



2017 Annual Report

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6. Name of foreign exchanges listed where company stock is and sources for searching the said foreign listed stock :

None

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I. Letter to Shareholders

1. Business Report for 2017

Changes in the Financial Environment

Among major world economies in 2017, the United States based on President Trump's "America First" philosophy developed economic and trade policies, such as tax overhaul, weak U.S. dollar to eliminate trade deficits, dovish monetary policies, etc., to encourage U.S. private investment and exports, and to provide sustained economic growth momentum. Except for the UK's slow economic growth due to Brexit, the economic performance of the Europe in 2017 escaped from the deflation predicament of the past two years. After the consolidation of central authority in the 19th National Congress of the Communist Party of China, the Chinese government established economic policies such as deleveraging and cutting excess production capacity, etc. Looking forward to in 2018, the approval of the sweeping tax overhaul in the United States is expected to raise corporate investments and private consumption. Also, the growth of domestic demand in emerging markets shall promote global trade activities, and the global economy is expected to continue its steady recovery. However, it is still necessary to pay attention to the political factors in the European region, and the geopolitical crises in the Middle East and the Korean Peninsula which may have negative impacts on the global economy.

Taiwan's economy was benefited from the export growth fueled by the steady recovery of the global economy in 2017, and the performance was better than expected. According to statistics from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rates in the first three quarters of 2017 were 2.64%, 2.28% and 3.10%, respectively, which, however, were mainly driven by external demand. There was still room for growth in domestic demand especially in the private consumption and investment which remained low. Looking forward to in 2018, it is expected that the export momentum will continue, the Executive Yuan's launch of the Forward-looking Infrastructure Development Program will increase domestic investment, as well as the raise of wages will favor consumption expenditure to grow. It is estimated that the economic growth rate in 2018 may exceed the level in 2017.

Taiwan's banking industry, which is impacted by the external cyclical change and the vague cross-strait policies, should discreetly implement the risk control. The Central Bank terminated the cycle of interest rate cut since September 2016; however, it is expected that the domestic lending market could not be relieved from price competition due to the excessive capital on the market. Therefore, the improvement of the overall interest rate spread can only rely on the loan position of the U.S. dollar to affect the overall interest revenue. In addition, with the new

opportunity for the vigorous development in the mobile payment market, the domestic banks actively invest in the expansion of related R&D and marketing expenses. Together with the added cost for the establishment and improvements of information security and compliance systems, it is expected to be a challenge for the banking sector to show growth in their 2018 profitability.

Organizational Change

- (1) In response to the Financial Supervisory Commission's revision of the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector," the Bank set up an independent, special AML/CFT unit under the "Compliance Affairs Department" in March 2017. The Board of Directors assigns a senior executive to serve as the dedicated supervisor of the unit.
- (2) Based on the resolutions of the Financial Supervisory Commission's Discussing the Domestic Banks' Establishment of Dedicated Information Security Units and Supervisors and Information Security Related Issues meeting, domestic banks need to set up dedicated information security units within 6 months depending on the bank size, business complexity, operational risks, and so on. The Bank added the "Information Security Management Department" in August 2017 to draft and implement the information security policy, and to execute the Bank's information security plan and information security protection. In addition, the "Information Technology Department" was renamed as "Information Technology Development Department."
- (3) In response to the business operations and development after the Bank's merger with Ta Chong Bank, the Board of Directors approved the five newly added business divisions : Wholesale Banking, Retail Banking, Personal Financial Services, Financial Markets, and International Business in October 2017, and newly established Credit Management Department, Project Finance Department, Personal Loan Department, Personal Loan Credit Department, Financial Product Department, Financial Markets Administration Department, etc. At the same time, Secretariat was renamed as Board Secretary Office, Credit Management Department was renamed as Corporate Credit Department, and Consumer Credit Management Department was renamed as Consumer Credit Department. The new organization started operation on January 1st, 2018.

Actual Accomplishments in 2017

The Bank and Ta Chong Bank devoted much manpower into the integration to accelerate the preparation of the merger for system, personnel, operations, customers, organization, and management in 2017. The merger was successfully completed on January 1st, 2018. In terms of

business development, the Bank continued to uphold the operating principles of “balancing the business structure, diversifying profit sources, and enhancing efficiency of capital utilization,” and hence exhibited a remarkable advancement of comprehensive performance as the following highlights :

- (1) Actively adjusted the business structure : by increasing the loan assets in U.S. dollars, the average interest rate for lending increased quarterly, which resulted in the higher interest income from lending with slightly lower total lending amount than previous year.
- (2) Continuously facilitated the comprehensive financial management services and strengthened cross-selling between wealth management and deposit and remittance, corporate and personal finance businesses; meanwhile, the Bank also actively customizes and diversifies wealth management and trust products in order to strengthen the Bank’s fee income sources to balance the overall income structure.
- (3) Master market dynamics to adjust the position of financial assets to maintain the stability of financial operating income.

As of December 31st, 2017, the consolidated asset of the Bank amounted to NT\$882.9 billion, increased by 2% from NT\$866.9 billion in 2016. Yearly accumulated net income after tax reached NT\$6,743 million, and EPS was NT\$1.58, a growth of NT\$1,148 million or 21% from NT\$5,595 million of the accumulated net income after tax in 2016. The NPL ratio, NPL coverage ratio, and Loan Coverage Ratio were 0.23%, 562.33% and 1.31%, respectively. The Bank successfully sustained quality asset while enjoying continuous profit growth.

The changes in major services are as follows :

Item	2017	2016	Growth %
Deposit Balance	NT\$ 743.7 billion	NT\$ 717.6 billion	4%
Loan Balance	NT\$ 494.4 billion	NT\$ 497.8 billion	-1%
Foreign Exchange Sales	US\$ 57.1 billion	US\$ 61.7 billion	-7%
Trust Asset	NT\$ 126.2 billion	NT\$ 124.4 billion	1%
Credit Cards in Circulation	650,000 cards	580,000 cards	12%
Active Credit Card Rate	71%	64%	11%

Budget Implementation, Financial Status and Profitability

In 2017, the Bank's net revenue achieved NT\$15.13 billion. Compared with the net revenue in 2016 at NT\$14.00 billion, the net revenue increased by NT\$1.13 billion. Meanwhile :

- (1) Net interest income amounted to NT\$9.21 billion or an increase by NT\$0.62 billion from 2016, which was mainly caused by increase in interest rate spread.
- (2) Net non-interest income was NT\$5.92 billion and grew by NT\$0.51 billion from 2016 because of the increase in net fee income.
- (3) Bad debt expense in 2017 amounted to NT\$0.31 billion, a decrease of NT\$0.70 billion from 2016. Operating expenses in 2017 was NT\$7.36 billion or an increase of NT\$0.72 billion from 2016.
- (4) In conclusion, the Bank's net income before tax in 2017 was NT\$7.46 billion. After deducting income tax at NT\$0.72 billion, the net income was NT\$6.74 billion with the budget achieving rate as 112%, or an increase of NT\$1.14 billion from NT\$5.60 billion in 2016.

Research and Development

- (1) In response to the development trend of financial digitization, the Bank continues to develop new functions and optimize systems for various digital channels in order to meet customer needs. To encourage customers to conduct transactions online, the revision of the Bank's official website, the personal digital loan application platform and the electronic ticket application platform were completed in 2017. In addition, the Bank has operated the social media, such as the Bank's official Line account and Facebook fan page, to launch product promotions, event messages, new features, and seasonal greetings to increase interaction with customers. In the future, the Bank is planning to conduct precision marketing through big data analysis and innovative applications to enhance the efficiency of business and operation.
- (2) Risk Management :
 - A. Credit risk : Strengthened and fine-tuned the credit rating models, supporting for corporate and consumer banking, covering the model use, model strategic planning and validation. Structured the system framework to manage the large exposure and risky industries in China. Revamped the large exposure management system. Well restructured the control mechanism of concentration risk.

