472,508
Financial assets at amortised cost	99,912,713	10,207,432	230,816,383	340,936,528
Restricted assets	-	-	2,632,900	2,632,900
Other financial assets	49,013,953	45,569	4,173,619	53,233,141
Other assets	10,471,042	5,217,640	9,542,255	25,230,937
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	53,096,081	32,950,958	-	86,047,039
Cash outflow	(51,175,612)	(31,977,229)	-	(83,152,841)
Net settlement	113,743	1,537,095	2,092,357	3,743,195
Total	\$ 900,486,889	\$ 272,691,443	\$ 1,046,486,166	\$ 2,219,664,498
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 28,032,321	\$ 4,854,384	\$ 10,000	\$ 32,896,705
Financial liabilities at fair value through profit or loss	4,215,410	1,365,118	6,798,304	12,378,832
Bills and bonds payable under repurchase agreements	136,283,736	27,159,606	41,111,959	204,555,301
Commercial paper payable	45,831,329	1,350,610	-	47,181,939
Payables	145,464,639	16,950,176	522,072	162,936,887
Deposits and remittances	356,888,030	384,133,407	275,291,929	1,016,313,366
Bonds payable	13,905,531	8,099,608	47,504,554	69,509,693
Other borrowings	57,585,079	5,551,079	10,056,060	73,192,218
Other financial liabilities	58,880,137	4,309,465	12,180,052	75,369,654
Other liabilities	34,549,607	687,657	4,044,436	39,281,700
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(48,219,483)	(30,830,190)	(282,903)	(79,332,576)
Cash outflow	50,104,857	31,739,743	310,256	82,154,856
Net settlement	346,051	2,691,817	2,501,141	5,539,009
Total	\$ 883,867,244	\$ 458,062,480	\$ 400,047,860	\$ 1,741,977,584

December 31, 2017

Financial assets	0-90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 62,546,422	\$ 1,362,519	\$ 98,629	\$ 64,007,570
Due from Central Bank and call loans to other banks	34,723,838	10,088,513	9,578,599	54,390,950
Financial assets at fair value through profit or loss	337,411,059	36,060,440	59,195,364	432,666,863
Available-for-sale financial assets	136,767,685	35,308,708	223,440,402	395,516,795
Investments in bills and bonds under resale agreements	34,824,282	3,678	-	34,827,960
Receivables	140,586,585	33,740,311	2,407,778	176,734,674
Bills discounted and loans	141,011,788	149,122,493	483,979,294	774,113,575
Reinsurance assets	435,887	-	-	435,887
Held-to-maturity financial assets	2,569,597	2,596,169	138,644,704	143,810,470
Restricted assets	-	-	2,722,678	2,722,678
Other financial assets	39,996,265	1,992,088	52,161,935	94,150,288
Other assets	16,954,966	5,813,116	5,867,387	28,635,469
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	16,688,949	3,641,627	1,158,754	21,489,330
Cash outflow	(15,530,585)	(2,501,629)	-	(18,032,214)
Net settlement	623,507	473,010	540,853	1,637,370
Total	\$ 949,610,245	\$ 277,701,043	\$ 979,796,377	\$ 2,207,107,665
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 9,797,387	\$ 3,712,775	\$ 10,000	\$ 13,520,162
Financial liabilities at fair value through profit or loss	9,317,142	7,249,381	2,684,468	19,250,991
Bills and bonds payable under repurchase agreements	126,209,351	34,380,971	36,510,867	197,101,189
Commercial paper payable	44,658,638	45,449	-	44,704,087
Payables	157,121,053	11,043,289	541,029	168,705,371
Deposits and remittances	365,544,964	390,472,947	300,006,378	1,056,024,289
Bonds payable	13,143,088	9,439,399	43,233,271	65,815,758
Other borrowings	71,403,717	351,054	-	71,754,771
Other financial liabilities	51,543,490	6,081,888	12,473,536	70,098,914
Other liabilities	26,527,964	980,632	2,144,932	29,653,528
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(18,516,789)	(5,144,437)	(603,317)	(24,264,543)
Cash outflow	19,762,484	6,222,774	1,785,898	27,771,156
Net settlement	3,053	2,973	237,643	243,669
Total	\$ 876,515,542	\$ 464,839,095	\$ 399,024,705	\$ 1,740,379,342

September 30, 2017

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 58,787,883	\$ 1,362,811	\$ 65,644	\$ 60,216,338
Due from Central Bank and call loans to other banks	35,886,529	9,676,503	9,726,073	55,289,105
Financial assets at fair value through profit or loss	325,953,099	38,520,124	43,451,063	407,924,286
Available-for-sale financial assets	62,870,789	46,923,053	255,878,803	365,672,645
Investments in bills and bonds under resale agreements	36,102,296	-	-	36,102,296
Receivables	132,719,968	35,283,888	2,055,490	170,059,346
Bills discounted and loans	166,237,396	148,574,875	487,909,864	802,722,135
Reinsurance assets	545,612	-	-	545,612
Held-to-maturity financial assets	520,166	1,869,802	123,668,273	126,058,241
Restricted assets	-	-	3,508,592	3,508,592
Other financial assets	42,924,612	949,830	59,659,766	103,534,208
Other assets	15,919,583	6,196,271	5,411,315	27,527,169
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	15,402,427	4,255,834	1,370,832	21,029,093
Cash outflow	(14,639,699)	(3,043,374)	-	(17,683,073)
Net settlement	422,678	786,516	725,559	1,934,753
Total	\$ 879,653,339	\$ 291,356,133	\$ 993,431,274	\$ 2,164,440,746
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 18,467,063	\$ 5,217,161	\$ -	\$ 23,684,224
Financial liabilities at fair value through profit or loss	8,747,734	6,662,550	5,458,394	20,868,678
Bills and bonds payable under repurchase agreements	102,654,269	34,394,477	30,241,764	167,290,510
Commercial paper payable	37,824,826	1,311,174	-	39,136,000
Payables	149,956,254	11,880,047	1,089,701	162,926,002
Deposits and remittances	373,118,177	386,463,088	307,510,149	1,067,091,414
Bonds payable	21,628,160	3,561,925	43,373,865	68,563,950
Other borrowings	65,998,879	8,212	329,175	66,336,266
Other financial liabilities	50,927,786	6,354,206	12,322,918	69,604,910
Other liabilities	6,302,950	4,436,458	14,065,320	24,804,728
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(12,215,231)	(4,276,770)	(610,336)	(17,102,337)
Cash outflow	13,414,488	5,473,382	2,005,277	20,893,147
Net settlement	182,271	375,850	672,902	1,231,023
Total	\$ 837,007,626	\$ 461,861,760	\$ 416,459,129	\$ 1,715,328,515

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 September 30, 2018, December 31, 2017 and September 30, 2017, expenses on period of 0-90 days will increase by \$363,241,050, \$370,082,218 and \$379,968,487, 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:

	September 30, 2018			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 29,669,866	\$ -	\$ -	\$ 29,669,866
Non-revocable credit card commitments	121,445,571	-	-	121,445,571
Unused credit commitment	4,396,389	-	-	4,396,389
Guarantees	14,714,308	-	-	14,714,308
Lease contract commitment				
Operating lease expense (lessee)	1,281,738	2,693,245	2,404,781	6,379,764
Operating income (lessor)	113,020	118,600	7,233	238,853
Total financial lease expense (lessee)	144	-	-	144
Financial lease expense at present value (lessee)	137	-	-	137
Total financial lease income (lessor)	27,300	35,966	-	63,266
Financial lease income at present value (lessor)	25,545	32,512	-	58,057
Capital expenditure commitment	1,012,649	518,207	-	1,530,856

	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
	September 30, 2017			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 26,400,007	\$ 6,233,941	\$ 108,324	\$ 32,742,272
Non-revocable credit card commitments	126,050,961	278,418	644,193	126,973,572
Unused credit commitment	4,299,138	-	-	4,299,138
Guarantees	28,013,803	1,437,469	7,140	29,458,412
Lease contract commitment				
Operating lease expense (lessee)	1,231,568	2,882,065	90,747	4,204,380
Operating income (lessor)	130,127	146,780	-	276,907
Total financial lease expense (lessee)	541	181	-	722
Financial lease expense at present value (lessee)	514	138	-	652
Total financial lease income (lessor)	32,006	53,428	-	85,434
Financial lease income at present value (lessor)	29,244	48,261	-	77,505
Capital expenditure commitment	439,139	101,791	-	540,930

(D) Transfer of financial assets

Transferred financial assets not fully derecognised

A. The Yuanta Group has financial assets that are fully or partially derecognised through transactions of transfer of financial assets to others. When the Yuanta Group receives the contract right of cash flow from the financial assets, or retains the above rights but bears obligation to pay the cash flow to one or more recipients and the risks and compensation of rights are mostly transferred, the assets should be derecognised. If the Yuanta Group still retains most of the risks and compensation of rights, the Yuanta Group should continue recognises the financial assets. If the Yuanta Group does not transfer or retains most of the risks and compensation of rights and maintains control over the assets, the Yuanta Group should continue recognise the part of financial assets that are involved.

B. Financial assets that do not meet the derecognition conditions are mainly: (1) convertible bonds transferred to counterparties during transactions of exchanging assets and (2) bonds sold under repurchase agreements. The targeted assets exchanged in the transactions are either acquired through public subscription, book building, auctions or others by the Yuanta Group or owned by the Yuanta Group for proprietary trading, and

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

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

September 30, 2018		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 14,075,010	\$ 13,069,435
Bond sold under repurchase agreements	207,758,078	204,555,301
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
September 30, 2017		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 11,103,961	\$ 10,149,038
Bond sold under repurchase agreements	173,761,882	167,290,510

(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

September 30, 2018							
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements							
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)			Net amount (e)=(c)-(d)
				Financial instruments (Note 2)	Cash collateral received		
Derivative instruments	\$ 11,398,043	\$ -	\$ 11,398,043	\$ 6,732,979	\$ 215,738		\$ 4,449,326
Bonds purchased under resale agreements	33,591,895	-	33,591,895	31,852,123	1,737,987		1,785
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
September 30, 2017							
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements							
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)			Net amount (e)=(c)-(d)
				Financial instruments (Note 2)	Cash collateral received		
Derivative instruments	\$ 8,893,524	\$ -	\$ 8,893,524	\$ 6,348,849	\$ 565,191		\$ 1,979,484
Bonds purchased under resale agreements	36,102,296	-	36,102,296	35,611,396	490,709		191

B. Financial liabilities

September 30, 2018

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial assets set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 16,559,325	\$ -	\$ 16,559,325	\$ 10,587,091	\$ 4,357,369	\$ 1,614,865
Bonds sold under repurchase agreements	204,555,301	-	204,555,301	204,350,810	204,491	-

December 31, 2017

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial assets set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 11,517,641	\$ -	\$ 11,517,641	\$ 8,127,795	\$ 1,923,966	\$ 1,465,880
Bonds sold under repurchase agreements	197,101,189	-	197,101,189	196,910,430	35,715	155,044

September 30, 2017

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial assets set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 15,644,775	\$ 1,311	\$ 15,643,464	\$ 11,823,862	\$ 2,631,325	\$ 1,188,277
Bonds sold under repurchase agreements	167,290,510	-	167,290,510	167,171,837	27,923	90,750

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

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

Note 3: Including net settled master netting arrangements.

(F) Insurance risk

a. Measurement and management of insurance risk

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

insurance, accident insurance, and health insurance. The risks and management for the above products are as follows:

(a) Life insurance

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

(b) Variable life insurance

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

(c) Accident insurance and health insurance

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

I. Management of insurance risk

i. Risk management of policy underwriting

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

ii. Risk management of payment of claims

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

iii. Risk of product designing and pricing

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

b. Insurance risk concentration

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

c. Liability adequacy test

According to the relevant insurance regulation, the assumption factors adopted have been locked-in during pricing. However, the assumption may vary from the actual experience as time goes by. Pursuant to IFRS 4, ‘Insurance contracts’, the Yuanta Group should perform liability adequacy test accordingly to determine whether or not the recognised insurance liability is adequate. In respect of overall insurance contracts of the Yuanta Group as of September 30, 2018, December 31, 2017 and September 30, 2017, the liabilities will still be adequate on the assumption that the mortality, lapse, and expense rates all change by 10% and inflation rate changes by 1%.

If the discount rate of the liability adequacy test decreases by 10 basis points, the liability recognised is still deemed to be adequate and should not influence income before tax and other comprehensive income. If the discount rate of the adequacy test decreases significantly, the change would impact income before tax and other comprehensive income.

d. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risks primarily refer to the risk of a reinsurer’s failure to fulfil its obligations

on the ceded business, which leads to its inability to share its stake of the premiums, claims and other expenses. To manage this risk, the Yuanta Group will, all conditions being equal, foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance with the reinsurance risk management plan as set by the Yuanta Group. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees shall be paid on a net basis by deducting any receivables or share of payments recoverable from the reinsurer. In addition, the Yuanta Group will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Yuanta Group to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

After ceding the business, the Yuanta Group will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer leading to its failure to meet the minimum requirement of being an eligible reinsurer as stipulated by the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”, the Yuanta Group will disclose reinsurance reserve as required to monitor the adverse impacts from the downgraded reinsurer on the Yuanta Group.

Currently, the credit ratings of all reinsurance counterparties of the Yuanta Group have met the eligibility standards as stipulated by the regulations.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the Yuanta Group’s failure to realise the assets or to obtain sufficient funding in time to fulfil its obligations on insurance benefits payment. To manage the risk, the Yuanta Group regularly conducts maturity analysis on the insurance contracts and reviews the matching of assets and liabilities.

The table below shows the net liability cash flow analysis on the insurance portfolio of the Yuanta Group by maturity (excluding net cash flow from investing activities). The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future time point. The future actual amounts may vary as the actual experience may be different from the expected amounts.

Net cash flows used in (provided by) the insurance contracts:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Less than 1 year	(\$ 27,714,132)	(\$ 23,176,211)	(\$ 23,487,750)
1 ~5 years	(1,402,451)	(15,764,816)	(25,913,545)
5 ~15 years	79,703,911	78,131,729	79,048,880
More than 15 years	<u>475,363,159</u>	<u>440,488,107</u>	<u>423,259,308</u>
Total	<u>\$ 525,950,487</u>	<u>\$ 479,678,809</u>	<u>\$ 452,906,893</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:

None.

(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.

None.