- B. Market and liquidity risk : The Bank has continuously planned and trial the management mechanism of maximizing the net interest income/ economic value with the interest rate in the banking book for the fund position of each maturity, and the procedures of stress test and the calculation of internal liquidity.
 - C. Operational risk : The Bank has planned to establish the quantity model of the Bank's operational risk loss, as well as to build the feasible model of adopting the advanced measurement approach for the operational risk capital charge.
- (3) IT system R&D and upgrade : In response to the Bank's business strategy and development needs after the merger with Ta Chong Bank, the Bank continuously enhances the information infrastructure, system efficiency and management functions, in order to strengthen the Bank's core competency. In terms of information security, in addition to the BSI certification to ISO 27001 : 2013 Information Security Management System (ISMS), the Bank also commissioned the qualified third-party agencies to conduct various information security assessment operations as well as offensive and defensive drills to strengthen and enhance the Bank's cyber and information system security protection capabilities to provide customers with more secure and stable financial services.

2. Impacts of External Competitive, Regulative and Overall Business Environment

Under the influence of the continuous development of FinTech, the major domestic banks continue to actively invest in the development of innovative digital services to provide customers with more convenient, secure, and innovative digital trading environment and tools.

In addition, the impacts of critical legal changes are described as follows :

(1) Amended and promulgated the “Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers” (Original title : Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector)

These Directions are also applicable to the electronic payment institutions and electronic stored value card issuers. The Bank has complied with the revised provisions to set up an independent special AML/CFT unit under the Bank’s “Legal Compliance Department,” add its functions, adjust the internal related operating regulations, and strengthen the staff’s compliance education and training, in order to expand business on the premise of compliance with legal regulations.

(2) Amended and implemented the “Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business”

In order to strengthen the Bank’s risk management of financial derivatives business and protect the rights and interests of customers, FSC adds the requirements that the person authorized to handle transactions by the customer shall have sufficient financial product expertise and transaction experience for the professional customer of the legal person or the fund. A legal person or fund that meets the qualifications of a professional customer shall sign the agreement to be a professional customer after fully understanding that the bank may be exempt from responsibility for the financial derivative transactions with professional customers. The bank is required to conduct review of the eligibility of professional customers at least once a year, and establish a product suitability system, which shall include the bases for the rating classification of customers and products. The Bank has revised the financial derivatives related internal operating regulations in order to comply with legal requirements.

Faced with the international anti-money laundering trend, the Financial Supervisory Commission (hereinafter referred to as “the FSC”) has become more rigorous in the policies on strengthening the banks’ capital structure and risk control in 2017. In particular, the anti-money

laundrying and countering the financing of terrorism (AML/CFT) requires the banking industry to devote more resources to strengthen the management mechanism in order to ensure the effectiveness of legal compliance and internal control.

(3) Amended the "Description and Forms for the Calculation Method of the Bank's Capital and Risk Assets"

The major revision is to reduce the risk weight applicable to the owner-occupied residence from 45% to 35%. The risk weight for the non-owner-occupied residence is reduced from 100% to 75%. It is effective since December 31st, 2017. The Bank's capital charge will therefore be greatly reduced, which will help the Bank expand its business.

(4) Formulated the "Financial Technology Development and Innovative Experimentation Act"

The "Financial Technology Development and Innovative Experimentation Act" was enacted and promulgated on January 31st, 2018. It is expected to be implemented by the end of April and to accept applications. Although it will not pose any threat to the banking industry in the short term, it may change consumer behavior and the business operating model of traditional banking in the future. Thus, the Bank has already instructed relevant units to conduct research on the contents of this Act and evaluate feasible responses.

3. Latest Credit Ratings

Type of Rating	Rating Agency	Date	Credit Ratings		
			Long-term Rating	Short-term Rating	Outlook
Global Rating	S&P	01/20/2017	BBB+	A-2	Stable
	Fitch	07/18/2017	BBB+	F2	Stable
Domestic Rating	Taiwan Ratings	01/20/2017	twAA	twA-1+	Stable
	Fitch	07/18/2017	AA- (twn)	F1+ (twn)	Stable

4. Business Plan in 2018 and Outlook

The Bank and Ta Chong Bank were officially merged on January 1st, 2018. In order to deal with the environmental changes and highly competitive business challenges, the Bank will not only accelerate the integration of corporate cultures but also aim to maximize both banks' strengths and calibrate the orientations of organizations, systems and businesses to solidify the foundation for the Bank's long-term development. The Bank's operation plans are summarized as follows :

(1) Business Development

- A. The loan structure in the corporate loans business will be adjusted. By actively seeking to be the leading bank in domestic syndicated loans, strengthening foreign currency loans, and expanding the scale of international syndicated loans, the Bank shall increase the return on loan assets and the related fee income.
- B. The personal loans business will take the advantages of the Bank's merger with Ta Chong Bank to balance the two banks' loans policies, and adopt the segmentation approach to increase the cross-selling and contribution of the existing customers.
- C. The wealth management business will establish a financial advisors team to strengthen customer asset planning and customer relationship management, and enhance revenue through detailed marketing management within different customer groups and product classification.
- D. For the customers of credit cards, the Bank will continuously launch card-using and installment promotion events to escalate the number of active cards, card spendings and revolving balance. To reduce the operating costs, the Bank will encourage the customers to use electronic statements and digital services.

(2) Channel Development

- A. After the completion of the merger with Ta Chong Bank, the Bank will devote to the domestic market with professional service through 152 domestic branches which are evenly distributed throughout north, central and south Taiwan. Also, the Bank has a new overseas branch in Hong Kong from the merger, which will serve as the location dedicated to develop business between Taiwan, Hong Kong and Mainland China. In addition, with Yuanta Savings Bank (Philippines) and Yuanta Savings Bank (Korea), the Bank has built the prototype of overseas market.
- B. With the development trend of Fintech, the Bank not only invests in the development of new digital channel functions and the optimization of process, but also launches related preferential and marketing activities through the operation of the social media, actively guiding customers to use the Bank's digital channels. Moreover, the Bank will promote digital accounts and apply for the operation of the online insurance services, in order to provide more diversified integration services of click and mortar.

(3) Risk Management

- A. Solidify the Bank's managerial capability in credit, market and operational risk through the deployment of risk models and databases. Build up the risk warning mechanism riding on the deeply understanding of each industry and country risk, so

as to effectively reduce the risk.

- B. According to the authorities' "Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuer," the Bank will strengthen the management mechanism, education training and system tuning of the Bank's AML/CFT operations.
- C. Fortify the Bank's risk control, legal compliance, management of internal audit and internal control of overseas branches and subsidiaries .

(4) Personnel Training

Utterly perform employee orientation and on-the-job training. Through job rotation, the Bank plans to cultivate multi-functional talents and intensify trainings on managers, international professionals and digital finance professionals to well prepare the Bank for future developments and demands for internationalization and thus lay the foundation for sustainability of the Bank.

II. Bank Profile and Corporate Governance

1. Introduction

Yuanta Commercial Bank (“the Bank”), formerly Asia Pacific Commercial Bank, acquired approval for establishment from the Ministry of Finance on January 14th, 1992 and launched its operation on February 12nd, 1992. Afterwards, in conformity with the development of the financial market and Government’s financial reform, the Bank joined Fuhwa FHC on August 1st, 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific Commercial Bank was approved to be renamed Fuhwa Commercial Bank. On April 2nd, 2007, Yuanta Core Pacific Securities merged with Fuhwa FHC formally. On September 23th, 2007, the Bank was renamed Yuanta Commercial Bank.

In order to broaden the Bank’s operating foundation and strengthen its competency, the Bank successively acquired Touliao Credit Cooperative, Taitung Credit Cooperative, Tainan 7th and 6th Credit Cooperative and increased its branches as many as 70. After Purchase and Assumption 18 domestic branches of Chinfon Commercial Bank in April 2010, the Bank expanded service territory to 88 branches. After merged with Ta Chong Bank on January 1st, 2018, the number of the Bank’s domestic branches has been doubled. In the future, the Bank will continue to deploy domestic locations according to the need of business development and the group’s development strategy as well as with a more balanced distribution of positions in a wider range on metropolitan areas in Taiwan. In terms of the overseas market, Hong Kong branch has been established to cultivate business opportunities in Taiwan, Hong Kong and Mainland China. Also, the Bank will provide customers with diversified cross-border financial services through strengthening the cooperation among the subsidiary banks in the Philippines and Korea as well as the branch in Hong Kong.

The Bank set up Yuanta Property Insurance Agent Company through reinvestment on October 2nd, 1999 with the main business at property insurance agency services and Yuanta Life insurance agency Co., Ltd. on November 20th, 2001 with the main business at life insurance agency services. In addition, Yuanta International Leasing Co., Ltd. was established on November 15th, 2012 with the main business at dealership, leasing and factoring management of immovable property / real property.