(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 nine months ended September 30, 2018 is as follows:

(Expressed In Thousands of New Taiwan Dollars)

Item	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 10,770,974	\$ 3,041,705	\$ 320,000	\$ 535,947	\$ 5,004,125	(\$ 233,847)	\$ 19,438,904
Net non-interest income (loss)	6,784,045	24,908,663	1,477,789	64,247	20,470,214	2,298,248	56,003,206
Net profit	17,555,019	27,950,368	1,797,789	600,194	25,474,339	2,064,401	75,442,110
Bad debt recovery (expenses) and reserve for guarantee liabilities	(497,222)	(189,868)	(99,107)	(6,822)	1,114	-	(791,905)
Net change in provisions for insurance liabilities	-	-	-	-	(22,956,933)	-	(22,956,933)
Operating expenses	(8,359,622)	(17,947,508)	(849,939)	(105,259)	(1,164,012)	(1,737,670)	(30,164,010)
Net income from continuing operations before income tax	8,698,175	9,812,992	848,743	488,113	1,354,508	326,731	21,529,262
Income tax (expense) benefits	(1,145,191)	(1,191,643)	(170,037)	(58,547)	212,670	(1,042,542)	(3,395,290)
Consolidated income (loss), net of tax	\$ 7,552,984	\$ 8,621,349	\$ 678,706	\$ 429,566	\$ 1,567,178	(\$ 715,811)	\$ 18,133,972

Information by business segments for the nine months ended September 30, 2017 is as follows:

Item	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income	\$ 8,794,050	\$ 1,651,938	\$ 214,075	\$ 435,057	\$ 3,827,591	\$ 2,049,805	\$ 16,972,516
Net non-interest income	5,877,201	20,312,450	1,202,821	68,272	18,627,377	1,876,927	47,965,048
Net profit	14,671,251	21,964,388	1,416,896	503,329	22,454,968	3,926,732	64,937,564
Bad debt expenses and reserve for guarantee liabilities	(285,216)	(191,109)	-	(1,022)	(1,249)	(171,992)	(650,588)
Net change in provisions for insurance liabilities	-	-	-	-	(20,762,369)	118,265	(20,644,104)
Operating expenses	(8,712,680)	(15,755,553)	(714,307)	(105,800)	(832,377)	(1,762,566)	(27,883,283)
Net income from continuing operations before income tax	5,673,355	6,017,726	702,589	396,507	858,973	2,110,439	15,759,589
Income tax (expense) benefits	(769,097)	(361,162)	(101,323)	(41,913)	163,869	(700,310)	(1,809,936)
Loss from discontinued operations, net of tax	(326,718)	-	-	-	-	(27,624)	(354,342)
Consolidated income, net of tax	\$ 4,577,540	\$ 5,656,564	\$ 601,266	\$ 354,594	\$ 1,022,842	\$ 1,382,505	\$ 13,595,311

(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
September 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>LIABILITIES AND EQUITY</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Cash and cash equivalents	\$ 7,525,372	\$ 4,871,733	Commercial paper payable - net	\$ -	\$ 4,531,552
Available-for-sale financial assets - net	-	18,585	Payables	5,084,729	4,714,079
Financial assets at fair value through other comprehensive income	22,307	-	Current income tax liabilities	2,885,878	3,396,932
Investments in bills and bonds under resale agreements	467,296	1,449,149	Bonds payable	26,750,000	19,750,000
Receivables - net	1,510,776	2,041,310	Preferred stock liabilities	-	3,972,208
Current income tax assets	324,642	494,629	Liabilities reserve	38,543	35,095
Equity investments accounted for under the equity method - net	241,734,258	236,678,565	Other liabilities	10,284	8,284
Property and equipment - net	24,535	26,263	Total liabilities	<u>34,769,434</u>	<u>36,408,150</u>
Intangible assets - net	3,993	4,525	Equity		
Deferred income tax assets	34,102	25,038	Common stock	116,862,325	119,986,478
Other assets - net	14,407	36,532	Additional paid-in capital	37,132,133	38,158,922
			Retained earnings		
			Legal reserve	10,721,262	9,100,767
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	41,057,258	32,113,634
			Other equity	4,767,648	4,818,263
			Treasury shares	(197,606)	(1,489,119)
			Total equity	<u>216,892,254</u>	<u>209,238,179</u>
Total assets	<u>\$ 251,661,688</u>	<u>\$ 245,646,329</u>	Total liabilities and equity	<u>\$ 251,661,688</u>	<u>\$ 245,646,329</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Share of the profit or loss of the subsidiaries, associates and joint ventures accounted for using the equity method	\$ 18,181,243	\$ 14,061,951
Realised gain on available-for-sale financial assets	-	439
Gain on financial (liabilities) assets at fair value through profit or loss	974	-
Other revenues	<u>110,765</u>	<u>135,993</u>
	<u>18,292,982</u>	<u>14,198,383</u>
Expenses and losses		
Operating expenses	(607,962)	(502,797)
Other expenses and losses	(163,539)	(518,999)
	<u>(771,501)</u>	<u>(1,021,796)</u>
Income from continuing operations before income tax	17,521,481	13,176,587
Income tax expense	(826,491)	(485,427)
Net income	<u>16,694,990</u>	<u>12,691,160</u>
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss (net of tax)		
Evaluation gains on investments in equity instruments measured at fair value through other comprehensive income	3,041	-
Share of other comprehensive income of the subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	2,129,168	(6,224)
Components of other comprehensive income that will be reclassified to profit or loss (net of tax)		
Unrealised gain on valuation of available-for-sale financial assets	-	1,603
Share of other comprehensive income of the subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	(3,878,468)	<u>295,290</u>
Other comprehensive (loss) income	<u>(1,746,259)</u>	<u>290,669</u>
Total comprehensive income	<u>\$ 14,948,731</u>	<u>\$ 12,981,829</u>
Earnings per share (in dollars)		
Basic and diluted earnings per share	<u>\$ 1.42</u>	<u>\$ 1.07</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Change in Equity
For the nine months ended September 30, 2018 and 2017
(Expressed In Thousands of New Taiwan Dollars)

	Retained Earnings					Other equity							Total equity
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk	Other comprehensive income on reclassification under the overlay approach	Treasury shares	
For the nine months ended September 30, 2017													
Balance, January 1, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,357	\$ 6,549,234	\$ 26,132,832	(\$ 2,085,028)	\$ -	\$ 6,608,175	\$ 1,602	(\$ 461)	\$ -	(\$ 1,498,603)	\$ 201,409,875
Appropriation of 2016 earnings:													
Legal reserve	-	-	1,341,410	-	(1,341,410)	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	-	(5,365,642)	-
Consolidate net income for the period	-	-	-	-	12,691,160	-	-	-	-	-	-	-	12,691,160
Other comprehensive income (loss) for the period	-	-	-	-	(3,306)	(1,263,664)	-	1,560,387	170	(2,918)	-	-	290,669
Total comprehensive income (loss) for the period	-	-	-	-	12,687,854	(1,263,664)	-	1,560,387	170	(2,918)	-	-	12,981,829
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	148,750	-	-	-	-	-	-	-	-	-	9,484	158,234
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	49,009	-	-	-	-	-	-	-	-	-	-	49,009
Changes in ownership interest in subsidiaries	-	4,874	-	-	-	-	-	-	-	-	-	-	4,874
Balance, September 30, 2017	\$ 119,986,478	\$ 38,158,922	\$ 9,100,767	\$ 6,549,234	\$ 32,113,634	(\$ 3,348,692)	\$ -	\$ 8,168,562	\$ 1,772	(\$ 3,379)	\$ -	(\$ 1,489,119)	\$ 209,238,179
For the nine months ended September 30, 2018													
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,693	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ -	\$ 7,085,896	\$ -	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$ 211,195,753
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	8,821,188	(7,085,896)	-	62,367	389,832	-	(840,831)
Equity at beginning of period after adjustments	118,891,975	37,960,693	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,188	-	-	58,889	389,832	(1,136,953)	210,354,922
Appropriation of 2017 earnings:													
Legal reserve	-	-	1,620,495	-	(1,620,495)	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	(6,492,536)	-
Consolidate net income for the period	-	-	-	-	16,694,990	-	-	-	-	-	-	-	16,694,990
Other comprehensive income (loss) for the period	-	-	-	-	14,789	59,455	(1,468,756)	-	-	5,632	(357,379)	-	(1,746,259)
Total comprehensive income (loss) for the period	-	-	-	-	16,709,779	59,455	(1,468,756)	-	-	5,632	(357,379)	-	14,948,731
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	-	(1,919,001)	(1,919,001)
Retirement of treasury share	(2,029,650)	(828,698)	-	-	-	-	-	-	-	-	-	2,858,348	-
Changes in ownership interest in subsidiaries	-	138	-	-	-	-	-	-	-	-	-	-	138
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	213,251	(213,251)	-	-	-	-	-	-	-
Balance, September 30, 2018	\$ 116,862,325	\$ 37,132,133	\$ 10,721,262	\$ 6,549,234	\$ 41,057,258	(\$ 2,468,507)	\$ 7,139,181	\$ -	\$ -	\$ 64,521	\$ 32,453	(\$ 197,606)	\$ 216,892,254

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

	For the nine months ended September 30,	
	2018	2017
<u>Cash Flows From Operating Activities</u>		
Profit before tax	\$ 17,521,481	\$ 13,176,587
Adjustment items		
Adjustments to reconcile profit or loss		
Depreciation	6,224	6,322
Amortization	1,318	1,540
Gain on financial assets and financial liabilities at fair value through profit or loss	-	29,195
Interest expense	163,472	336,686
Interest income	(53,390)	(120,937)
Dividend income	-	(29,444)
Share of the profit or loss of the subsidiaries, associates and joint ventures accounted for using the equity method	(18,181,243)	(14,061,951)
Gain on sale of property and equipment	(898)	-
Change in assets/liabilities relating to operating activities		
Decrease in receivables	15,038	1,081,247
(Increase) decrease in other assets	(8,533)	131,794
Decrease in payables	49,594	(274,949)
Increase (decrease) in liabilities reserve	340	(282)
Increase (decrease) in other liabilities	1,488	(11,356)
Interest received	49,193	124,526
Cash dividend received	13,159,162	10,188,729
Cash paid for interest	(338,414)	(312,802)
Income tax paid	(250,322)	(863,979)
Net cash provided by operating activities	12,134,510	9,400,926
<u>Cash Flows From Investing Activities</u>		
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	-	(4,000,000)
Cash refund proceeds from share of capital reduction of investee company accounted for under the equity method	-	200,000
Acquisition of property and equipment	(4,749)	(2,722)
Proceeds from disposal of property and equipment	1,295	-
Acquisition of intangible assets	(750)	-
Net cash (used in) provided by investing activities	(4,204)	197,278
<u>Cash Flows From Financing Activities</u>		
(Decrease) increase in commercial paper payable	(5,093,000)	583,000
Proceeds from issuing bonds	7,000,000	-
Increase (decrease) in other borrowings	-	(1,000,000)
Cash dividends paid	(6,492,536)	(5,365,642)
Purchase of treasury share	(1,919,001)	-
Net cash provided by (used in) financing activities	(6,504,537)	(5,782,642)
Net (decrease) increase in cash and cash equivalents	5,625,769	3,815,562
Cash and cash equivalents at beginning of period	2,366,899	2,505,320
Cash and cash equivalents at end of period	\$ 7,992,668	\$ 6,320,882
The components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheet	\$ 7,525,372	\$ 4,871,733
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	467,296	1,449,149
Cash and cash equivalents at end of reporting period	\$ 7,992,668	\$ 6,320,882

B. Yuanta Commercial Bank

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	(Restated)		LIABILITIES AND EQUITY	(Restated)	
	September 30, 2018	September 30, 2017		September 30, 2018	September 30, 2017
Cash and cash equivalents	\$ 13,188,677	\$ 18,519,292	Due to Central Bank and other banks	\$ 32,896,705	\$ 23,684,224
Due from Central Bank and call loans to other banks	43,134,791	54,135,030	Financial liabilities at fair value through profit or loss	6,098,922	7,653,850
Financial assets at fair value through profit or loss	146,034,457	110,737,050	Bills and bonds sold under repurchase agreements	9,370,073	6,555,891
Financial assets at fair value through other comprehensive income	116,371,520	-	Payables	14,251,872	19,160,776
Investments in debt instruments at amortised cost					
— net	176,632,224	-	Current income tax liabilities	336,705	502,132
Securities purchased under resell agreements	5,980,000	9,287,400	Deposits and remittances	1,044,521,291	1,092,323,750
Receivables- net	27,104,516	33,853,205	Financial debentures payable	38,700,000	43,500,000
Current income tax assets	2,425,746	2,484,926	Other financial liabilities	11,979,744	15,677,958
Assets classified as held for sale - net	-	35,451	Liabilities reserve	1,746,775	2,354,775
Bills discounted and loans- net	700,730,342	750,906,920	Deferred income tax liabilities	567,004	146,761
Available-for-sale financial assets- net	-	251,716,593	Other liabilities	1,455,500	1,531,159
Held-to-maturity financial assets- net	-	17,726,105	Total liabilities	<u>1,161,924,591</u>	<u>1,213,091,276</u>
Equity investments accounted for under the equity method- net	5,172,476	4,773,116			
Other financial assets- net	5,660	40,781,695	Common stocks	73,940,390	42,652,845
Property and equipment- net	12,889,217	12,628,729	Reserve for capitalization	25,960,441	6,038,882
Investment property- net	1,043,067	1,165,779	Retained earnings	14,046,161	12,445,725
Intangible assets- net	12,263,841	12,511,426	Other equity	723,104	(265,226)
Deferred income tax assets	516,373	822,254	Equity attributable to former owner of business combination under common control	-	51,591,398
Other assets - net	13,101,780	3,469,929	Total equity	<u>114,670,096</u>	<u>112,463,624</u>
Total assets	<u>\$ 1,276,594,687</u>	<u>\$ 1,325,554,900</u>	Total liabilities and equity	<u>\$ 1,276,594,687</u>	<u>\$ 1,325,554,900</u>

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

Item	For the nine months ended September 30,			
			(Restated)	
	2018		2017	
	Amount	%	Amount	%
Interest income	\$ 16,640,169	95	\$ 16,787,547	100
Less: Interest expense	(6,471,494)	(37)	(6,125,224)	(37)
Net interest income	10,168,675	58	10,662,323	63
Net non-interest income	7,427,926	42	6,163,520	37
Net profit	17,596,601	100	16,825,843	100
Provision for bad debt expenses, commitment and guarantee policy reserve	(484,744)	(3)	(355,561)	(2)
Operating expenses	(8,238,329)	(47)	(8,816,721)	(52)
Income from continuing operations before income tax	8,873,528	50	7,653,561	46
Income tax expense	(1,133,037)	(6)	(764,861)	(5)
Loss from discontinued operations	-	-	(202,066)	(1)
Net income	7,740,491	44	6,686,634	40
Other comprehensive (loss) income (net of tax)	(1,086,536)	(6)	552,170	3
Total comprehensive income	<u>\$ 6,653,955</u>	<u>38</u>	<u>\$ 7,238,804</u>	<u>43</u>
Basic and diluted earnings per share				
Profit attributable to the parent	<u>\$</u>	<u>1.05</u>	<u>\$</u>	<u>0.68</u>
Income from continuing operations, attributable to former owner of business combination under common control	\$	-	\$	0.25
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>0.22</u>
Basic and diluted earnings per share	<u>\$</u>	<u>1.05</u>	<u>\$</u>	<u>0.90</u>

C. Yuanta Securities

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018	September 30, 2017	LIABILITIES AND EQUITY	September 30, 2018	September 30, 2017
Current assets	\$ 288,089,254	\$ 265,919,384	Current liabilities	\$ 249,436,188	\$ 230,281,728
Financial assets at fair value through profit or loss	-	50,549	Deferred income tax liabilities	2,484,513	1,931,342
Financial assets at fair value through other comprehensive income	5,221,949	-	Other non-current liabilities	1,883,218	1,465,997
Available-for-sale financial assets	-	3,473,466	Total liabilities	<u>253,803,919</u>	<u>233,679,067</u>
Held-to-maturity financial assets	-	798,036			
Equity investments accounted for under the equity method	32,312,753	29,762,955			
Property and equipment	4,519,495	4,672,656	Common stocks	54,056,442	54,056,442
Investment property	2,835,674	2,705,373	Additional paid-in capital	1,790,312	1,791,392
Intangible assets	11,790,722	12,211,030	Retained earnings	37,314,643	32,914,401
Deferred income tax assets	982,274	572,564	Other equity	456,825	(472,209)
Other non-current assets	1,670,020	1,803,080	Total equity	<u>93,618,222</u>	<u>88,290,026</u>
Total assets	<u>\$ 347,422,141</u>	<u>\$ 321,969,093</u>	Total liabilities and equity	<u>\$ 347,422,141</u>	<u>\$ 321,969,093</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Revenues	\$ 16,272,117	100	\$ 13,600,514	100
Service fee expense	(565,164)	(3)	(442,201)	(3)
Employee benefit expense	(4,986,942)	(31)	(4,673,222)	(34)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	1,856,814	11	1,009,875	8
Operating expenses	(3,834,170)	(23)	(3,521,397)	(27)
Income from continuing operations before income tax	8,742,655	54	5,973,569	44
Income tax expense	(944,532)	(6)	(276,024)	(2)
Net income	7,798,123	48	5,697,545	42
Other comprehensive income (loss) (net of tax)	224,965	1	(765,084)	(6)
Total comprehensive income	<u>\$ 8,023,088</u>	<u>49</u>	<u>\$ 4,932,461</u>	<u>36</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.44</u>	<u>\$</u>	<u>1.04</u>

D. Yuanta Futures

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018	September 30, 2017	LIABILITIES AND EQUITY	September 30, 2018	September 30, 2017
Current assets	\$ 61,794,191	\$ 54,310,625	Current liabilities	\$ 57,480,847	\$ 50,195,267
Financial assets at fair value through other comprehensive income	1,370,777	-	Non-current liabilities	68,603	68,363
Available-for-sale financial assets	-	1,256,949	Total liabilities	<u>57,549,450</u>	<u>50,263,630</u>
Equity investments accounted for under the equity method	991,837	738,048	Common stocks	2,322,763	2,322,763
Property and equipment	541,568	558,329	Additional paid-in capital	940,976	940,976
Intangible assets	41,224	30,753	Retained earnings	3,528,820	3,032,029
Deferred income tax assets	13,281	8,645	Other equity	<u>1,101,017</u>	<u>945,710</u>
Other non-current assets	<u>690,148</u>	<u>601,759</u>	Total equity	<u>7,893,576</u>	<u>7,241,478</u>
Total assets	<u>\$ 65,443,026</u>	<u>\$ 57,505,108</u>	Total liabilities and equity	<u>\$ 65,443,026</u>	<u>\$ 57,505,108</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 2,493,206	100	\$ 2,145,489	100
Service fee expense	(447,744)	(18)	(383,027)	(18)
Employee benefit expense	(411,912)	(17)	(376,856)	(18)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(10,889)	-	(30,354)	(2)
Operating expenses	(767,040)	(30)	(639,885)	(29)
Income from continuing operations before income tax	855,621	35	715,367	33
Income tax expense	(170,037)	(7)	(101,323)	(5)
Net income	685,584	28	614,044	28
Other comprehensive income (net of tax)	205,418	8	17,260	1
Total comprehensive income	<u>\$ 891,002</u>	<u>36</u>	<u>\$ 631,304</u>	<u>29</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>2.95</u>	<u>\$</u>	<u>2.64</u>

E. Yuanta Securities Finance

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018	September 30, 2017	LIABILITIES AND EQUITY	September 30, 2018	September 30, 2017
Current assets	\$ 25,122,938	\$ 22,252,099	Current liabilities	\$ 19,407,615	\$ 17,436,810
Financial assets at fair value through other comprehensive income	3,731,437	-	Non-current liabilities	23,381	24,191
Available-for-sale financial assets	-	5,196,543	Total liabilities	19,430,996	17,461,001
Held-to-maturity financial assets	-	104,880			
Financial assets at amortised cost	103,672	-			
Property and equipment	275,095	262,223	Common stocks	4,000,000	4,000,000
Investment property	211,685	214,372	Additional paid-in capital	28,301	28,301
Intangible assets	7,808	3,899	Retained earnings	3,032,057	2,398,545
Deferred income tax assets	28,624	25,124	Other equity	3,358,655	4,533,885
Other non-current assets	368,750	362,592	Total equity	10,419,013	10,960,731
Total assets	<u>\$ 29,850,009</u>	<u>\$ 28,421,732</u>	Total liabilities and equity	<u>\$ 29,850,009</u>	<u>\$ 28,421,732</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 647,718	100	\$ 522,648	100
Operating costs	(216,639)	(33)	(170,121)	(33)
Operating expenses	(120,474)	(19)	(117,162)	(22)
Impairment on expected credit losses	(6,823)	(1)	-	-
Net operating profit	303,782	47	235,365	45
Non-operating revenues and expenses	177,241	27	159,144	30
Income from continuing operations before income tax	481,023	74	394,509	75
Income tax expense	(58,547)	(9)	(41,914)	(8)
Net income	422,476	65	352,595	67
Other comprehensive income (net of tax)	523,226	81	404,995	78
Total comprehensive income	<u>\$ 945,702</u>	<u>146</u>	<u>\$ 757,590</u>	<u>145</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.06</u>	<u>\$</u>	<u>0.88</u>

F. Yuanta Life

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018	September 30, 2017	LIABILITIES AND EQUITY	September 30, 2018	September 30, 2017
Cash and cash equivalents	\$ 5,277,125	\$ 4,607,255	Payables	\$ 1,429,073	\$ 963,268
Receivables	2,072,770	1,932,656	Current tax liabilities	8,361	-
Current income tax assets	2,072,124	1,896,433	Financial liabilities at fair value		
Financial assets at fair value			through profit or loss	1,876,189	215,090
through profit or loss	12,690,977	7,777,570	Insurance liabilities	206,815,531	170,089,655
Financial assets at fair value through			Foreign exchange reserve	726,064	235,083
other comprehensive income	25,887,073	-	Liabilities reserve	43,980	37,312
Available-for-sale financial assets	-	32,621,537	Deferred income tax liabilities	-	173,186
Financial assets at amortised cost	159,171,356	-	Other liabilities	1,453,566	1,456,948
Bond investments without active market	-	14,712,267	Investment-linked insurance		
Held-to-maturity financial assets	-	105,992,838	products liabilities	1,896,192	1,965,327
Other financial assets	2,000,000	3,000,000	Total liabilities	<u>214,248,956</u>	<u>175,135,869</u>
Loans	5,993,213	5,424,150			
Reinsurance contract assets	472,508	545,612	Common stocks	12,107,047	12,107,047
Property and equipment	4,528,993	4,522,220	Accumulated deficit	(1,792,159)	(2,192,537)
Intangible assets	70,052	68,482	Other equity	1,121,885	2,026,208
Deferred income tax assets	709,689	126,957	Total equity	<u>11,436,773</u>	<u>11,940,718</u>
Other assets	2,843,657	1,883,283	Total liabilities and equity	<u>\$ 225,685,729</u>	<u>\$ 187,076,587</u>
Investment-linked insurance					
products assets	1,896,192	1,965,327			
Total assets	<u>\$ 225,685,729</u>	<u>\$ 187,076,587</u>			

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 31,557,841	100	\$ 27,414,254	100
Operating costs	(29,908,482)	(95)	(26,331,690)	(96)
Operating expenses	(920,615)	(3)	(914,843)	(4)
Net operating income	728,744	2	167,721	-
Non-operating revenues and expenses	(1,002)	-	(3,044)	-
Gain from continuing operations before income tax	727,742	2	164,677	-
Income tax benefit	212,670	1	163,869	1
Net income	940,412	3	328,546	1
Other comprehensive (loss) income (net of tax)	(1,570,800)	(5)	268,281	1
Total comprehensive (loss) income	(\$ 630,388)	(2)	\$ 596,827	2
Earnings per share (in dollars)				
Basic and diluted earnings per share	\$	0.78	\$	0.32

G. Yuanta Securities Investment Trust

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

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>LIABILITIES AND EQUITY</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Current assets	\$ 3,043,126	\$ 2,862,285	Current liabilities	\$ 310,896	\$ 304,988
Financial assets at fair value through other comprehensive income	103,984	-	Deferred income tax liabilities	249,949	225,704
Available-for-sale financial assets	-	92,945	Other non-current liabilities	47,644	65,023
Equity investments accounted for under the equity method	135,188	244,677	Total liabilities	<u>608,489</u>	<u>595,715</u>
Property and equipment	290,515	302,112	Common stocks	2,269,235	2,269,235
Intangible assets	768,551	768,551	Additional paid-in capital	179	179
Prepaid pension cost	37,653	36,117	Retained earnings	1,592,706	1,532,576
Deferred income tax assets	371	430	Other equity	85,721	73,226
Other non-current assets	176,942	163,814	Total equity	<u>3,947,841</u>	<u>3,875,216</u>
Total assets	<u>\$ 4,556,330</u>	<u>\$ 4,470,931</u>	Total liabilities and equity	<u>\$ 4,556,330</u>	<u>\$ 4,470,931</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 1,894,398	100	\$ 1,864,167	100
Operating expenses	(885,260)	(46)	(840,601)	(45)
Operating profits	1,009,138	54	1,023,566	55
Non-operating revenues and expenses	(52,518)	(3)	(54,494)	(3)
Income from continuing operations				
before income tax	956,620	51	969,072	52
Income tax expense	(224,068)	(12)	(175,700)	(9)
Net income	732,552	39	793,372	43
Other comprehensive income				
(net of tax)	10,356	-	4,243	-
Total comprehensive income	<u>\$ 742,908</u>	<u>39</u>	<u>\$ 797,615</u>	<u>43</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>3.23</u>	<u>\$</u>	<u>3.50</u>

H. Yuanta Asset Management

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

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2018	September 30, 2017	LIABILITIES AND EQUITY	September 30, 2018	September 30, 2017
Current assets	\$ 1,910,307	\$ 1,931,713	Current liabilities	\$ 1,133,434	\$ 936,019
Financial assets at fair value through other comprehensive income	37,233	-	Non-current liabilities	7,398	5,268
Available-for-sale financial assets	-	351,125	Total liabilities	1,140,832	941,287
Property and equipment	726	891	Common stocks	1,000,000	1,500,000
Investment property	1,097,285	1,112,540	Additional paid-in capital	1,047	1,047
Intangible assets	237	91	Retained earnings	888,422	667,174
Deferred income tax assets	3,008	2,412	Other equity	19,204	289,992
Other non-current assets	709	728	Total equity	1,908,673	2,458,213
Total assets	<u>\$ 3,049,505</u>	<u>\$ 3,399,500</u>	Total liabilities and equity	<u>\$ 3,049,505</u>	<u>\$ 3,399,500</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 234,517	100	\$ 353,178	100
Operating expenses	(78,407)	(34)	(83,042)	(23)
Operating profits	156,110	66	270,136	77
Non-operating revenues and expenses	6,549	3	11,188	3
Income from continuing operations before income tax	162,659	69	281,324	80
Income tax expense	(33,184)	(14)	(46,451)	(13)
Net income	129,475	55	234,873	67
Other comprehensive income	28,608	12	7,904	2
Total comprehensive income	\$ 158,083	67	\$ 242,777	69

I. Yuanta Venture Capital

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

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>LIABILITIES AND EQUITY</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Current assets	\$ 1,697,550	\$ 1,237,628	Current liabilities	\$ 75,643	\$ 192,394
Equity investments accounted for under the equity method	915,838	885,729	Other non-current liabilities	1,500	1,280
Financial assets carried at cost	-	288,756	Total liabilities	77,143	193,674
Property and equipment	3,758	3,281	Common stocks	2,460,000	2,460,000
Deferred income tax assets	7,247	9,764	Additional paid-in capital	918	918
Other non-current assets	635	635	Retained earnings	44,753	40,960
			Other equity	42,214	(269,759)
			Total equity	2,547,885	2,232,119
Total assets	<u>\$ 2,625,028</u>	<u>\$ 2,425,793</u>	Total liabilities and equity	<u>\$ 2,625,028</u>	<u>\$ 2,425,793</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 257,701	100	\$ 6,009	100
Operating expenses	(63,700)	(24)	(28,186)	(469)
Operating profits (loss)	194,001	76	(22,177)	(369)
Non-operating revenues and expenses	425	-	(110,214)	(1,834)
Income (loss) from continuing operations before income tax	194,426	76	(132,391)	(2,203)
Income tax benefit	28,311	11	10,870	181
Net income (loss)	222,737	87	(121,521)	(2,022)
Other comprehensive loss (net of tax)	(17,258)	(7)	(67,412)	(1,122)
Total comprehensive income (loss)	<u>\$ 205,479</u>	<u>80</u>	<u>(\$ 188,933)</u>	<u>(3,144)</u>