On August 5th, 2015, the Bank acquired TongYang Savings Bank from Yuanta Securities Korea Co., Ltd, which is the Bank's first overseas subsidiary. On December 7th in the same year, a capital increase for TongYang Savings Bank was completed, making its capital to 1 billion pesos. On September 26th, 2016, TongYang Savings Bank, was formally renamed Yuanta Savings Bank Philippines, Inc. Headquartered in Manila, it has two branches.

On April 25th, 2016, the Bank acquired the subsidiary of AON Corporation in Korea, Han Shin Savings Bank, to be the Bank's second overseas subsidiary. On February 13th, 2017, Han Shin Savings Bank was renamed Yuanta Savings Bank Korea Co., Ltd., whose head office and one branch are both situated in Seoul.

January 2018	Acquired and merged "Ta Chong Bank" The Hong Kong branch was established
February 2017	"Han Shin Savings Bank" in Korea was officially renamed "Yuanta Savings Bank Korea Co., Ltd."
September 2016	"Tong Yang Savings Bank" in the Philippines was officially renamed "Yuanta Savings Bank Philippines, Inc."
April 2016	Acquired "Han Shin Savings Bank" in Korea, the Bank's second overseas subsidiary
August 2015	Acquired "TongYang Savings Bank," the Bank's first overseas subsidiary
April 2010	Purchase and Assumption "Chin-Fon Bank" of 18 branches; Total branches increased to 88
September 2007	Renamed "Yuanta Commercial Bank"
December 2005	Acquired and merged "Tainan 6 th Credit Cooperative"; Total branches increased to 70
June 2005	Acquired and merged "Tainan 7 th Credit Cooperative"; Total branches increased to 58
June 2004	Acquired and merged "Taitung Credit Cooperative"; Total branches increased to 50
July 2003	Acquired and merged "Toulio Credit Cooperative"; Total branches increased to 42
August 2002	Joined Fuhwa FHC ; Renamed "Fuhwa Commercial Bank"; Total Branches 37
February 1992	"Asia Pacific Commercial Bank" was found; Total Branches 7

- ◆ Overseas Office : Yangon Representative Office in Myanmar
- ◆ Affiliates :
 - Yuanta International Leasing Co., Ltd.
 - Yuanta Savings Bank Philippines, Inc.
 - Yuanta Savings Bank Korea Co., Ltd.

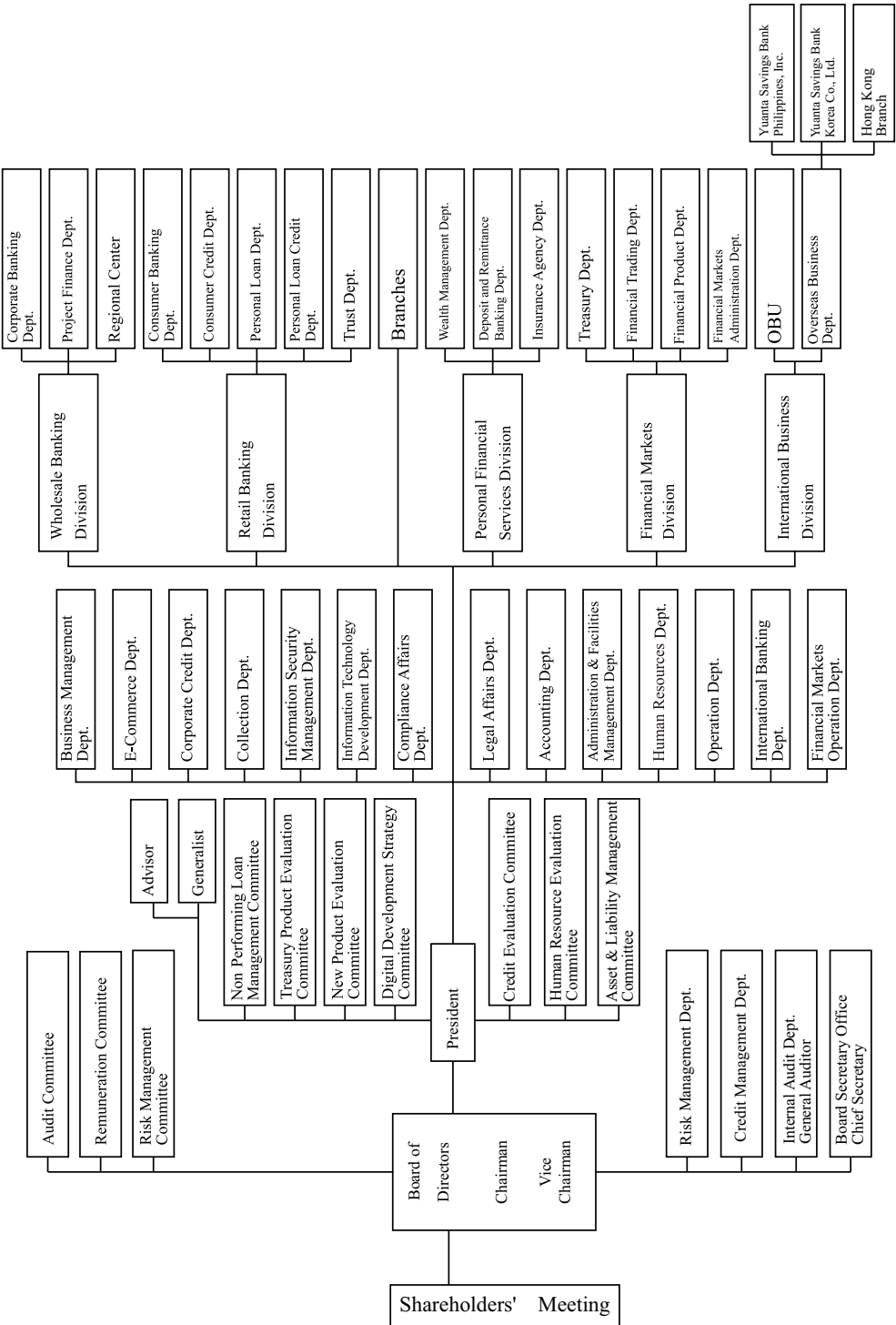
After joining YFH, the Bank has been not only carrying out a variety of important service and system reforms, but integrating the abundant resources of the security clients of YFH, which steadily uplift the Bank's asset quality and stably grow its operation scale.

In prospect of the future, the Bank will persistently observes its philosophy- Sincerity, Stability, Service, Innovation and Attentiveness and provide more professional and all-round financial services to customers through the quality management models with risk emphasis, customer orientation and objective management in order to create maximum profit for shareholders and full perform its social responsibility.

2. Organization

(1) Organization

Base Date : January 31th, 2018



(2) Committee Duties

Committee	Function
Audit Committee	Supervise fair presentation of the financial reports, the hiring (and dismissal), independence, and performance of certificated public accountants, the effective implementation of the internal control system, compliance with relevant laws and regulations, management of the existing or potential risks and major matters stipulated by the competent authorities.
Remuneration Committee	Assist the Board of Directors in determining performance and compensation standards for management and the remuneration structure for directors in both fair and transparent procedures and review the strategies on overall human resources.
Risk Management Committee	Develop the Bank's risk management strategies, manage matters on credit, market and operational risks and report on critical risk management such as credit rating models, market reviews and risk indicators.
Credit Evaluation Committee	Review credit cases which shall be submitted to the Committee in conformity with internal laws.
Human Resources Evaluation Committee	Review personnel and discipline-related cases which shall be submitted to the Committee in conformity with internal laws.
Asset and Liability Management Committee	Evaluate the influence of changes in domestic and foreign capital, interest rates and exchange rates on the Bank and according countermeasures; develop the bank-wide interest rates on deposits and loans, pricing strategies on internal fund transfer, and allocation of the Bank's asset and debt positions and supervise and manage indicators on liquidity risks.
Non-Performing Loan Management Committee	Review NPL assets, collateral undertaking and disposal and loan on written-off bad debt, auction NPL assets, outsource the processing of NPL assets and review the effect of disposing NPL assets.
Treasury Product Evaluation Committee	Evaluate risks and performance of treasury products at launches and before/after undertaking, review sales policies of treasury products.
New Product Evaluation Committee	Evaluate risks and performance of new financial products at launches and before/after undertaking, review sales policies and risks of new products and evaluate appropriateness of according deed documents.
Digital Development Strategy Committee	Develop digital financial business and formulate marketing strategies, virtual and physical channel and digital customer service strategies and coordinate the integration of cross-service digital financial products.