J. Yuanta Securities Investment Consulting

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

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>LIABILITIES AND EQUITY</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Current assets	\$ 210,650	\$ 203,148	Current liabilities	\$ 76,647	\$ 74,453
Property and equipment	2,146	3,923	Non-current liabilities	<u>10,202</u>	<u>8,081</u>
Intangible assets	359	1,110	Total liabilities	<u>86,849</u>	<u>82,534</u>
Deferred income tax assets	4,818	4,333	Common stocks	100,000	100,000
Other non-current assets	6,464	6,802	Additional paid-in capital	6,017	6,017
			Retained earnings	<u>31,571</u>	<u>30,765</u>
			Total equity	<u>137,588</u>	<u>136,782</u>
Total assets	<u>\$ 224,437</u>	<u>\$ 219,316</u>	Total liabilities and equity	<u>\$ 224,437</u>	<u>\$ 219,316</u>

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

Item	For the nine months ended September 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 153,222	100	\$ 155,392	100
Operating costs	(964)	(1)	(984)	(1)
Operating expenses	(151,059)	(98)	(153,048)	(98)
Operating income	1,199	1	1,360	1
Non-operating revenues and expenses	1,308	1	1,101	-
Income from continuing operations before income tax	2,507	2	2,461	1
Income tax benefit (expense)	245	-	(513)	-
Net income	2,752	2	1,948	1
Total comprehensive income	\$ 2,752	2	\$ 1,948	1

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

A. Profitability

(A) Yuanta Financial Holdings

Unit: %

		For the nine months ended September 30,	
		2018	2017
Return on total assets	Before tax	7.07	5.44
	After tax	6.74	5.24
Return on equity	Before tax	8.20	6.42
	After tax	7.82	6.18
Net profit margin ratio		92.09	92.78

(B) Yuanta Financial Holdings and its subsidiaries

		For the nine months ended September 30,	
		2018	2017
Return on total assets	Before tax	0.94	0.72
	After tax	0.80	0.62
Return on equity	Before tax	9.32	7.09
	After tax	7.85	6.11
Net profit margin ratio		24.04	20.94

(C) Yuanta Bank

		For the nine months ended September 30,	
		2018	2017 (Note 6)
Return on total assets	Before tax	0.69	0.64
	After tax	0.60	0.58
Return on equity	Before tax	7.79	9.25
	After tax	6.80	8.47
Net profit margin ratio		43.99	47.05

(D) Yuanta Securities

		For the nine months ended September 30,	
		2018	2017
Return on total assets	Before tax	2.51	1.94
	After tax	2.24	1.85
Return on equity	Before tax	9.47	6.70
	After tax	8.45	6.39
Net profit margin ratio		44.40	40.21

(E) Yuanta Life

		For the nine months ended September 30,	
		2018	2017
Return on total assets	Before tax	0.34	0.09
	After tax	0.44	0.19
Return on equity	Before tax	6.19	1.71
	After tax	8.00	3.41
Net profit margin ratio		57.05	30.43

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

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

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

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

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

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

B. Information of Yuanta Bank is as follows:

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

Unit: In thousands of NT Dollars

Month / Year		September 30, 2018					September 30, 2017					
Business / Items		Amount of non-performing loans	Gross loans	Non-performing loan ratio	Allowance for doubtful accounts	Coverage ratio	Amount of non-performing loans	Gross loans	Non-performing loan ratio	Allowance for doubtful accounts	Coverage ratio	
Corporate banking	Secured loans	905,305	175,706,515	0.52%	2,739,108	302.56%	812,877	194,583,784	0.42%	1,113,037	136.93%	
	Unsecured loans	79,374	203,813,532	0.04%	4,464,521	5,624.66%	364,285	225,276,173	0.16%	4,925,961	1,352.23%	
Consumer banking	Residential mortgage loans	416,892	188,308,885	0.22%	2,851,262	683.93%	517,593	197,148,217	0.26%	2,984,717	576.65%	
	Cash card services	7	126,890	0.01%	1,815	25,928.57%	136	202,030	0.07%	29,309	21,550.74%	
	Small amount of credit loans	82,058	11,101,239	0.74%	175,506	213.88%	68,398	14,165,210	0.48%	897,514	1,312.19%	
	Others	Secured loans	293,595	142,144,572	0.21%	1,461,506	497.80%	275,062	137,312,941	0.20%	432,373	157.19%
		Unsecured loans	465	1,545,564	0.03%	15,736	3,384.09%	1,020	1,316,479	0.08%	2,582	253.14%
Gross loan business		1,777,696	722,747,197	0.25%	11,709,454	658.69%	2,039,371	770,004,834	0.26%	10,385,493	509.25%	

Month / Year		September 30, 2018					September 30, 2017				
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		10,575	10,832,403	0.10%	180,297	1,704.88%	5,931	11,985,874	0.05%	255,354	4,305.41%
Without recourse factoring		-	6,549,307	-	80,507	-	-	6,076,356	-	21,569	-

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

	September 30, 2018		September 30, 2017	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	115,787	56,430	158,942	73,842
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,180,054	353,029	1,173,253	361,600
Total	1,295,841	409,459	1,332,195	435,442

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, %

September 30, 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	4.14
2	Group B–Real Estate Development	3,510,880	3.06
3	Company C–Real Estate Leasing	3,500,000	3.05
4	Group D–Real Estate Development	3,464,828	3.02
5	Group E–Seasoning Manufacturing Industry	3,044,500	2.66
6	Group F–Ocean Transportation	2,501,422	2.18
7	Company G–Real Estate Development	2,412,000	2.10
8	Group H–Gaming Industry	2,342,515	2.04
9	Company I–Non-official financing business	2,274,525	1.98
10	Group J–Integrated Circuits Manufacturing	2,222,208	1.94

Unit: In thousands of NT Dollars, %

September 30, 2017 (Note 4)			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (Note 5)
1	Company A–Integrated Circuits Manufacturing	\$ 5,000,000	8.21
2	Group B–Real Estate Development	4,257,655	6.99
3	Group C–Seasoning Manufacturing Industry	2,986,500	4.91
4	Group D–Real Estate Development	2,805,881	4.61
5	Group E–Ocean Transportation	2,791,069	4.59
6	Group F–Other Metalworking Machinery Manufacturing	2,607,000	4.28
7	Company G–Real Estate Development	2,460,000	4.04
8	Company H–Non-official financing business	2,433,505	4.00
9	Company I–Manufacture of Sports Goods	2,424,400	3.98
10	Company J–Other Electric Equipment and Appliances Manufacturing	2,278,936	3.74

Ta Chong Bank – contract amounts of significant credit risk concentration

Unit: In thousands of NT Dollars, %

September 30, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (Note 6)
1	Group A–Real Estate Leasing	\$ 3,500,000	8.18
2	Group B–Financial Leasing Industry	2,790,016	6.52
3	Group C–Real Estate Development	2,351,033	5.49
4	Group D–Real Estate Development	2,323,082	5.43
5	Group E–Motorcycle Manufacturing	1,942,400	4.54
6	Group F–Other Non-classified Electronic Components Manufacturing	1,500,000	3.50
7	Group G–Other Non-classified Financial Service	1,436,549	3.36
8	Group H–Fishery Processing and Preserving Industry	1,430,396	3.34
9	Group I–Real Estate Development	1,207,742	2.82
10	Group J–Other Non-classified Electronic Components Manufacturing	1,002,831	2.34

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 September 30, 2017.

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

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

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(D) Structure analysis of time to maturity

a. Structure analysis of time to maturity (NTD)

September 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	1,119,660,342	204,748,917	113,648,512	87,773,293	81,255,708	100,784,106	531,449,806
Primary funds outflow upon maturity	1,331,230,383	59,408,692	116,308,297	174,491,047	207,641,681	308,993,971	464,386,695
Gap	(211,570,041)	145,340,225	(2,659,785)	(86,717,754)	(126,385,973)	(208,209,865)	67,063,111

September 30, 2017(note)

(Expressed in Thousands of New Taiwan Dollars)

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	721,875,488	124,548,945	73,431,530	42,340,176	39,227,551	69,878,216	372,449,070
Primary funds outflow upon maturity	886,089,124	28,649,312	70,749,821	124,295,815	123,435,264	199,153,215	339,805,697
Gap	(164,213,636)	95,899,633	2,681,709	(81,955,639)	(84,207,713)	(129,274,999)	32,643,373

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

Ta Chong Bank

September 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	429,103,786	63,681,265	49,448,800	48,334,175	45,221,230	42,090,110	180,328,206
Primary funds outflow upon maturity	518,243,664	16,527,804	49,650,176	94,725,521	95,294,835	82,842,238	179,203,090
Gap	(89,139,878)	47,153,461	(201,376)	(46,391,346)	(50,073,605)	(40,752,128)	1,125,116

b. Structure analysis of time to maturity (USD)

September 30, 2018

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	5,593,308	1,240,737	747,442	373,103	237,234	2,994,792
Primary funds outflow upon maturity	7,286,056	2,399,002	1,363,120	1,383,061	935,890	1,204,983
Gap	(1,692,748)	(1,158,265)	(615,678)	(1,009,958)	(698,656)	1,789,809

September 30, 2017(note)

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	4,218,279	1,122,589	538,403	176,273	142,891	2,238,123
Primary funds outflow upon maturity	5,411,669	1,616,608	959,722	1,042,861	969,732	822,746
Gap	(1,193,390)	(494,019)	(421,319)	(866,588)	(826,841)	1,415,377

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

Ta Chong Bank

September 30, 2017

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	6,032,205	2,339,289	1,323,893	924,112	343,012	1,101,899
Primary funds outflow upon maturity	6,751,885	2,117,980	1,586,933	1,505,151	1,372,168	169,653
Gap	(719,680)	221,309	(263,040)	(581,039)	(1,029,156)	932,246

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

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

September 30, 2018

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	705,054,590	35,046,383	15,718,444	225,614,613	981,434,030
Interest-rate-sensitive liabilities	321,710,522	473,048,476	98,849,619	41,862,660	935,471,277
Interest-rate-sensitive gap	383,344,068	(438,002,093)	(83,131,175)	183,751,953	45,962,753
Total equity					112,761,239
Ratio of interest-rate-sensitive assets to liabilities					104.91
Ratio of interest-rate-sensitive gap to equity					40.76

September 30, 2017(note)

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	491,464,738	22,952,803	13,124,121	145,675,867	673,217,529
Interest-rate-sensitive liabilities	200,421,992	358,717,566	50,408,717	32,396,389	641,944,664
Interest-rate-sensitive gap	291,042,746	(335,764,763)	(37,284,596)	113,279,478	31,272,865
Total equity					57,811,102
Ratio of interest-rate-sensitive assets to liabilities					104.87
Ratio of interest-rate-sensitive gap to equity					54.09

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

Ta Chong Bank

September 30, 2017

(Expressed in Thousands of New Taiwan Dollars, %)

	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	270,409,494	11,016,050	17,353,697	34,091,685	332,870,926
Interest-rate-sensitive liabilities	86,887,273	151,140,559	50,704,484	14,356,128	303,088,444
Interest-rate-sensitive gap	183,522,221	(140,124,509)	(33,350,787)	19,735,557	29,782,482
Total equity					42,594,749
Ratio of interest-rate-sensitive assets to liabilities					109.83
Ratio of interest-rate-sensitive gap to equity					69.92

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

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

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

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

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

September 30, 2018

(Expressed in Thousands of US Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	3,568,746	418,565	32,183	1,022,012	5,041,506
Interest-rate-sensitive liabilities	3,054,793	772,646	558,110	739,122	5,124,671
Interest-rate-sensitive gap	513,953	(354,081)	(525,927)	282,890	(83,165)
Total equity					59,287
Ratio of interest-rate-sensitive assets to liabilities					98.38
Ratio of interest-rate-sensitive gap to equity					(140.28)

September 30, 2017(note)

(Expressed in Thousands of US Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	2,819,838	178,458	42,928	853,610	3,894,834
Interest-rate-sensitive liabilities	2,711,626	576,968	565,336	-	3,853,930
Interest-rate-sensitive gap	108,212	(398,510)	(552,408)	853,610	40,904
Total equity					101,013
Ratio of interest-rate-sensitive assets to liabilities					101.06
Ratio of interest-rate-sensitive gap to equity					40.49

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

Ta Chong Bank

September 30, 2017

(Expressed in Thousands of US Dollars, %)

	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,727,804	93,334	20,932	450,017	2,292,087
Interest-rate-sensitive liabilities	931,415	313,981	796,718	26,010	2,068,124
Interest-rate-sensitive gap	796,389	(220,647)	(775,786)	424,007	223,963
Total equity					2,229
Ratio of interest-rate-sensitive assets to liabilities					110.83
Ratio of interest-rate-sensitive gap to equity					10,047.69

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			Remark
	2017 version IFRSs amount	of new stanards	2018 version IFRSs amount	
Financial assets at fair value through profit or loss	\$ 432,636,863	\$ 14,814,638	\$ 447,451,501	(a)
Available-for-sale financial assets- net	395,516,795	(395,516,795)	-	(a)
Financial assets at fair value other comprehensive income	-	286,648,151	286,648,151	(a)
Financial assets at amortised cost	-	289,871,484	289,871,484	(a)
Receivables - net	175,314,970	(165,163)	175,149,807	(b)
Bills discounted and loans- net	762,319,040	(2,697,619)	759,621,421	(b)
Held-to-maturity financial assets	143,810,470	(143,810,470)	-	(a)
Investments accounted for using equity method- net	1,675,124	561	1,675,685	(c)
Other financial assets- net	93,469,307	(50,186,062)	43,283,245	(b)
Deferred tax assets	5,642,845	296,160	5,939,005	(d)
Total assets	<u>\$ 2,010,385,414</u>	<u>(\$ 745,115)</u>	<u>\$ 2,009,640,299</u>	
Affected items	Effect of adoption			Remark
	2017 version IFRSs amount	of new stanards	2018 version IFRSs amount	
Deferred tax liabilities	\$ 3,518,474	\$ 84,101	\$ 3,602,575	(d)
Non-current provisions	195,038,820	54,728	195,093,548	(b)
Total liabilities	<u>198,557,294</u>	<u>138,829</u>	<u>198,696,123</u>	
Unappropriated retained earnings	35,275,652	(3,028,393)	32,247,259	(a)~(e)
Other equity interest	4,554,385	2,187,562	6,741,947	(a)~(e)
Non-controlling interests	16,901,802	(43,113)	16,858,689	(a)~(e)
Total equity	<u>56,731,839</u>	<u>(883,944)</u>	<u>55,847,895</u>	
Total liabilities and equity	<u>\$ 255,289,133</u>	<u>(\$ 745,115)</u>	<u>\$ 254,544,018</u>	

- (a) Please refer to Note 12(15) for information on the impact of the initial application of IFRS 9 on financial assets and reconciliation of the carrying amounts of financial assets.
- (b) Please refer to Note 12(15) for information on the impact of the initial application of IFRS 9 on allowance for losses and reconciliation of provisions for expected credit losses.
- (c) In accordance with IFRS 9, for the share of the profit or loss of associates and joint ventures accounted for using the equity method under the equity method of long-term equity investment, the Yuanta Group expects to increase equity investments accounted for under the equity method, retained earnings and non-controlling interests in the amounts of \$561, \$315, \$246, respectively.
- (d) Due to initial adoption of IFRS 9, the Yuanta Group will have to recognise adjustments in the balance sheet which would result to temporary differences. Accordingly, the Yuanta Group expects to increase deferred tax assets, deferred tax liabilities and retained earnings in the amounts of \$296,160, \$84,101, and \$292,623, respectively, and to decrease other equity interest in amount of \$80,564.
- (e) In accordance with IFRS 9, for the movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss, the Yuanta Group expects to decrease retained earnings in the amount of \$58,043, and to increase other equity interest in the amount of \$58,043.

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

	Available-for-sale				Held-to-maturity	Effects					
	Available-for-sale-equity	Available-for-sale-debt	Available-for-sale-other			Debt instrument without active market		Total	Retained earnings	Others equity	Non-controlling interests
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-debt	Measured at fair value through other comprehensive income-other	Measured at amortised cost	Measured at cost					
IAS 39	\$ 432,636,863	\$ 28,145,848	\$ 361,185,195	\$ 6,185,752	\$ 143,810,470	\$ 1,049,370	\$ 49,012,388	\$ 1,022,025,886	\$ -	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	16,215,471	(8,489,252)	(716,186)	(6,185,752)	-	(686,644)	(137,637)	-	118,985	(118,985)	-
Transferred into and measured at fair value through other comprehensive income-equity	(1,272,374)	1,635,100	-	-	-	(362,726)	-	-	85,492	(85,492)	-
Transferred into and measured at fair value through other comprehensive income-liability	-	-	52,693,906	-	(10,925,681)	-	(41,768,225)	-	-	-	-
Transferred into and measured at amortised cost	(141,081)	-	(149,776,445)	-	157,024,052	-	(7,106,526)	-	-	-	-
Fair value adjustment	12,622	57,497	1,903,932	-	1,933	-	-	1,975,984	(395,987)	2,366,970	5,001
Impairment loss adjustment	-	27,841	(19,285)	-	(39,290)	-	-	(30,734)	(78,841)	47,591	516
IFRS 9	<u>\$ 447,451,501</u>	<u>\$ 21,377,034</u>	<u>\$ 265,271,117</u>	<u>\$ -</u>	<u>\$ 289,871,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,971,136</u>	<u>(\$ 270,351)</u>	<u>\$ 2,210,084</u>	<u>\$ 5,517</u>

- (a) Under IAS 39, because the debt instruments, which were classified as: available-for-sale financial assets and debt instruments without active market, amounting to \$716,186 and \$137,637, respectively, do not meet the regulations under IFRS 9, they were reclassified as "financial assets at fair value through profit or loss" on initial application of IFRS 9.
- (b) Under IAS 39, because the cash flows of debt instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and debt instruments without active market, amounting to \$141,081, \$149,776,445 and \$7,106,526, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Yuanta Group holds these assets for the purpose of cash inflow, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.
- (c) Under IAS 39, because the cash flows of debt instruments, which were classified as: available-for-sale financial assets, held-to-maturity financial assets and debt instruments without active market, amounting to \$360,469,009, \$10,925,681 and \$41,768,225, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Yuanta Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (d) Under IAS 39, because the equity instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets at cost, amounting to \$1,272,374, \$19,656,596 and \$362,726, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.
- (e) Under IAS 39, the equity and other instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$14,675,004 and \$686,644, respectively, were reclassified as "financial assets at fair value through profit or loss" under IFRS 9.
- D. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

Measurement classification	Allowance for impairment under IAS 39 and recognized amount under			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, September 30, 2017 and for the nine months ended September 30, 2017 are as follows:

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

Item	December 31, 2017	September 30, 2017
Financial assets held for trading :		
Commercial paper	\$ 42,766,168	\$ 40,189,636
Time deposits	530,003	1,688,040
Beneficiary certificates / securities	42,483,289	30,349,341
Stocks of companies listed on TSE or OTC	27,559,376	27,421,253
Emerging stocks	1,200,434	927,866
Government bonds	22,208,904	14,979,082
Financial bonds	11,854,983	11,942,368
Corporate bonds	139,512,870	133,606,199
Overseas bonds	8,993,337	9,270,425
Convertible corporate bonds	38,987,494	37,709,145
Derivative financial instruments	14,627,356	16,682,974
Other marketable securities	667,414	1,813,900
Valuation adjustment of financial assets held for trading	283,005	1,129,042
Subtotal	351,674,633	327,709,271
Financial assets designated as at fair value through profit or loss on initial recognition :		
Foreign structured notes (Note 1)	\$ -	\$ 150,362
Structured products (Note 1)	7,546,973	9,002,921
Convertible corporate bonds (Note 1)	225,151	297,162
Reserve for claims of customers' deposits with KSFC (Note 2)	73,168,453	70,745,159
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	21,653	19,411
Subtotal	80,962,230	80,215,015
Total	\$ 432,636,863	\$ 407,924,286
Financial liabilities held for trading :		
Derivative financial instruments	\$ 21,970,257	\$ 26,435,544
Non-derivative financial instruments	19,272,313	20,866,205
Valuation adjustment of financial liabilities held for trading— non-derivative financial instruments	(21,323)	2,472
Financial liabilities designated as at fair value through profit or loss on initial recognition :		
Structured products (Note 1)	66,146,663	63,559,365
Bank debentures (Note 3)	3,203,872	3,183,645
Convertible bond asset swap not qualifying for derecognition (Note 1)	9,547,734	10,149,038
Total	\$ 120,119,516	\$ 124,196,269

Note 1: Financial instruments designated as at fair value through profit or loss on initial recognition is for hybrid instruments, and in order to eliminate accounting inconsistency.

Note 2: KSFC stands for Korea Securities Finance Corporation.

Note 3: Derivative instruments are used as an economic hedge against fixed-rate debt instruments issued by Yuanta Group to achieve Yuanta Group's risk management strategy. Derivative instruments are measured at fair value through profit or loss. In order to eliminate accounting inconsistency, Yuanta Group at initial recognition, has designated the above-mentioned financial debt at fair value through profit or loss. For the year ended December 31, 2017 and for the three months and nine months ended September 30, 2017, the accumulated movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss were (\$3,017), \$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 three months and nine months ended September 30, 2017 is as follows:

	<u>For the three months ended September 30, 2017</u>	<u>For the nine months ended September 30, 2017</u>
Net gain on financial assets and liabilities held for trading	\$ 2,536,113	\$ 10,391,350
Net gain on financial assets designated as at fair value through profit or loss	<u>650,510</u>	<u>1,139,725</u>
Total	<u>\$ 3,186,623</u>	<u>\$ 11,531,075</u>

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

B. In the case of warrants issued by the Yuanta Group, recognise "liabilities for issuance of call (put) warrants" prevailing at the issuance price prior to the expiration date or default. When warrants were repurchased from the market, the aggregate costs of repurchase were accounted for as "repurchase of issued call (put) warrants" a contra-account of "liabilities

for issuance of call (put) warrants”. The agreement can be carried out by cash or stock delivery within three to twenty-four months from the vesting period of call (put) warrants to the trading date. The Yuanta Group retains the option to settle by either way.

- C. Yuanta Securities, in consideration of increasing capital return, invested in securities with a structured entity underlying, established and managed by an independent third party - Taipei City estate-backed beneficial securities. These investments are recognized at fair value through profit or loss and are expected to expire in June 25, 2017. For the three months and nine months ended September 30, 2017, interest revenue resulting from the investment in the structured entity amounted to \$0 and \$791, respectively.

(B) Available-for-sale financial assets

Items	December 31, 2017	September 30, 2017
Listed (TSE and OTC) stocks	\$ 10,962,072	\$ 8,421,199
Emerging stocks	452,971	540,387
Unlisted (TSE and OTC) stocks	6,994,615	6,664,709
Government bonds	49,160,909	42,269,110
Financial bonds	42,163,544	42,675,825
Corporate bonds	126,870,645	125,979,588
Negotiable certificate of deposit	142,418,923	126,531,184
Commercial paper	378,699	-
Treasury bills	-	499,950
Beneficiary certificates/bonds	5,857,939	1,456,105
Subtotal	385,260,317	355,038,057
Valuation adjustment of available-for-sale financial assets	11,895,103	12,892,379
Accumulated impairment-available-for-sale financial assets	(422,525)	(441,691)
Statutory deposits	(1,216,100)	(1,816,100)
Total	\$ 395,516,795	\$ 365,672,645

- A. As of December 31, 2017 and September 30, 2017, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$1,216,100 and \$1,816,100, respectively, in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.

- B. As of December 31, 2017 and September 30, 2017, for the above available-for-sale financial assets pledged as collaterals, please refer to Note 8.

C. Reclassifications

(A) Because the Yuanta Group changed its intent to hold and was able to hold the following assets to maturity or foreseeable future, government bonds that were initially classified as available-for-sale financial assets were reclassified on September 30, 2013 in accordance with paragraph 50(e) of IAS 39. The fair value of the government bonds on the date of reclassification was as follows:

		Available-for-sale financial assets	Held-to-maturity financial assets	Bond investments without active market
At September 30, 2013	Before reclassification	\$ 28,651,530	\$ -	\$ -
	After reclassification	-	4,950,298	23,701,232

(B) Book value and fair value of reclassified financial assets that have not yet been disposed of are as follows:

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

	September 30, 2017	
	Book Value	Fair Value
Held-to-maturity financial assets	\$ 5,034,965	\$ 5,258,405
Bond investments without active market	23,111,158	24,078,295
	<u>\$ 28,146,123</u>	<u>\$ 29,336,700</u>

(C) If above-mentioned government bonds were not reclassified to held-to-maturity financial assets and bond investments without active market on September 30, 2013, the gain on aforesaid government bonds that should be recognised in other comprehensive income for the three months and nine months ended September 30, 2017 were \$27,914 and \$481,625, respectively.

(C) Bills discounted and loans- net

The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables and non-performing loans. For the nine months ended September 30, 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 nine months ended September 30, 2017</u>
Beginning balance	\$ 12,406,962
Add : Provision	659,788
Reversal of write-off of loans and advances	897,646
Foreign exchange translation adjustment and others	39,483
Less : Disposal and reversal of allowance adjustment and others for bad debts	(214,564)
Write-off of loans and advances	(1,844,763)
Ending balance	<u>\$ 11,944,552</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 nine months ended September 30, 2017</u>
Beginning balance	\$ 1,835,764
Add : Acquisition through business combinations	14,060
Provision	541,055
Recovery	418,551
Transfers to other allowance for bad debts and provisions	189,019
Less: Disposal and reversal of allowance for bad debts	(379,687)
Write-off of allowance for bad debts	(412,916)
Foreign exchange translation adjustment and others	(69,948)
Ending balance	<u>\$ 2,135,898</u>

Changes in guarantee reserve are as follows:

	<u>For the nine months ended September 30, 2017</u>
Beginning balance	\$ 492,159
Less: Recovery	(139,821)
Foreign exchange translation adjustment and others	(669)
Ending balance	<u>\$ 351,669</u>

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

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Government bonds	\$ 52,398,046	\$ 40,554,108
Financial bonds	38,341,696	32,895,062
Corporate bonds (Note)	53,749,712	52,689,094
Subtotal	144,489,454	126,138,264
Accumulated impairment- Held-to-maturity financial assets	(78,984)	(80,023)
Statutory deposits	(600,000)	-
Total	<u>\$ 143,810,470</u>	<u>\$ 126,058,241</u>

As of December 31, 2017, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$600,000 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.

The Yuanta Group recognised interest income on held-to-maturity financial assets amounting to \$1,102,060 and \$3,184,877 in profit or loss for the three months and nine months ended September 30, 2017, respectively. The effective interest rate of the bonds held by the consolidated company as of December 31, 2017 and September 30, 2017, were 0.50%~10.18% and 0.5%~9.85%, respectively.

Note : The carrying value and maximum exposure of investments in securities with a structured entity underlying by Yuanta Life on December 31, 2017 and September 30, 2017 were \$397,812 and \$441,516, respectively.

As of December 31, 2017 and September 30, 2017, for the above held-to-maturity financial assets pledged as collaterals, please refer to Note 8.

Since Yuanta Life expected a changing market and higher credit risk in the future, the carrying amounts and gains and losses from disposals in relation to financial assets held to maturity are listed in the following table:

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Book value	\$ 898,126	\$ 3,449,811
Realised gain	56,057	196,598

Additionally, the percentage of amounts of held-to-maturity investment disposed by the Yuanta Group in the following periods accounted for the nine months ended September 30, 2017 was 2.74%.