(3) Major Departments

Base Date : January 31st, 2018

Departments	Function
Board Secretary Office	Manage the affairs of the Bank's Board of Directors and the Audit Committee, and handle the stock affairs and the business assigned by the head.
Internal Audit Dept.	Manage the Bank's internal audits and supervise self-auditing.
Credit Management Dept.	Manage the Bank's credit policy and reviews the loans related affairs submitted by the management department for the approval of the Board of Directors.
Risk Management Dept.	Manage the Bank's affairs of risk, such as credit risk, market risk, liquidity risk, interest rate risk in Banking Book (IRRBB), operational risk and Capital Adequacy Ratio (CAR).
Wholesale Banking Division	<p>Supervise Corporate Banking Department, Project Finance Department, and Regional Centers. The responsibilities of the departments supervised are as follows :</p> <p>(1) Corporate Banking Dept. :</p> <p>Supervise operational objectives, budget objectives, business development, product research, development for corporate banking business, plan and integrate services featuring projects, policies, large size, complexity, and administrative affairs including personnel allocation and training.</p> <p>(2) Project Finance Dept. :</p> <p>Manage the R&D and integration of corporate credit products as well as the planning and implementation of market research, including planning and promotion of accounts receivable, syndicated loan, trade financing, and other project financing of the corporate banking business, and assist business units to expand their business.</p> <p>(3) Regional Centers :</p> <p>Implement the corporate banking business and execute the budget targets</p>
Retail Banking Division	<p>Supervise Consumer Banking Department, Consumer Credit Department, Personal Loan Department, Personal Loan Credit Department, and the Trust Department. The responsibilities of the departments supervised are as follows :</p> <p>(1) Consumer Banking Dept. :</p> <p>Supervise operational policies, budget objectives, business development, product R&D and integration, marketing activities, customer phone services, planning and implementation of market research, and establish the risk pricing policies for consumer mortgage, auto loan, credit card business (including installment and authorization) and stock-secured loan.</p> <p>(2) Consumer Credit Dept. :</p>

Departments	Function
	<p>Manage and establish the regulations on authorization of consumer banking business, the regulations on credit checking of guaranteed credit products for credit cards and consumer banking business, the regulations on real estate appraisal operation, and the related matters of credit approval.</p> <p>(3) Personal Loan Dept. : Supervise operational strategies, budget objectives, business development, product R&D and integration, planning and implementation of market research, and formulate the risk pricing policies for personal credit loans and cash card business.</p> <p>(4) Personal Loan Credit Dept. : Manage and establish the regulations on personal unsecured credit products, and the related matters of credit approval and anti-agent acting.</p> <p>(5) Trust Dept. : Plan, develop and manage trust business, execute annual budget objectives, and conduct R&D and integration of wealth management products and process trust business.</p>
Personal Financial Services Division	<p>Supervise Wealth Management Department, Deposit and Remittance Banking Department, and Insurance Agency Department. The responsibilities of the departments supervised are as follows :</p> <p>(1) Wealth Management Dept. : Supervise the operational policies, budget objectives, business development, marketing plans and manage other wealth management services.</p> <p>(2) Deposit and Remittance Banking Dept. : Supervise the accomplishment of budgeting objects for deposit business, plan, promote, and manage the deposit service, develop regulations, manage and train personnel.</p> <p>(3) Insurance Agency Dept. : Manage and supervise the budget achievement of insurance service, develop insurance business strategies, plan and promote insurance products and marketing activities, develop insurance service standards and manage the implementation of administration as well as plan and manage insurance consultant staffing.</p>
Financial Markets Division	<p>Supervise Treasury Department, Financial Trading Department, Financial Product Department, and Financial Markets Administration Department. The responsibilities of the departments supervised are as follows :</p> <p>(1) Treasury Dept. : Manage bank-wide asset and debt, fund liquidation and transactions in primary and subprime markets and derivatives of fixed-income investment products, including banking book investment, gapping, launches and pricing of financial debt, short-term notes and bonds.</p>

Departments	Function
	<p>(2) Financial Trading Dept. : Manage the operation of trading book of the Bank, including foreign exchange, equities, derivatives, and other approved products.</p> <p>(3) Financial Product Dept. : Manage product design, hedge trading, marketing promotion and other related matters of financial products and related derivative financial products.</p> <p>(4) Financial Markets Administration Dept. : Manage financial transactions related business planning, legal compliance, construction and maintenance of information hardware and software equipment and other related matters.</p>
International Business Division	<p>Supervise Overseas Business Department, and Offshore Banking Branch (OBU). The responsibilities of the departments supervised are as follows :</p> <p>(1) Overseas Business Dept. : Plan and manage foreign branch investment as well as analyze and evaluate its performance; plan and manage foreign long-term equity investment and its performance analysis.</p> <p>(2) Offshore Banking Unit (OBU) : Handle business development and operational processing with business department, capital department, trading department, and accounting department.</p>
Business Management Dept.	<p>Manage the Bank's strategy, plan the organization merger and acquisitions (M&A) and business integration, establish the key performance indicators (KPIs,) implement performance rating, analyze the performance of the Head Office's departments and branches, organize and manage the domestic branches, manage the domestic long-term equity investment, settle the strategy of service quality (including processing of customer complaints,) establish the corporate identity and marketing advertisement, research the financial markets, prepare the annual report and credit rating report, be the contact unit for the competent authority, and manage the affairs assigned by the head.</p>
E-Commerce Dept.	<p>Supervise the plan of the Bank's digital finance and credit card acquiring services, and integrate, promote and manage the business operation.</p>
Corporate Credit Dept.	<p>Review credit accounts of corporate banking and the credit application of financial products from TMU, and establish the regulations of the guidelines of collaterals appraisal and credit checking.</p>
Collection Dept.	<p>Collect the Bank's non-performing loans and other debts and compile and analyze assets with non-performing loans.</p>
Information Security Management Dept.	<p>Formulate and implement the bank-wide information security policy, implement the Bank's information security plan and information security protection, and manage and maintain the bank's computer system resources, computer room and equipment.</p>

Departments	Function
Information Technology Development Dept.	Manage the research, analysis, planning and implementation of information application services across the Bank, and the analysis design, development, construction and operation management of information systems
Compliance Affairs Dept.	Plan, manage, appraise and execute the legal compliance system of the Bank.
Legal Affairs Dept.	Proofread legal documentation and offer assistance and legal consultancy on non-lawsuit and lawsuit cases in the Bank.
Accounting Dept.	In charge of the accounting system and procedures, accounting, compilation of the budgets, periodic financial reporting and tax affairs.
Administration & Facilities Management Dept.	Conduct property management, including seal management, documentation, safety maintenance, construction and maintenance, procurement, and real estate rental and purchase, and other administrative affairs.
Human Resources Dept.	Manage human resource affairs, including recruitment, employment, promotion, transfer, appraisal, compensation, bonus, training, insurance and benefit.
Operation Dept.	Planning, management and implementation of back-office centralization of deposit services, loan services and lending reexamination.
International Banking Dept.	Planning, management, institutionalization, and processing of foreign exchange business.
Financial Markets Operation Dept.	Manage the confirmation, settlements, accounting operations, internal controls, and other related matters of financial product transactions.
Branches	Manage services of commercial banks approved by the competent authority, execute budgetary objectives of branches, administers accounting affairs and other tasks assigned by the headquarter.