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

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Realized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	\$ 52,734	\$ 168,923
Bonds	2,114,065	4,238,780
Stocks	1,632,707	3,787,053
Beneficiary certificates	1,084,779	1,133,044
Time deposits	30,962	98,237
Financial bonds payables	(13,476)	(50,478)
Interest-linked instrument	(293,401)	(185,188)
Exchange rate-linked instrument	135,708	2,017,567
Other financial derivative instruments	(1,530,280)	3,668,543
Loss on covering of borrowed securities and bonds with resale agreements	(406,869)	(951,892)
Loss from issuing call (put) warrants	(774,997)	(2,465,762)
Issuing call (put) warrants expense	(58,475)	(170,983)
Others	6,579	48,849
Subtotal	<u>1,980,036</u>	<u>11,336,693</u>

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	\$ 3,368	(\$ 422)
Bonds	(28,454)	446,186
Stocks	(273,958)	1,092,119
Beneficiary certificates	(17,020)	19,987
Time deposits	(17,573)	(3,122)
Financial bonds payables	(742)	(44,239)
Interest-linked instrument	(354,189)	(1,983,192)
Exchange rate-linked instrument	103,233	1,251,818
Equity-linked instrument	4,980	4,579
Other financial derivative instruments	1,071,399	(2,421,917)
Valuation losses on borrowed securities and bonds with resale agreements	(149,134)	(509,196)
Gains on issuance of call (put)	870,244	2,347,401
Others	(5,567)	(5,620)
Subtotal	<u>1,206,587</u>	<u>194,382</u>
Total	<u>\$ 3,186,623</u>	<u>\$ 11,531,075</u>

- A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the three months and nine months ended September 30, 2017, including the (loss) gain on disposal, were (\$95,885) and \$7,098,106, and the issuing call (put) warrants expense, were \$58,475 and \$170,983, and the dividends income were \$1,123,597 and \$1,352,316, and the interest income were \$1,010,799 and \$3,057,254, respectively.
- B. Net income on the exchange rate instruments includes realised and unrealised gains and losses on forward exchange agreements, FX options, and exchange rate futures.
- C. Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.
- D. Any change in fair value of the derivatives together managed with the financial instruments designated at fair value through profit and loss is listed under “gain and loss of financial assets at fair value through profit and loss.”
- (F) Realised gain on available-for-sale financial assets

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Stock dividend income	<u>\$ 554,705</u>	<u>\$ 1,286,968</u>
Gains on disposal		
Bonds	237,129	727,535
Stocks	363,668	821,698
Others	168,839	175,012
Subtotal	<u>769,636</u>	<u>1,724,245</u>

	<u>For the three months ended September 30, 2017</u>	<u>For the nine months ended September 30, 2017</u>
Loss on disposal		
Bonds	336,958 (	64,914)
Stocks	(146,439) (	318,188)
Others	(1,370) (	5,409)
Subtotal	<u>189,149 (</u>	<u>388,511)</u>
Total	<u>\$ 1,513,490</u>	<u>\$ 2,622,702</u>

(BLANK)

F. Credit risk as of December 31, 2017 and September 30, 2017

(A) Credit quality analysis on financial assets

December 31, 2017

Items	Positions that are neither past due nor impaired					Subtotal (A)	Positions that are past due but not impaired(B)		Total		Provision provided(D)	Net
	Excellent	Acceptable	Weak	Unrated	Impaired amount (C)		(A)+(B)+(C)	(C)-(D)				
Cash and cash equivalents	\$ 63,938,718	\$ 27,073	\$ 36,686	\$ 5,093	\$ 64,007,570	\$ -	\$ -	\$ 64,007,570	\$ -	\$ 64,007,570		
Due from Central Bank and call loans to other banks	54,390,950	-	-	-	54,390,950	-	-	54,390,950	-	54,390,950		
Financial assets at fair value through profit or loss- net	367,485,911	9,454,587	5,251,334	66,694	382,258,526	-	-	382,258,526	-	382,258,526		
Available-for-sale financial assets- net	360,926,909	77,410	34,934	2,083	361,041,336	-	-	361,041,336	-	361,041,336		
Investments in bills and bonds under resale agreements	34,827,960	-	-	-	34,827,960	-	-	34,827,960	-	34,827,960		
Receivables- net	159,572,964	6,615,700	4,460,388	3,226,781	173,875,833	901,698	1,957,143	176,734,674	1,419,704	175,314,970		
Bills discounted and loans	450,227,828	160,164,831	104,209,527	42,577,784	757,179,970	6,243,641	10,689,964	774,113,575	11,786,569	762,327,006		
Reinsurance contract assets-net	435,887	-	-	-	435,887	-	-	435,887	-	435,887		
Held-to-maturity financial assets- net	143,810,470	-	-	-	143,810,470	-	78,984	143,889,454	78,984	143,810,470		
Restricted assets	2,704,678	18,000	-	-	2,722,678	-	-	2,722,678	-	2,722,678		
Other financial assets- net	87,242,756	30,594	-	1,892,427	89,165,777	11,152	806,953	89,983,882	686,181	89,297,701		
Other assets- net	27,866,623	2,520	2,295	738,890	28,610,328	-	25,140	28,635,468	-	28,635,468		
Total	\$ 1,753,431,654	\$ 176,390,715	\$ 113,995,164	\$ 48,509,752	\$ 2,092,327,285	\$ 7,156,491	\$ 13,558,184	\$ 2,113,041,960	\$ 13,971,438	\$ 2,099,070,522		

September 30, 2017

Items	Positions that are neither past due nor impaired					Subtotal (A)	Positions that are past due but not impaired(B)		Total		Provision provided(D)	Net
	Excellent	Acceptable	Weak	Unrated	Impaired amount (C)		(A)+(B)+(C)	(C)-(D)				
Cash and cash equivalents	\$ 60,143,417	\$ 23,288	\$ 36,024	\$ 13,609	\$ 60,216,338	\$ -	\$ -	\$ 60,216,338	\$ -	\$ 60,216,338		
Due from Central Bank and call loans to other banks	55,289,105	-	-	-	55,289,105	-	-	55,289,105	-	55,289,105		
Financial assets at fair value through profit or loss- net	363,646,082	5,111,324	2,446,775	5,086	371,209,267	-	-	371,209,267	-	371,209,267		
Available-for-sale financial assets- net	338,058,575	58,536	35,263	1,384	338,153,758	-	-	338,153,758	-	338,153,758		
Investments in bills and bonds under resale agreements	36,102,296	-	-	-	36,102,296	-	-	36,102,296	-	36,102,296		
Receivables- net	153,017,256	6,443,745	3,916,739	4,020,550	167,398,290	705,282	1,955,774	170,059,346	1,305,810	168,753,536		
Bills discounted and loans	460,712,884	173,545,970	109,719,025	42,039,978	786,017,857	6,192,705	10,511,573	802,722,135	11,944,552	790,777,583		
Reinsurance contract assets-net	545,612	-	-	-	545,612	-	-	545,612	-	545,612		
Held-to-maturity financial assets- net	126,058,241	-	-	-	126,058,241	-	80,023	126,138,264	80,023	126,058,241		
Restricted assets	3,488,592	20,000	-	-	3,508,592	-	-	3,508,592	-	3,508,592		
Other financial assets- net	97,691,745	5,471	-	1,896,524	99,593,740	11,560	910,259	100,515,559	833,536	99,682,023		
Other assets- net	27,000,899	4,992	18,079	503,198	27,527,168	-	-	27,527,168	-	27,527,168		
Total	\$ 1,721,754,704	\$ 185,213,326	\$ 116,171,905	\$ 48,480,329	\$ 2,071,620,264	\$ 6,909,547	\$ 13,457,629	\$ 2,091,987,440	\$ 14,163,921	\$ 2,077,823,519		

(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>

September 30, 2017

	Positions that are neither past due nor impaired				
	Excellent	Acceptable	Weak	Unrated(Note)	Total
Corporate finance					
-Guaranteed	\$ 84,962,315	\$ 39,639,992	\$ 3,264,131	\$ 19,011,677	\$ 146,878,115
-Non-guaranteed	105,134,605	12,839,430	849,603	20,120,585	138,944,223
-Government-owned enterprise	1,580,043	-	-	-	1,580,043
-Others	256,669	21,316	-	85,456	363,441
Subtotal	<u>191,933,632</u>	<u>52,500,738</u>	<u>4,113,734</u>	<u>39,217,718</u>	<u>287,765,822</u>
Consumer finance					
-Mortgage loan	149,522,805	17,671,456	597,554	1,846	167,793,661
-Credit loan	899,088	66,751	201,257	33,981	1,201,077
-Automobile loan	17,252,658	5,678,769	4,912,649	4,067	27,848,143
-Others	4,126,078	83,286	323,667	60,864	4,593,895
Subtotal	<u>171,800,629</u>	<u>23,500,262</u>	<u>6,035,127</u>	<u>100,758</u>	<u>201,436,776</u>
Life insurance business					
-Premium loans	1,137,635	-	-	-	1,137,635
-Policy loans	4,225,519	-	-	-	4,225,519
-Secured loans	61,132	-	-	-	61,132
Subtotal	<u>5,424,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,424,286</u>
Security business					
-Security guarantees and loans	12,659,041	-	-	-	12,659,041
Total	<u>\$ 381,817,588</u>	<u>\$ 76,001,000</u>	<u>\$ 10,148,861</u>	<u>\$ 39,318,476</u>	<u>\$ 507,285,925</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:

Items	December 31, 2017				
	Positions that are neither past due nor impaired				Total
	Excellent	Good	Acceptable	Other	
Bills discounted and Loans					
-Corporate finance	\$ 4,777,674	\$ 48,373,439	\$ 46,065,605	\$ 2,622,843	\$ 101,839,561
-Residential mortgage loans	50,360,776	31,044,466	45,042,466	-	126,447,708
-Personal credit loans	3,388,167	3,607,348	2,809,471	763,274	10,568,260
-Cash card	33,264	61,141	11,862	-	106,267
-Micro-enterprise loans	66,575	-	-	-	66,575
-Deposits pledge loans	12,514	4,959	30,025	-	47,498
Total	<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>

September 30, 2017

Items	Positions that are neither past due nor impaired				Total
	Excellent	Good	Acceptable	Other	
Bills discounted and Loans					
-Corporate finance	\$ 11,446,256	\$ 61,640,037	\$ 50,810,173	\$ 2,762,811	\$ 126,659,277
-Residential mortgage loans	51,745,130	31,476,396	45,442,561	-	128,664,087
-Personal credit loans	3,878,651	4,141,916	3,281,447	-	11,302,014
-Cash card	37,335	69,856	13,968	-	121,159
-Micro-enterprise loans	17,438	8,170	32,678	-	58,286
-Deposits pledge loans	48,556	-	-	-	48,556
Total	<u>\$ 67,173,366</u>	<u>\$ 97,336,375</u>	<u>\$ 99,580,827</u>	<u>\$ 2,762,811</u>	<u>\$ 266,853,379</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>

September 30, 2017				
Items	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for more than 3 months	Total
Receivables				
- Accounts receivable	\$ 6,965	\$ 420,544	\$ 86,047	\$ 513,556
- Credit card business	158,043	29,761	-	187,804
- Other receivables	2,950	339	623	3,912
- Interests receivable	5	5	-	10
Bills discounted and loans				
Corporate finance				
- Guaranteed	657,836	608	-	658,444
- Non-guaranteed	94,370	140	-	94,510
- Other	3,978	-	-	3,978
Consumer finance				
- Mortgage loans	3,064,891	544,286	-	3,609,177
- Credit loans	225,658	157,284	-	382,942
- Car loans	1,327,159	14,521	-	1,341,680
- Other	40,829	4,610	55,738	101,177
Life insurance business				
- Secured loans	-	797	-	797
Other financial assets	-	3	11,557	11,560
Total	<u>\$ 5,582,684</u>	<u>\$ 1,172,898</u>	<u>\$ 153,965</u>	<u>\$ 6,909,547</u>

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

- (a) As of December 31, 2017 and September 30, 2017, Yuanta Securities (Korea) and its subsidiaries set aside loss amount of \$1,683,185 and \$1,728,807 for loans that have been individually assessed based on objective evidence of impairment, respectively.
- (b) The individual impairment loss on loans assessed by objective evidence for Yuanta Securities (Indonesia) and its subsidiaries on December 31, 2017 and September 30, 2017 was \$150,121 and \$153,228, 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	September 30, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$ 4,732,064	\$ 4,374,604
		Mortgage loan	221,369	222,029
	Collective assessment	Corporate loan	88,382	221,339
		Mortgage loan	377,524	319,564
		Credit loan	152,183	153,716
		Automobile loan	20,838	19,558
		Others	12,377	10,518
Without individual objective evidence of impairment	Collective assessment	Corporate loan	279,726,103	286,853,277
		Government-owned enterprises	1,075,650	1,580,043
		Mortgage loan	170,937,834	169,511,354
		Credit loan	1,169,989	1,218,322
		Automobile loan	30,798,124	29,189,822
		Automatic policy loans	1,161,809	1,137,635
		Policy loans	4,369,658	4,225,519
		Others	18,663,281	17,434,388
Total			\$ 513,507,185	\$ 516,471,688

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	September 30, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$ 2,661,674	\$ 2,546,133
		Mortgage loan	9,732	9,119
	Collective assessment	Corporate loan	34,833	83,195
		Mortgage loan	66,058	61,115
		Credit loan	92,591	91,525
		Automobile loan	10,326	7,185
		Others	6,175	6,723
Without individual objective evidence of impairment	Collective assessment	Corporate loan	1,846,756	1,932,956
		Mortgage loan	1,626,006	1,613,218
		Credit loan	12,453	13,260
		Automobile loan	35,766	33,960
		Others	86,615	161,297
Total			\$ 6,488,985	\$ 6,559,686

Items			Receivables (Note)	
			December 31, 2017	September 30, 2017
With individual objective evidence of impairment	Individual assessment	Others	\$ 583,279	\$ 598,483
	Collective assessment	Credit card business	14,070	15,409
		Others	242	233
Without individual objective evidence of impairment	Collective assessment	Credit card business	5,708,336	5,521,381
		Others	299,145,216	293,926,368
Total			\$ 305,451,143	\$ 300,061,874

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	September 30, 2017
With individual objective evidence of impairment	Individual assessment	Others	\$ 300,640	\$ 236,436
	Collective assessment	Credit card business	13,706	14,963
		Others	207	221
Without individual objective evidence of impairment	Collective assessment	Credit card business	47,959	44,919
		Others	1,242,748	1,295,265
Total			\$ 1,605,260	\$ 1,591,804

Note: As of December 31, 2017 and September 30, 2017, bills discounted and loans includes interest receivable, which was \$616,488 and \$513,964, respectively; the total receivables are the original amount (including due from Central Bank and call loans to banks, investments in bills and bonds under resale agreements, receivables (not including spot exchange receivables, revenue receivables and income tax refundable amounting to \$2,990,922 and \$9,376,703, respectively), investments in debt products without an active market, temporary payments for others, delinquent accounts from non-loans and guarantee deposits); the amount not including interest receivables was \$616,488 and \$513,964, respectively. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans were \$2,365 and \$2,319, respectively.

(BLANK)

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

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

Items		Discounts and loans		Receivables	
		Total amounts	Allowance for credit losses	Total amounts	Allowance for credit losses (Note)
		September 30, 2017	September 30, 2017	September 30, 2017	September 30, 2017
With individual objective evidence of impairment	Individual assessment	\$ 1,269,529	\$ 356,947	\$ 392,677	\$ 325,447
	Collective assessment	1,735,794	500,735	360,884	158,747
Without individual objective evidence of impairment	Collective assessment	269,125,911	2,972,692	9,901,777	61,029
Total		\$ 272,131,234	\$ 3,830,374	\$ 10,655,338	\$ 545,223

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 September 30, 2018	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Financial Holdings	Yuanta Securities	Subsidiary of Yuanta Financial Holdings	\$ 481,388 (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: Not applicable

(3) Significant transactions regarding investee companies

- A. Information regarding stocks of equity investment for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Company's paid-in capital: None.
- B. Information on the acquisition of real estate for which the purchase amount exceeded \$300 million or 10% of the Company's paid-in capital: None.