3. Directors, Supervisors and Managers

(1) Information of Directors

Base Date : January 31st, 2018

Title	Nationality or Place of Registration	Name (Note 1)	Gender	Date Elected	Term (Years) (Note 2)	Date First Elected	Shareholding when Elected; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Chairman	Republic of China	Representative of Yuanta Financial Holdings : Chieh-Chiang Fan	Male	06/01/2016	3 Years	03/30/2015	100% owned by Yuanta FHC ; Shareholding when Elected : 3,918,361,724 Current Shareholding : 7,394,038,982	—	<ul style="list-style-type: none"> ● Ph.D., University of Cambridge, UK ● Chairman of THSR; Chairman of Taiwan Futures Exchange; Chairman of Taiwan Depository and Clearing Corporation; Chairman of TransAsia Airways; Chairman of Core Pacific Securities; Adjunct Professor, College of Management, National Taiwan University 	Director of Yuanta Financial Holdings	—
Vice Chairman		Representative of Yuanta Financial Holdings : Chen-Ping Chen (Note 5)	Male	01/01/2018	3 Years	01/01/2018			<ul style="list-style-type: none"> ● MSc in Financial Management, California State University, USA ● Chairman of Ta Chong Commercial Bank 	—	—

Title	Nationality or Place of Registration	Name (Note 1)	Gender	Date Elected	Term (Years) (Note 2)	Date First Elected	Shareholding when Elected; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director		Representative of Yuanta Financial Holdings : Song-Erh Chang	Male	06/01/2016	3 Years	05/06/2012			<ul style="list-style-type: none"> ● Bachelor of Commerce, Tamkang University ● Chairman of Yuanta Commercial Bank ; Chairman of Polaris International Securities Investment Trust Company ; Chairman and President of Bank of Overseas Chinese ; President of Chang Hwa Commercial Bank 	—	
Director	Republic of China	Representative of Yuanta Financial Holdings : Michael Ma	Male	06/01/2016	3 Years	06/01/2013	<p>100% owned by Yuanta FHC ;</p> <p>Shareholding when Elected : 3,918,361,724</p> <p>Current Shareholding : 7,394,038,982</p>	—	<ul style="list-style-type: none"> ● Bachelor of Commerce, University of Southern California, USA ● Director of Yuanta Financial Holdings; Vice Chairman of Yuanta Commercial Bank; CEO of Syspower Corporation; Director of Yuanta Core Pacific Securities; Chairman of Tzi Fu International Corporation; Director of Yuanta Construction Development 	<p>Director of Taiwan Stock Exchange; Chairman of Yuanta Foundation; Director of Yuanta Financial Holdings; Director of Yuanta Construction Development; Director of Yuan Hung Investment; Director of Yuan Hsiang Investment; President of Lien Heng Investment; Director of Asia Modern Foundation; Director of TWTC International Trade Building Corporation</p>	—
Director		Representative of Yuanta Financial Holdings : Jin-Long Fang	Male	06/01/2016	3 Years	06/29/2007			<ul style="list-style-type: none"> ● Provincial Chiayi Senior Vocational High School ● Director of Yuanta Core Pacific Securities; Chairman of Li Ching Industry; Chairman of Yuanta United Steel Corporation ; Chairman of Yuan Kun Construction 	<p>Director of Yuanta Financial Holdings; Director of Yuan Kun Construction</p>	

Title	Nationality or Place of Registration	Name (Note 1)	Gender	Date Elected	Term (Years) (Note 2)	Date First Elected	Shareholding when Elected; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director	Republic of China	Representative of Yuanta Financial Holdings : Hsien-Tao Chiu	Male	06/01/2016	3 Years	06/30/2005	100% owned by Yuanta FHC ; Shareholding when Elected : 3,918,361,724 Current Shareholding : 7,394,038,982	—	<ul style="list-style-type: none"> ● Bachelor of Business Administration, University of Southwestern, USA ● Chairman of Taichung Securities; Standing Director of Asia Pacific Bank; Director of Asia Pacific Investment & Trust; Chairman of Asia Pacific Leasing; Chairman of Fuan Insurance Agent 	Director of Yuanta Financial Holdings; Director of Yuanta Futures; Chairman of Taiwan Yi-Her International Corporation; Director of Fong-Long Automobile; Chairman of Kong-Ya Investment Corporation; Chairman of Kandlee Trading Corporation; Chairman of Yee-Hor Automobile; Director of Chen-Long Automobile; Chairman of FIAT	Executive Vice President, Eric K. Chiu, kin with the second degree
Director		Representative of Yuanta Financial Holdings : Chia-Lin Chin (Note 5)	Male	01/01/2018	3 Years	04/16/2009			<ul style="list-style-type: none"> ● Bachelor of Business Administration, National Chengchi University ● General Auditor of Fuhwa Financial Holdings; General Auditor of Yuanta Core Pacific Securities; Vice President of Yuanta Core Pacific Securities; Vice President of SAMPO Securities; Department Head of Atlas Technology Corp 	Director of Yuanta Asset Management	—
Director		Representative of Yuanta Financial Holdings : Jin-Sheng Duann	Male	06/01/2016	3 Years	04/01/2012			<ul style="list-style-type: none"> ● Bachelor of Public Finance, National Chengchi University ● Chairman of Taipei Foreign Exchange Market Development Foundation; Director-General of Department of Foreign Exchange, Central Bank; Director-General of Department of the Treasury, Central Bank 	—	—

Title	Nationality or Place of Registration	Name (Note 1)	Gender	Date Elected	Term (Years) (Note 2)	Date First Elected	Shareholding when Elected; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Director		Representative of Yuanta Financial Holdings : Chung-Yuan Chen	Male	06/01/2016	3 Years	06/01/2016			<ul style="list-style-type: none"> ● Kainan High School of Commerce & Industry ● Chairman of Jue Xiu Temple; Director of Yanping High School; Director of Tung Hai Senior High School; Minister without Portfolio, Executive Yuan; Executive Director of Taiwan Power Company; Supervisor of Chang Jia M&E Engineering Corp 	Director of Yuanta Financial Holdings; Director of Trilogy International Develop Co., Ltd.; Chairman of Jue Xiu Temple	
Director	Republic of China	Representative of Yuanta Financial Holdings : Yu-Feng Ko (Note 5)	Male	01/01/2018	3 Years	01/01/2018	100% owned by Yuanta FHC ; Shareholding when Elected : 3,918,361,724 Current Shareholding : 7,394,038,982	—	<ul style="list-style-type: none"> ● Graduate Programs in Management Science and Engineering, Stanford University, USA; ● Chairman of Duet Fashion Corporation Limited, Executive Director of CCMedia Technology Company, and other positions 	—	—
Independent Director		Representative of Yuanta Financial Holdings : Ming-Ling Hsueh	Male	06/01/2016	3 Years	06/01/2016			<ul style="list-style-type: none"> ● Master, Soochow University ● Institute of Accounting; MBA, Bloomsburg University of Pennsylvania, USA ● President of PwC Taiwan; Member of the Board of Examiners for Senior Professional and Technical Examination of the R.O.C.; Executive Director of Taiwan Corporate Governance Association 	Independent Director of Yuanta Financial Holdings; Independent Director of Walsin Lihwa Co.; Independent Director of TTY Biopharm Co.; Independent Director of Life-On Technology Co.	

Title	Nationality or Place of Registration	Name (Note 1)	Gender	Date Elected	Term (Years) (Note 2)	Date First Elected	Shareholding when Elected; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Independent Director	Republic of China	Representative of Yuanta Financial Holdings : Yin-Hua Yeh	Male	06/01/2016	3 Years	06/01/2016	100% owned by Yuanta FHC ; Shareholding when Elected : 3,918,361,724 Current Shareholding : 7,394,038,982		<ul style="list-style-type: none"> ● Ph.D. in Business, National Taiwan University ● Senior Specialist, Financial Supervisory Commission, Executive Yuan, R.O.C.; Committee Member of Special Committee on Corporate Governance Reform, Executive Yuan, R.O.C.; Vice-Head of The Valuation Division of Financial Restructuring Fund, Executive Yuan, R.O.C.; Resident Supervisor of Taiwan Stock Exchange; Committee Member of IPO Reviewing Committee, Taipei Exchange; Director of Securities and Futures Investors Protection Center; Advisory Committee Member of Central Deposit Insurance Corporation; Vice Chairman of Financial Research Development Fund Management Committee; Director of Securities Investment Trust & Consulting Association of the R.O.C.; Vice Chairman of Taiwan Corporate Governance Association 	Independent Director of Yuanta Financial Holdings; Independent Director of Yuanta Life; Committee Member of National Financial Stabilization Fund, Executive Yuan, R.O.C.; Committee Member of National Development Fund, Executive Yuan, R.O.C.; Director of Securities and Futures Institute; Director of Taiwan Insurance Guaranty Fund; Supervisor of Taipei Exchange; Executive Director of Taiwan Corporate Governance Association; Professor of Institute of Finance, National Chiao Tung University	—
Independent Director		Representative of Yuanta Financial Holdings : Chwo-Ming Yu	Male	06/01/2016	3 Years	06/01/2013			<ul style="list-style-type: none"> ● Ph.D. in Business Administration, Michigan University, USA ● Independent Director of Antec Co.; Consultant of Hon Hai Precision Industry Co.; Assistant Professor of Business Administration, University of Illinois at Urbana-Champaign, USA 	Independent Director of Yuanta Securities; Independent Director of Advantech Co.; Director of Higher Education Foundation; Director of National Chengchi University Business Administration Foundation; Professor of National Chengchi University	

Title	Nationality or Place of Registration	Name (Note 1)	Gender	Date Elected	Term (Years) (Note 2)	Date First Elected	Shareholding when Elected; Current Shareholding	Shares Held by Spouse & Minors or in Others' Name	Experience & Education	Other Position	Executives, Directors, Supervisors who are spouses or within two degrees of kinship
Independent Director	Republic of China	Representative of Yuanta Financial Holdings : Ching-Shan Hung (Note 3)	Male	06/01/2017	3 Years	06/01/2017	100% owned by Yuanta FHC ;		<ul style="list-style-type: none"> ● MSc in Law and Accounting, National Chengchi University ● Deputy Head of PwC Taiwan; Deputy Managing Director of Taiwan CPA Association 	Independent Director of Yuanta Securities	—
Independent Director		Representative of Yuanta Financial Holdings : Kuang-si Shiu (Note 4)	Male	07/01/2017	3 Years	07/01/2017	Shareholding when Elected : 3,918,361,724 Current Shareholding : 7,394,038,982	—	<ul style="list-style-type: none"> ● MBA, Indiana University, USA ● Vice President of Bank of Communications; Chairman of Land Bank of Taiwan; Chairman of Hua Nan Financial Holdings and Hua Nan Commercial Bank; Chairman of Mega Financial Holdings and Mega Bank 	—	

Note 1 : On June 1st, 2016, Yuanta Financial Holdings designated Mr. Chieh-Chiang Fan, Mr. Song-Erh Chang, Mr. Michael Ma, Mr. Jin-Long Fang, Mr. Hsien-Tao Chiu, Mr. Chia-Lin Chin, Mr. Jin-Sheng Duann, Mr. Tsai-Yu Chang and Mr. Chung-Yuan Chen as the directors of the 9th term of the Company; and Mr. Ming-Ling Hsueh, Mr. Yin-Hua Yeh, Mr. Dah-Hsian Seetoo and Mr. Chwo-Ming Yu as the independent directors of the 9th term of the Company; and elected Mr. Chieh-Chiang Fan as Chairman at the 1st Director's Meeting of the 9th term on June 1st, 2016.

Note 2 : The term of the 9th board is from June 1st, 2016 to May 31st, 2019.

Note 3 : From June 1st, 2017, Mr. Ching-Shan Hung was appointed to replace Mr. Dah-Hsian Seetoo as the Independent Director.

Note 4 : Mr. Kuang-si Shiu was appointed as the Independent Director on July 1st, 2017.

Note 5 : From January 1st, 2018, Mr. Chia-Lin Chin was appointed to replace Mr. Tsai-Yu Chang as Director, and Mr. Chien-Ping Chen and Mr. Yu-Feng Ko were appointed as Directors.

(2) Major Institutional Shareholders

Base Date : July 18th, 2017

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	
Yuanta Financial Holdings Co., Ltd	Tsun Chueh Investment Co., Ltd	3.34%
	Yuan Hung Investment Co., Ltd	2.91%
	Yuan Hsiang Investment Co., Ltd	2.46%
	Yu Yang Investment Co., Ltd	2.40%
	MEGA International Commercial Bank Co., Ltd acting as custodian for the investment account of Beevest Securities Ltd	2.38%
	Bank of Taiwan Co., Ltd	2.08%
	Lian Ta Investment Co., Ltd	1.96%
	Cathay Life Insurance Co., Ltd	1.92%
	Dedicated trust property account managed by Yuanta Bank	1.82%
	Standard Chartered Bank Co., Ltd acting as custodian for the account of Vanguard Emerging Markets Stock Index Fund	1.61%

Note : Data for the company's top 10 major shareholders are as of Yuanta financial Holdings' latest book closure date (07/18/2017).

(3) Key Shareholders of Major Institutional Shareholders

Base Date : January 31st, 2018

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	
Tsun Chueh Investment Co., Ltd	Teng Ta Investment Co., Ltd	19.69%
	Lian Ta Investment Co., Ltd	19.84%
	Chiu Ta Investment Co., Ltd	18.36%
	Lien Heng Investment Co., Ltd	18.92%
	Hsing Tsai Investment Co., Ltd	10.23%
	Victor Ma	8.27%
	Judy Tu	4.69%
Yuan Hung Investment Co., Ltd	Mei Jia Li Investment Company Limited	45.88%
	Lien Heng Investment Co., Ltd	33.74%
	Teng Ta Investment Co., Ltd	15.38%
	Judy Tu	5.00%
Yuan Hsiang Investment Co., Ltd	Lian Ta Investment Co., Ltd	44.38%
	Lien Heng Investment Co., Ltd	19.00%
	Teng Ta Investment Co., Ltd	18.69%
	Chiu Ta Investment Co., Ltd	9.96%
	Judy Tu	5.01%
	Hsing Tsai Investment Co., Ltd	2.96%

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	
Yu Yang Investment Co., Ltd	Tsun Chueh Investment Co., Ltd	100%
MEGA International Commercial Bank Co., Ltd acting as custodian for the investment account of Beevest Securities Ltd	N/A	
Bank of Taiwan Co., Ltd	Taiwan Financial Holdings Co., Ltd	100.00%
Lian Ta Investment Co., Ltd	Chiao Hua International Investment Co., Ltd	45.79%
	Lieng Heng Investment Co., Ltd	37.14%
	Chiu Ta Investment Co., Ltd	14.02%
	Hsing Tsai Investment Co., Ltd	2.58%
	Judy Tu	0.47%
Cathay Life Insurance Co., Ltd	Cathay Financial Holdings	100%
Dedicated trust property account managed by Yuanta Bank	N/A	
Standard Chartered Bank Co., Ltd acting as custodian for the account of Vanguard Emerging Markets Stock Index Fund	N/A	

(4) Information of the President, Vice Presidents, Department Heads and Branch Managers

Base Date : January 31st, 2018

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
President	Republic of China	Chia-Lin Chin	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● President ● Bachelor of Business Administration, National Chengchi University ● 25th Executives Program, Graduate School of Business Administration, National Chengchi University 	—	—
General Auditor		Chung-Ping Lu	Female	08/10/2016			<ul style="list-style-type: none"> ● General Auditor ● Master in Accounting, National Chengchi University 		
Executive Vice President		Yu-De Chuang	Male	07/14/2014			<ul style="list-style-type: none"> ● Chief Compliance Officer ● Supervisor of Compliance Affairs Dept. ● Master in Public Finance, National Chengchi University 	Executive Vice President of Yuanta Financial Holdings; Director of Yuanta Securities Finance; Supervisor of Yuanta International Leasing; Director of Yuanta Foundation;	
Executive Vice President		Tsai-Yu Chang	Male	01/01/2018			<ul style="list-style-type: none"> ● Head of Wholesale Banking Division ● MBA, National Chengchi University ● 29th Executives Program, Graduate School of Business Administration, National Chengchi University 	Chairman of Yuanta International Leasing; Director of Yuanta International Leasing; Director of Yuanta Foundation; Chairman of Yuanta Savings Bank (Korea); Director of Yuanta Savings Bank (Korea)	

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Executive Vice President	Australia	Eric K. Chiu	Male	01/01/2018			<ul style="list-style-type: none"> Head of International Business Division and Manager Overseas Business Dept. MBA, The University of Queensland, Australia 28th Executives Program, Graduate School of Business Administration, National Chengchi University 	—	
Executive Vice President	Republic of China	Allen Wu	Male	10/16/2014			<ul style="list-style-type: none"> Supervisor of Business Management Dept. MBA in Industrial and Business Management, University of Mississippi, USA 	Senior Vice President of Yuanta Financial Holdings; Chairman of Yuanta Savings Bank (Philippines); Director of Yuanta Savings Bank (Philippines)	
Executive Vice President		Tai-Yong Hsiung	Male	03/01/2015			<ul style="list-style-type: none"> Chief Secretary and Manager of Board Secretary Office Bachelor of Arts in Economics, National Chung Hsing University 	Vice President of Yuanta Financial Holdings	—
Senior Vice President		Fan-Sheng Pu	Male	01/01/2018			<ul style="list-style-type: none"> Head of Financial Markets Division and Manager of Treasury Dept. MBA, National Chung Hsing University 	—	
Senior Vice President		Siou-Mei Chen	Female	09/01/2014			<ul style="list-style-type: none"> Supervisor of Information Technology Development Dept. and Information Security Management Dept. MBA, National Taiwan University 	Senior Vice President of Yuanta Financial Holdings	