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	-

C. Information on the disposal of real estate for which the purchase amount exceeded \$300 million or 10% of the Company's paid-in capital:

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

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeding \$300 million or 10% of Company's paid-in capital:

Creditor	Counterparty	Relationship	Accounts receivable from related party as of 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	20,505	26,208	5,703	None	None	Note1
27-Apr-18	taeyung AMC	Loans and Temporary Payments for Others	23,063	26,066	3,003	None	None	Note2
31-Jul-18	taeyung AMC	Loans and Temporary Payments for Others	41,757	42,004	247	None	None	Note3

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 0.027418 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 0.027418 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 0.027418 NTD.

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to the users of the financial statements: None.

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

Number	Lending company	Borrower	Account	Related-party	Maximum balance at current period	Ending balance	Actual used amount	Interest rate	Characteristic of fund lent to others	Amount	Reason for short-term loans	Provision for credit loss	Collateral		Limit of individual lending	Total limit of funds lent to others
													Item	Value		
1	Yuanta Securities Asia Finance Service	Yuanta Finance (Hong Kong)	Accounts receivable-related party	Yes	\$ 916,530	\$ -	\$ -	0.00%	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	\$ 32,128,196 (Note1)	\$ 32,128,196 (Note1)
2	Yuanta Securities Asia Finance Service	PT Yuanta Sekuritas Indonesia	Accounts receivable-related party	Yes	733,224	733,224	305,510	3.00%	Short-term loans	-	Operation financing	-	-	-	32,128,196 (Note1)	32,128,196 (Note1)
3	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	916,530	916,530	-	0.00%	Short-term loans	-	Operation financing	-	-	-	32,128,196 (Note1)	32,128,196 (Note1)
4	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	4,735,405	3,207,855	1,222,040	3.25%	Short-term loans	-	Operation financing	-	-	-	32,128,196 (Note1)	32,128,196 (Note1)
5	Yuanta Securities Asia Finance Service	Yuanta Asia Investment	Accounts receivable-related party	Yes	611,020	611,020	427,714	3.25% ~ 3.30%	Short-term loans	-	Operation financing	-	-	-	32,128,196 (Note1)	32,128,196 (Note1)
6	Yuanta Securities Asia Finance Service	Yuanta Securities (Vietnam)	Accounts receivable-related party	Yes	611,020	611,020	305,510	3.20% ~ 3.25%	Short-term loans	-	Operation financing	-	-	-	32,128,196 (Note1)	32,128,196 (Note1)
7	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	412,439	412,439	412,439	2.90%	Short-term loans	-	Operation financing	-	-	-	439,025 (Note2)	439,025 (Note2)
8	PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Accounts receivable-related party	Yes	6,153	6,153	6,153	8.00%	Short-term loans	-	Operation financing	-	-	-	787,378 (Note3)	787,378 (Note3)
9	Yuanta International Leasing	Audi Taiwan	Accounts receivable	No	197,944	197,944	197,944	4.17% ~ 5.60%	Necessary for short-term loans	-	Acquisition of assets and operation financing	19,794	Real estate	570,000	229,216	229,216

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 September 30, 2018	Ending balance of endorsement and guarantee	Actual used amount	Property-backed endorsement and guarantee	The ratio of accumulated endorsement and guarantee amount and the net value of the latest financial statement	Maximum limit	Provision of endorsements and guarantees by parent company to subsidiary	Provision of endorsements and guarantees by subsidiary to parent company	Provision of endorsements and guarantees to the party in Mainland China	Note
		Name of company	Relationship											
1	Yuanta Securities	Yuanta Securities (Korea)	More than 50% common stock-directly-owned subsidiary	\$ 18,723,645 (Note 1)	\$ 2,755,000	\$ -	\$ -	\$ -	0%	\$ 37,447,289 (Note 1)	Yes	No	No	
2	Yuanta Securities	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	18,723,645 (Note 1)	229,989	229,989	-	-	0.25%	\$ 37,447,289 (Note 1)	Yes	No	No	
3	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	18,723,645 (Note 1)	2,866,740	2,866,740	2,819,515	-	3.06%	\$ 37,447,289 (Note 1)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock-directly-owned subsidiary	32,128,196 (Note 2)	1,527,550	1,527,550	1,527,550	-	4.75%	32,128,196 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	32,128,196 (Note 2)	831,160	831,160	831,160	-	2.59%	32,128,196 (Note 2)	Yes	No	No	
6	Yuanta Securities Asia Financial Service	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	32,128,196 (Note 2)	82,040	82,040	-	-	0.26%	32,128,196 (Note 2)	Yes	No	No	
7	Yuanta Securities Asia Financial Service	Yuanta Securities (Vietnam)	More than 50% common stock-directly-owned subsidiary	32,128,196 (Note 2)	458,265	458,265	-	-	1.43%	32,128,196 (Note 2)	Yes	No	No	

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

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

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

L. Securities held at the end of period:

(Expressed in Thousands of New Taiwan Dollars)								
September 30, 2018								
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Percentage of ownership			
					Book value	(%)	Market value	Note
Yuanta Securities Finance	Beneficiary certificates:							
	Shin Kong Global Total Return Balanced Fund	-	Financial assets at fair value through profit or loss	500	\$ 5,020	N/A	\$ 5,020	
	Yuanta MSCI China A ETF	The managing company of the fund and the company are controlled in the same related party	"	500	9,245	"	9,245	
	Allianz Global Investors Income and Growth Fund	-	"	500	5,270	"	5,270	
	Allianz Global Investors China Strategic Growth Fund	-	"	980	13,267	"	13,267	
					<u>\$ 32,802</u>		<u>\$ 32,802</u>	
	Listed stocks:							
	SinoPac Financial Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,754	\$ 30,707	0.02	\$ 30,707	
	First Financial Holding Co., Ltd.	-	"	1,212	25,210	0.01	25,210	
	Getac Technology Corporation	-	"	689	27,526	0.12	27,526	
	WT Microelectronics Co., Ltd.	-	"	252	10,763	0.05	10,763	
					<u>\$ 94,206</u>		<u>\$ 94,206</u>	
	Un-Listed stocks:							
	Taiwan Depository & Clearing Corporation	-	Financial assets at fair value through other comprehensive income	32,520	\$ 2,360,660	8.78	\$ 2,360,660	
	Taiwan Futures Exchange	-	"	16,705	1,370,777	5.00	1,370,777	
					<u>\$ 3,731,437</u>		<u>\$ 3,731,437</u>	
	Government bonds:							
	99 A5 Central Government Construction Bond	-	Financial assets at amortised cost	-	\$ 50,177	N/A	\$ 50,623	
	90 A8 Central Government Construction Bond	-	"	-	53,495	"	54,965	
					<u>\$ 103,672</u>		<u>\$ 105,588</u>	

				September 30, 2018				
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares		Percentage of ownership		Note
				(In thousands)	Book value	(%)	Market value	
Yuanta Securities Investment Trust	Beneficiary certificates:							
	Yuanta MSCI China A ETF	The managing company of the fund	Financial assets at fair value through profit or loss	7	\$ 130	-	\$ 130	
	Yuanta/P-shares MSCI Taiwan ETF	"	"	13	525	-	525	
	Yuanta/P-shares MSCI Taiwan Financials ETF	"	"	22	421	-	421	
	Yuanta S&P500	"	"	6	148	-	148	
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	7	118	-	118	
	Yuanta/P-shares SSE50 ETF	"	"	18	526	-	526	
	Yuanta/P-shares Taiwan Mid-Cap 100 ETF	"	"	8	254	-	254	
	Yuanta/P-shares S&P Custom China Play 50	"	"	19	453	-	453	
	Yuanta/P-shares Taiwan Top 50 ETF	"	"	22	1,951	-	1,951	
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	5	158	-	158	
	Yuanta/P-shares Taiwan Dividend Plus ETF	"	"	21	586	-	586	
	Yuanta/P-shares Taiwan GreTai 50 ETF	"	"	20	244	-	244	
	Yuanta/P-shares Taiwan Electronics Tech ETF	"	"	22	807	-	807	
	Yuanta EURO STOXX 50 ETF	"	"	6	146	-	146	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	"	"	27	445	-	445	
					<u>\$ 6,912</u>		<u>\$ 6,912</u>	
Yuanta Securities Investment Trust	Stocks:							
	Taiwan Futures Exchange	-	Financial assets at fair value through other comprehensive income	1,169	\$ 95,954	-	\$ 95,954	
	FundRich Securities Co. Ltd.	-	"	819	8,030	-	8,030	
					<u>\$ 103,984</u>		<u>\$ 103,984</u>	
	Stocks:							
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	-	<u>\$ 135,188</u>	-	<u>\$ 135,188</u>	

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	September 30, 2018					
				Number of shares (In thousands)	Book value	Percentage of ownership (%)		Market value	Note
Yuanta Asset Management	Stocks:								
	Taiwan Finance Corporation	-	Financial assets at fair value through other comprehensive income	828	\$ 6,843	0.16	\$ 6,843		
	Sunsino Venture Co., Ltd.	-	"	443	3,815	0.93	3,815		
	DaYeh Development Co., Ltd.	-	"	333	2,701	2.22	2,701		
	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>\$ 37,233</u>		<u>\$ 37,233</u>		
Yuanta Venture Capital	Stocks:								
	Gorilla Technology Group Inc.	-	Financial assets mandatorily measured at fair value through profit or loss	95	\$ 15,407	0.96	\$ 15,407		
	Tot Biopharm International Company Limited	-	"	4,045	164,062	2.99	164,062		
	CGK International Co., Ltd	-	"	877	15,934	2.39	15,934		
	Veden Dental Group	-	"	246	17,742	0.84	17,742		
	Throughtek Co.,Ltd	-	"	550	8,448	2.11	8,448		
	PlexBio Co., Ltd.	-	"	1,367	21,735	1.96	21,735		
	Taiwan J Pharmaceuticals Co., Ltd.	-	"	2,229	15,627	3.24	15,627		
	Phecda Technology Co. Ltd.	-	"	252	446	0.89	446		
	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	23,091	11.78	23,091		
	MagV Co.,Ltd	-	"	2,145	21,686	12.69	21,686		
	Dawning Leading Technology Inc.	-	"	876	2,585	0.38	2,585		
	Saultech Technology Co., Ltd.	-	"	1,859	89,714	9.85	89,714		
	Oriental System Technology Inc.	-	"	1,000	16,610	3.70	16,610		
	BRIM Biotechnology ,Inc.	-	"	3,500	47,425	6.61	47,425		
	Aprevent Medical, Inc.	-	"	1,808	40,637	13.27	40,637		
	GenePharm Biotech Corp.	-	"	2,667	11,280	10.68	11,280		
	Great Dream Pictures, Inc.	-	"	2,000	16,660	19.96	16,660		
	Li Ling Film Co., Ltd.	-	"	1,666	41,184	2.78	41,184		

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	September 30, 2018				
				Number of shares (In thousands)	Book value	Percentage of ownership (%)		Market value	Note
Yuanta Venture Capital	Jing-Jan Retail Business Co., Ltd.	-	Financial assets mandatorily measured at fair value through profit or loss	1,408	\$ 68,922	2.35	\$ 68,922	
	Jiin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	16,825	1.05	16,825	
	Solartech Energy Corp.	-	"	776	6,516	0.20	6,516	
	Enterex International Limited	-	"	1,953	44,919	1.94	44,919	
	Eurocharm Holdings Co., Ltd.	-	"	496	45,384	0.75	45,384	
	Taiwan Chelic Corp. Ltd.	-	"	500	32,400	0.75	32,400	
	Jump Media International Co., Ltd.	-	"	906	17,785	3.20	17,785	
	Ever Supreme Bio Technology Co., Ltd.	-	"	2,222	125,121	3.97	125,121	
	Asia Pacific Venture Invest II L.P.	-	"	-	763	10.00	763	
	G. Marso Electronics, Inc.	-	"	300	-	1.38	-	
	Aide Engery Holdings Co., Ltd.	-	"	336	-	0.33	-	
GCT Semiconductor Inc.	-	"	1,402	-	1.51	-		
					<u>\$ 928,908</u>		<u>\$ 928,908</u>	
Stocks:								
	Yuanta I Venture Capital Co., Ltd.	Investee company accounted for under the equity method	Long-term equity accounted for under the equity method	85,000	\$ 915,838	100.00	\$ 915,838	
Stocks:								
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	800	\$ 7,429	0.50	\$ 7,429	
	Li Ding Venture Capital Co., Ltd.	-	"	1,739	13,904	17.39	13,904	
	Prudence Capital Management	-	"	6,084	64,567	9.00	64,567	
	Ho Ding Venture Capital Co., Ltd.	-	"	695	5,461	10.00	5,461	
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,064	10,242	4.80	10,242	
	Hwa Cheng Venture Capital Co., Ltd.	-	"	5,318	11,168	16.00	11,168	
	Lian Ding Venture Capital Co., Ltd.	-	"	1,680	18,009	15.00	18,009	
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	4,460	10.00	4,460	
	Lian Xun San Venture Capital Co., Ltd.	-	"	600	18,431	10.00	18,431	
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	14,910	8.70	14,910	
	Kun Ji Er Venture Capital Co., Ltd.	-	"	1,157	4,201	14.29	4,201	
	Hwa Sheng Venture Capital Co., Ltd.	-	"	877	10,501	3.33	10,501	