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Vice President	Republic of China	Yung-Chung Huang	Male	05/01/2011	—	—	<ul style="list-style-type: none">● Supervisor of International Banking Dept. and Operation Dept.● Bachelor of Business Administration, Tamkang University	Director of Yuanta International Leasing; Director of Buddhist Sangha Health Care Foundation	—
Senior Vice President		Wen-Ching Chiu	Female	12/06/2016			<ul style="list-style-type: none">● Supervisor and Manager of Legal Affairs Dept.● Bachelor of Laws, National Chengchi University	Vice President of Yuanta Financial Holdings; Supervisor of Yuanta Securities Finance; Supervisor of Yuanta International Leasing	
Senior Vice President		Hsu-Shu Mai	Male	08/18/2017			<ul style="list-style-type: none">● Supervisor of Accounting Dept.● Master in Finance, National Taiwan University	Vice President of Yuanta Financial Holdings; Director of Yuanta Securities Asia Financial Services Ltd.	
Senior Vice Presiden		Hsiao-Keng Chang	Female	09/01/2017			<ul style="list-style-type: none">● Supervisor of Human Resources Dept.● Master in Accounting, National Taiwan University	Vice President of Yuanta Financial Holdings	
Senior Vice President		Hsiao-Chuan Tseng	Female	01/01/2018			<ul style="list-style-type: none">● Supervisor of Corporate Credit Dept.● Master in Management, National Taiwan University of Science and Technology	—	
Senior Vice President		Feng-Yen Ho	Male	01/01/2018			<ul style="list-style-type: none">● Advisor● Bachelor of Accounting, National Chengchi University		
Senior Vice President		Kuan-Han Lin	Male	01/23/2018			<ul style="list-style-type: none">● Vice Head of Financial Markets Division● Bachelor of Business Administration, National Sun Yat-sen University		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Vice President	Republic of China	Su-Hui Wu	Female	01/01/2018	—	—	<ul style="list-style-type: none"> ● Head of Personal Financial Services Division ● Master in Finance, National Taiwan University 	—	—
Vice President		Yuan-Chen Chen	Female	01/01/2018			<ul style="list-style-type: none"> ● Head of Retail Banking Division ● Bachelor of Arts in Economics, Chinese Culture University 		
Vice President		Ming-Cheng Tsai	Male	01/01/2018			<ul style="list-style-type: none"> ● Vice Head of Wholesale Banking Division ● Master in Management Science, National Chiao Tung University 		
Vice President		Chien-Wei Pan	Male	01/01/2018			<ul style="list-style-type: none"> ● Vice Head of Wholesale Banking Division and Manager of Corporate Banking Dept. ● Master in Finance, California State University, East Bay, USA 		
Vice President		Chi-Liang Hsiao	Male	01/01/2018			<ul style="list-style-type: none"> ● Vice Head of Retail Banking Division and Manager of Consumer Banking Dept. ● MBA, California State University, San Bernardino, USA 	Supervisor of Taiwan Mobile Payments Co., Ltd.	
Vice President		Chen-I Hung	Male	01/01/2018			<ul style="list-style-type: none"> ● Supervisor of Collection Dept. ● MBA, University of Glasgow, UK 	Director of Landseed Mommycare International Limited	
Vice President		Sin-Yu Lin	Female	03/01/2015			<ul style="list-style-type: none"> ● Business Supervisor and Manager of Preparatory Office of Singapore Branch ● MBA, Arizona State University, USA 	—	
Vice President		Yeong-Jen Chen	Male	03/01/2015			<ul style="list-style-type: none"> ● Business Supervisor ● Bachelor of Finance and Banking, Aletheia University 	Director of Yuanta International Leasing	
Vice President		Yi-Liang Su	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Risk Management Dept. ● Ph.D. of Management, National Taiwan University of Science and Technology 	Senior Assistant Vice President of Yuanta Financial Holdings	