				September 30, 2018				
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account			Percentage of ownership		Note
				Number of shares (In thousands)	Book value	(%)	Market value	
Yuanta Venture Capital	Sheng Yuan Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,680	\$ 17,364	9.88	\$ 17,364	
	Guan Hwa Venture Capital Co., Ltd.	-	"	1,360	5,991	5.56	5,991	
	Qi Ding Venture Capital Co., Ltd.	-	"	2,261	25,934	4.35	25,934	
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	2,443	5.56	2,443	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	"	455	4,031	10.00	4,031	
	Huiyang Venture Capital Co., Ltd.	-	"	67	6,761	2.46	6,761	
					<u>\$ 245,807</u>		<u>\$ 245,807</u>	
	Convertible corporate bond:							
	Alliance Developments Limited (Alliance CB1)	-	Financial assets mandatorily measured at fair value through profit or loss - convertible corporate bonds		\$ 100,441	-	\$ 87,690	
	GTS Chemical Holdings Co., Ltd. (GTS Group CB1)	-	"		<u>48,297</u>	-	<u>48,297</u>	
				<u>\$ 148,738</u>		<u>\$ 135,987</u>		
Yuanta I Venture Capital	Stocks:							
	Ultra-Pak Industries Co., Ltd.	-	Financial assets mandatorily measured at fair value through profit or loss	2,245	\$ 25,573	5.23	\$ 25,573	
	Great Team Backend Foundry, Inc.	-	"	1,800	52,668	3.15	52,668	
	Luminous Town Electronic Co., Ltd.	-	"	1,333	16,657	1.99	16,657	
	Wiwynn Corp.	-	"	70	20,201	0.05	20,201	
	SYNC Power Corp.	-	"	2,695	33,525	12.24	33,525	
	Ao Ether Corporation	-	"	1,366	861	1.84	861	
	JHL Biotech, Inc.	-	"	2,370	149,239	1.15	149,239	
	Bridgewell Information Corp.	-	"	900	9,153	5.82	9,153	
	Solartech Energy Corp.	-	"	776	6,516	0.20	6,516	
	Taiwan Chelic Corp. Ltd.	-	"	230	14,904	0.34	14,904	
	Center Laboratories, Inc.	-	"	1,049	75,563	0.30	75,563	
	Fittech Co., Ltd.	-	"	1,105	89,151	1.84	89,151	
Ether precision Inc.	-	"	2,500	-	1.61	-		
Infomedia Inc.	-	"	1,608	-	0.88	-		
				<u>\$ 494,011</u>		<u>\$ 494,011</u>		

(4) Investments in Mainland China

A. Information of investment in Mainland China:

Yuanta Venture Capital

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 (Note 4)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Tung Yao Pharmaceutical Co., Ltd.	Pharmaceutical company specializes in cancer treatment	\$ 3,438,043 (RMB 739,364)	(2) HONG KONG TOT BIO PHARM INTERNATIONAL COMPANY LIMITED	\$ 179,223	\$ -	\$ -	\$ 179,223	Note 5	2.99%	\$ -	\$ 179,223	\$ -
Jhong Shan Dong Yi Technology Co., Ltd.	Protection glass grinding and sales	238,784 (USD 8,000)	(2) CAYMAN ISLANDS CGK INTERNATIONAL CO., LTD.	8,258	-	-	8,258	Note 5	2.39%	-	8,258	-
Veden Dental Labs Inc	Manufacturing dental restoration	316,977 (HKD 83,000)	(2) CAYMAN ISLANDS VEDEN DENTAL GROUP	22,762	-	-	22,762	Note 5	0.84%	-	22,762	-

Yuanta I Venture Capital

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 (Note 4)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Jie Qun Electronic Technology (Dong Guan) Ltd.	Transistors	\$ 2,611,208 (USD 87,484)	(2) VIRGIN ISLANDS GREAT TEAM BACKEND FOUNDRY, INC.	\$ 66,764	\$ -	\$ -	\$ 66,764	Note 5	3.15%	\$ -	\$ 66,764	\$ -
Ether Precision Inc. (Su Zhou)	Manufacturing and selling of a variety of discs	826,790 (USD 27,700)	(2) CAYMAN ISLANDS ETHER PRECISION INC.	32,220	-	-	32,220	Note 5	1.61%	-	32,220	-

Yuanta Securities

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 (Note 4)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 18,371 (RMB 4,138)	(3)	\$ -	\$ -	\$ -	\$ -	\$ 248	100.00%	In liquidation	\$ 22,135	\$ -

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 nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 (Note 4)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Yuanta Securities Investment Consultant (Beijing)	Investment management consulting service, financial consulting service, business administration consulting service, business information consulting service, economic and trade consulting service, marketing and planning, technical promotion and services	81,822 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	(\$ 219)	100.00%	(\$ 219) (2)b	\$ 35,596	\$ -

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 nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 (Note 4)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
CR Yuanta Fund Management Company Limited	Fund raising and sale	\$ 1,322,400 (RMB 300,000)	(1)	\$ 705,666	\$ -	\$ -	\$ 705,666	(\$ 150,462)	49.00%	(\$ 68,056) (2)c	\$ 135,188	\$ -

Yuanta Futures

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2018 (Note 4)	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
SYF Information (Shanghai)	Computer software services	\$ 157,209 (RMB 33,080)	(2) SYF Information	\$ 157,209	\$ -	\$ -	\$ 157,209	(\$ 4,346)	100.00%	(\$ 4,346) (2)c	\$ 125,454	\$ -

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 September 30, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note)
Yuanta Venture Capital and its subsidiaries	309,227	343,028	1,476,251
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	91,653	56,170,934
Yuanta Securities Investment Trust	705,666	705,666	2,368,705
Yuanta Futures	157,209	174,000	4,736,146

Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's consolidated net worth of \$2,547,885.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's consolidated net worth of \$93,618,222.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's consolidated net worth of \$3,947,841.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's consolidated net worth of \$7,893,576.

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 nine months ended September 30, 2018' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - a. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - b. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - c. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Financial assets at fair value through other comprehensive income were not recognised as the investees are accounted for as financial assets carried at cost.

Note 5: The Company's subsidiary does not have significant influence over the investee. Thus, financial information on the investee is unattainable.

Note 6: Yuanta Securities absorbed Polaris Securities and therefore indirectly acquired US\$16 million capital of GC Investment Consultant (Shanghai) Co., Ltd., a subsidiary of GC Investment Consultant (Asian) Co., Ltd. (renamed as Polaris Capital afterwards), being reinvested by Polaris Holdings (Cayman) Ltd., the direct overseas investment of Polaris Securities.

(5) Significant commitments or contingency of subsidiaries

Please refer to Note 9.

(6) Significant loss from disasters of subsidiaries

Please refer to Note 10.

(7) Significant subsequent events of subsidiaries

Please refer to Note 11.

(8) Related party transactions of subsidiaries amounting to at least \$100 million

Please refer to Note 7.

(9) Significant transactions between parent company and subsidiaries

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
0	Yuanta Financial Holdings	Yuanta Bank	1	Cash and cash equivalents	7,310,474	No significant difference from general customers	0.32%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax assets	481,388	"	0.02%
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	1,754,848	"	0.08%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	52,673	"	0.07%
0	Yuanta Financial Holdings	Yuanta Securities	1	Other business and administrative expenses	39,386	"	0.05%
1	Yuanta Securities	Yuanta Bank	3	Cash and cash equivalents	6,515,922	"	0.28%
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	481,388	"	0.02%
1	Yuanta Securities	Yuanta Futures	3	Other financial assets – net	2,287,001	"	0.10%
1	Yuanta Securities	Yuanta Bank	3	Other assets – net	2,397,340	"	0.10%
1	Yuanta Securities	Yuanta Bank	3	Restricted assets – net	134,419	"	0.01%
1	Yuanta Securities	Yuanta Bank	3	Deposits and remittances	630,520	"	0.03%
1	Yuanta Securities	Yuanta Securities (Hong Kong)	3	Other liabilities	309,555	"	0.01%
1	Yuanta Securities	Yuanta Financial Holdings	2	Other non-interest income	22,074	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	17,312	"	0.02%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	289,244	"	0.38%
1	Yuanta Securities	Yuanta Futures	3	Other non-interest income	15,481	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Interest income	28,157	"	0.04%
1	Yuanta Securities	Yuanta Bank	3	Other non-interest income	106,758	"	0.14%
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	130,474	"	0.17%
1	Yuanta Securities	Yuanta Securities Finance	3	Other non-interest income	7,889	"	0.01%
1	Yuanta Securities	Yuanta Investment Trust	3	Other non-interest income	26,981	"	0.04%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	6,799	"	0.01%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
1	Yuanta Securities	Yuanta Life	3	Employee benefit expense	4,396	"	0.01%
1	Yuanta Securities	Yuanta International Insurance Brokers	3	Other non-interest income	170,007	"	0.23%
2	Yuanta Bank	Yuanta Securities	3	Cash and cash equivalents	630,520	"	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	9,047,681	"	0.39%
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	7,310,474	"	0.32%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	2,046,944	"	0.09%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	13,796,379	"	0.60%
2	Yuanta Bank	Yuanta Venture Capital	3	Deposits and remittances	239,600	"	0.01%
2	Yuanta Bank	Yuanta I Venture Capital	3	Deposits and remittances	338,260	"	0.01%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Deposits and remittances	534,768	"	0.02%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Deposits and remittances	1,084,637	"	0.05%
2	Yuanta Bank	Yuanta Life	3	Deposits and remittances	2,231,250	"	0.10%
2	Yuanta Bank	Yuanta International Leasing	3	Deposits and remittances	261,249	"	0.01%
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	52,673	"	0.07%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	28,157	"	0.04%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	106,308	"	0.14%
2	Yuanta Bank	Yuanta Investment Trust	3	Interest expense	12,329	"	0.02%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Interest expense	12,368	"	0.02%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	106,758	"	0.14%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	9,129	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Net service fee and commission income	510,520	"	0.68%
3	Yuanta Futures	Yuanta Bank	3	Cash and cash equivalents	1,193,600	"	0.05%
3	Yuanta Futures	Yuanta Bank	3	Other financial assets – net	12,452,879	"	0.54%
3	Yuanta Futures	Yuanta Bank	3	Other assets – net	149,900	"	0.01%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	consolidated net
3	Yuanta Futures	Yuanta Securities	3	Other financial liabilities	2,287,001	"	0.10%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	289,244	"	0.38%
3	Yuanta Futures	Yuanta Securities	3	Other business and administrative expenses	15,481	"	0.02%
3	Yuanta Futures	Yuanta Bank	3	Interest income	106,308	"	0.14%
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	1,754,848	"	0.08%
4	Yuanta Life	Yuanta Bank	3	Cash and cash equivalents	231,250	"	0.01%
4	Yuanta Life	Yuanta Bank	3	Other financial assets – net	2,000,000	"	0.09%
4	Yuanta Life	Yuanta Bank	3	Net service fee and commission income	510,520	"	0.68%
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	329,639	"	0.44%
4	Yuanta Life	Yuanta Securities	3	Net income from insurance operations	4,396	"	0.01%
5	Yuanta Securities Finance	Yuanta Securities	3	Other business and administrative expenses	7,889	"	0.01%
6	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	130,474	"	0.17%
6	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	9,129	"	0.01%
7	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	2,046,944	"	0.09%
7	Yuanta Investment Trust	Yuanta Bank	3	Interest income	12,329	"	0.02%
7	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	11,644	"	0.02%
7	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	22,136	"	0.03%
8	Yuanta Venture Capital	Yuanta Bank	3	Cash and cash equivalents	239,600	"	0.01%
9	Yuanta I Venture Capital	Yuanta Bank	3	Cash and cash equivalents	338,260	"	0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other assets – net	1,084,637		0.05%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other non-interest income	12,368	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Securities	3	Other assets – net	309,555	"	0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Securities purchased under repurchase agreements	5,883,323	"	0.26%
11	Yuanta International Leasing	Yuanta Bank	3	Cash and cash equivalents	261,249	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Asia Investment	3	Receivables – net	436,084	"	0.02%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	consolidated net revenues or assets
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Thailand)	3	Receivables – net	1,223,585	"	0.05%
12	Yuanta Securities Asia Financial Services	Yuanta HK Holdings (Cayman)	3	Payables	413,369	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	3,002,225	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	34,353	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	166,882	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Undistributed earnings	14,524	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Other non-interest income	17,947	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	98,747	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Cumulative translation differences of foreign operations	50,462	"	0.07%
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	413,369	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,737,249	"	0.12%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Paid-in capital	553,770	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	741	"	0.00%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Interest expense	98,747	"	0.13%

15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	5,883,323	"	0.26%
16	Yuanta Asia Investment	Yuanta Securities Asia Financial Services	3	Payables	436,084	"	0.02%
17	Yuanta Securities (Thailand)	Yuanta Securities Asia Financial Services	3	Payables	1,223,585	"	0.05%
18	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	329,639	"	0.44%
18	Yuanta International Insurance Brokers	Yuanta Securities	3	Other business and administrative expenses	170,007	"	0.23%
19	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other financial assets – net	534,768	"	0.02%

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

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

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

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

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

14. Segment information

(1) General information

A. Recognition elements of reporting segment

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

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

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

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

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

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

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

Expressed in Thousands of New Taiwan Dollars

For the nine months ended September 30, 2018

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 17,555,019	\$ 27,950,368	\$ 1,797,789	\$ 600,194	\$ 25,474,339	\$ 2,064,401	\$ -	\$ 75,442,110
Revenue (loss) from transactions with other operating segments of the same entity	311,129	592,899	28,779	8,125	(755,118)	553,876	(739,690)	-
Net revenues (Note)	17,866,148	28,543,267	1,826,568	608,319	24,719,221	2,618,277	(739,690)	75,442,110
Bad debt expense, commitment and guarantee liability (provisions) recovery	(497,222)	(189,868)	(99,107)	(6,822)	1,114	-	-	(791,905)
Net change in provisions for insurance liabilities	-	-	-	-	(23,071,070)	-	114,137	(22,956,933)
Operating expenses	(8,483,245)	(18,371,097)	(871,840)	(120,474)	(921,523)	(1,737,670)	341,839	(30,164,010)
Income from continuing operations before income tax	\$ 8,885,681	\$ 9,982,302	\$ 855,621	\$ 481,023	\$ 727,742	\$ 880,607	(\$ 283,714)	\$ 21,529,262

For the nine months ended September 30, 2017

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 14,671,251	\$ 21,964,388	\$ 1,416,896	\$ 503,329	\$ 22,454,968	\$ 3,926,732	\$ -	\$ 64,937,564
Revenue (loss) from transactions with other operating segments of the same entity	226,325	737,222	50,880	8,342	(613,080)	(2,001,658)	1,591,969	-
Net revenues (Note)	14,897,576	22,701,610	1,467,776	511,671	21,841,888	1,925,074	1,591,969	64,937,564
Bad debt expense and guarantee liability provisions	(285,216)	(191,109)	-	(1,022)	(1,249)	(171,992)	-	(650,588)
Net change in provisions for insurance liabilities	-	-	-	-	(20,762,369)	-	118,265	(20,644,104)
Operating expenses	(8,824,963)	(15,889,657)	(752,409)	(116,140)	(913,594)	(1,762,566)	376,046	(27,883,283)
Income (loss) from continuing operations before income tax	\$ 5,787,397	\$ 6,620,844	\$ 715,367	\$ 394,509	\$ 164,676	(\$ 9,484)	\$ 2,086,280	\$ 15,759,589

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