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Vice President	Republic of China	Wen-Jeng Chang	Male	01/01/2018	—	—	<ul style="list-style-type: none">● Manager of Offshore Banking Branch and Manager of Preparatory Office of Macau Branch● MBA, George Washington University, USA	—	—
Vice President		Chi-Jung Huang	Male	08/01/2017			<ul style="list-style-type: none">● Manager of Information Technology Development Dept.● Bachelor of Information Engineering and Computer Science, Feng Chia University		
Vice President		Yu-Sheng Tsai	Male	03/31/2017			<ul style="list-style-type: none">● Overseas Business Dept.● Master in International Business Administration, Chinese Culture University	Director of Yuanta Savings Bank (Philippines); President of Yuanta Savings Bank (Philippines)	
Senior Assistant Vice President		Yu-Ching Su	Female	04/01/2009			<ul style="list-style-type: none">● Manager of Accounting Dept.● Bachelor of Accounting, Tamkang University	—	
Senior Assistant Vice President		Li-Yun Chen	Female	07/14/2014			<ul style="list-style-type: none">● Manager of Human Resource Dept.● MBA, Hofstra University, New York, USA	Assistant Vice President of Yuanta Financial Holdings	
Senior Assistant Vice President		Chen-Chun Lin	Male	03/22/2016			<ul style="list-style-type: none">● Manager of Administration & Facilities Management Dept.● Associate Degree of Management, National Taipei College of Business	Assistant Vice President of Yuanta Financial Holdings	
Senior Assistant Vice President		Chih-Sheng Pan	Male	05/01/2016			<ul style="list-style-type: none">● Business Supervisor● MBA, Tunghai University	—	
Senior Assistant Vice President		Kuang-Chung Liao	Male	03/01/2017			<ul style="list-style-type: none">● Business Supervisor● MBA, National Sun Yat-Sen University		
Senior Assistant Vice President		Shih-Hao Lee	Male	10/03/2017			<ul style="list-style-type: none">● Manager of Financial Trading Dept.● Master in Finance, National Taiwan University		
Senior Assistant Vice President		Chun-Huang Lu	Male	10/16/2017			<ul style="list-style-type: none">● Manager of Business Management Dept.● MBA, National Taipei University		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Assistant Vice President	Republic of China	Kung-He Chang	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of Consumer Credit Dept. ● Master in Applied Statistics, Fu Jen Catholic University 	—	—
Senior Assistant Vice President		Ching-Yi Chu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Compliance Affairs Dept. ● MBA, Cornell University, USA 		
Senior Assistant Vice President		Shun-Cheng Chang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Information Security Management Dept. ● Master in Information Management, National Taiwan University 		
Senior Assistant Vice President		Mei-Chih Yu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Financial Product Dept. ● Bachelor of International Business, Tamkang University 		
Senior Assistant Vice President		Wen-Sen Lai	Male	01/01/2018			<ul style="list-style-type: none"> ● Generalist ● MBA, Chinese Culture University 		
Assistant Vice President		Chih-Feng Yang	Male	01/01/2018			<ul style="list-style-type: none"> ● Vice Head of Personal Financial Services Division and Manager of Wealth Management Dept. ● Bachelor of Banking and Finance, Tamkang University 		
Assistant Vice President		Mei-Jhu Chang	Female	10/01/2013			<ul style="list-style-type: none"> ● Manager of Operation Dept. ● Associate Degree of Management, National Taipei College of Business 		
Assistant Vice President		Hui-Kuo Chien	Male	04/01/2014			<ul style="list-style-type: none"> ● Manager of Collection Dept. ● Bachelor of Economics, Fu Jen Catholic University 		
Assistant Vice President		Che-I Chu	Male	08/29/2014			<ul style="list-style-type: none"> ● Manager of Trust Dept. ● Master in Finance, Tamkang University 		
Assistant Vice President		Chiao-Chia Tuan	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Financial Markets Administration Dept. ● Master in Information Technology, Lawrence Technological University, USA 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Assistant Vice President	Republic of China	Chien-Ming Tseng	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of Financial Markets Administration Dept. ● Bachelor of Finance and Banking, Aletheia University 	—	—
Assistant Vice President		Chia-Yu Lee	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Personal Loan Credit Dept. ● Master in Agriculture Economics, National Taiwan University 		
Assistant Vice President		Chiu-Li Liu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Credit Management Dept. and Vice Manager of Board Secretary Office ● Master in Finance, National Taiwan University of Science and Technology 		
Assistant Vice President		San-Shen Chung	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Personal Loan Dept. ● Bachelor of Mechanical Engineering, National Sun Yat-sen University 		
Senior Manager		Ping-Chiu Liu	Male	09/11/2016			<ul style="list-style-type: none"> ● Manager of Insurance Agency Dept. ● Master in Insurance, Feng Chia University 		
Senior Manager		Yen-Ling Fu	Female	06/01/2017			<ul style="list-style-type: none"> ● Manager of Deposit and Remittance Banking Dept. ● Associate degree of Banking and Insurance, Ming Chuan Girls' Commercial College 		
Senior Manager		Wen-Chung Lee	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Corporate Credit Dept. ● Master in Economics, Ming Chuan University 		
Senior Manager		Po-Fu Chen	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Hong Kong Branch ● Bachelor of Business Administration, National Chengchi University 		
Senior Manager		Shun-Ming Fan Chiang	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Project Finance Dept. ● Bachelor of Economics, Soochow University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Cheng-Chi Lee	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Deputy Manager of E-Commerce Dept. ● MBA, University of North Alabama, USA 	—	—
Manager		Rung-Ru Chou	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of International Banking Dept. ● Bachelor of Business Administration, Chinese Culture University 		
Senior Assistant Vice President		Ming-Kun Wang	Male	03/01/2015			<ul style="list-style-type: none"> ● Manager of Banqiao Branch ● Master in Finance, Ming Chuan University 		
Senior Assistant Vice President		Chin-Sen Wang	Male	03/01/2017			<ul style="list-style-type: none"> ● Manager of Lugang Branch ● Associate degree of Accounting and Statistics, Transworld Jr. College of Commerce 		
Senior Assistant Vice President		Pi-Ju Liao	Female	06/01/2017			<ul style="list-style-type: none"> ● Manager of Kaohsiung Branch ● MBA, National Sun Yat-sen University 		
Senior Assistant Vice President		Chi-Wen Tso	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Taiping Branch ● PhD of Business Administration, Chaoyang University of Technology 		
Senior Assistant Vice President		Ta-Hsiang Yuan	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Datong Branch ● MBA, University of Southern Queensland, Australia 		
Senior Assistant Vice President		Hsi-Tung Chen	Male	01/05/2018			<ul style="list-style-type: none"> ● MBA, Yuan Ze University ● Manager of Yongkang Branch and Deputy Manager of Zhonghua Branch 		
Senior Assistant Vice President		Ching-Chi Huang	Male	01/19/2018			<ul style="list-style-type: none"> ● Master in Finance, National Kaohsiung First University of Science and Technology 		
Assistant Vice President		Chun-Chieh Wu	Male	10/01/2013			<ul style="list-style-type: none"> ● Manager of Luodong Branch ● Bachelor of Business, National Taiwan University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Assistant Vice President	Republic of China	Hung-Chih Lin	Male	05/09/2014	—	—	<ul style="list-style-type: none"> ● Manager of Business Dept. ● Bachelor of International Business, Soochow University 	—	—
Assistant Vice President		Pei-Ying Wang	Female	03/01/2015			<ul style="list-style-type: none"> ● Manager of Zhongshan North Road Branch ● Master in Finance, St. John's University, USA 		
Assistant Vice President		Tai-Yuan Huang	Male	05/01/2015			<ul style="list-style-type: none"> ● Manager of Beitou Branch ● MBA, University of North Alabama, USA 		
Assistant Vice President		Yang-Chen Cheng	Female	05/04/2015			<ul style="list-style-type: none"> ● Manager of Fuchen Branch ● MBA, National Cheng Kung University 		
Assistant Vice President		Cheng-Hua Chen	Male	05/01/2016			<ul style="list-style-type: none"> ● Manager of Zhongxiao Branch ● Master in Finance, Fu Jen Catholic University 		
Assistant Vice President		Jui-Chien Hsieh	Male	05/01/2016			<ul style="list-style-type: none"> ● Manager of Chongde Branch ● Associate degree of Accounting and Statistics, National Taipei College of Business 		
Assistant Vice President		Yu-Ling Hsu	Female	06/13/2016			<ul style="list-style-type: none"> ● Manager of Hsinchu Branch ● MBA, National Central University 		
Assistant Vice President		Cheng Liao	Male	04/14/2017			<ul style="list-style-type: none"> ● Manager of Songjiang Branch ● MBA, National Chung Hsing University 		
Assistant Vice President		Ming-Hung Chang	Male	06/01/2017			<ul style="list-style-type: none"> ● Manager of Chengde Branch ● Diploma, Department of Advertisement, KaiNan Vocational High School 		
Assistant Vice President		Chen-Kang Yang	Male	10/16/2017			<ul style="list-style-type: none"> ● Manager of Nanjing East Road Branch ● Bachelor of Economics, Soochow University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Assistant Vice President	Republic of China	Yu-Ming Kung	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of Youchang Branch ● Bachelor of Business Administration, National Chung Hsing University 	—	—
Assistant Vice President		Chi-Nan Yang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Beifu Branch and Deputy Manager of East Tainan Branch ● Associate degree of Industrial Management, Nan-Tai Junior College of Technology 		
Assistant Vice President		Chien-Pin Wu	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Zhongli Branch ● Bachelor of Business Administration, National Chung Hsing University 		
Assistant Vice President		Chia-I Lin	Female	01/05/2018			<ul style="list-style-type: none"> ● Manager of Boai Branch ● Bachelor of Library, National Taiwan University 		
Assistant Vice President		Lun-Chien Lin	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Yonghe Branch ● Bachelor of Banking, Tamkang University 		
Assistant Vice President		Cheng-Hui Chen	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Neihu Branch ● MBA, Ming Chuan University 		
Assistant Vice President		Li-Ching Yu	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Nankan Branch ● Bachelor of International Business, Tunghai University 		
Assistant Vice President		Wen-Ting Huang	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Jhubei Branch ● MBA, National Central University 		
Assistant Vice President		Chiung-Fen Huang	Female	01/05/2018			<ul style="list-style-type: none"> ● Manager of Ximen Branch ● Bachelor of Business Administration, Ming Chuan University 		
Assistant Vice President		Ming-Kuan Lu	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Miaoli Branch ● Bachelor of Statistics, National Chengchi University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Manager	Republic of China	Chung-Lin Yeh	Male	05/09/2014	—	—	<ul style="list-style-type: none"> ● Manager of Yuanlin Branch ● Master in Accounting, Chung Yuan Christian University 	—	—
Senior Manager		Wen-Pin Lu	Male	05/09/2014			<ul style="list-style-type: none"> ● Manager of Sanmin Branch ● Bachelor of Business Administration, Cheng Shiu University 		
Senior Manager		Cheng-Tung Tsai	Male	03/06/2015			<ul style="list-style-type: none"> ● Manager of Pingtung Branch ● Bachelor of Business Administration, National Taiwan University of Science and Technology 		
Senior Manager		Hui-Ping Wu	Female	05/01/2015			<ul style="list-style-type: none"> ● Manager of Taosin Branch ● Associate degree of Banking and Insurance, School of Continuing Education Affiliated to National Taipei College of Business 		
Senior Manager		Ju-Chen Lee	Female	05/01/2015			<ul style="list-style-type: none"> ● Manager of Wende Branch ● Associate degree of International Business, Chih Lee College of Business 		
Senior Manager		Wen-Hsiung Shih	Male	05/01/2015			<ul style="list-style-type: none"> ● Manager of Guting Branch ● Bachelor of Business Administration, National Chung Hsing University 		
Senior Manager		Yung-Li Huang	Male	05/01/2015			<ul style="list-style-type: none"> ● Manager of Luzhou Branch ● Bachelor of Banking, National Chengchi University 		
Senior Manager		An-Kuo Hung	Male	06/12/2015			<ul style="list-style-type: none"> ● Manager of Chiayi Branch ● Bachelor of Business Administration, Transworld Institute of Technology 		
Senior Manager		Ching-Hui Chiu	Female	05/01/2016			<ul style="list-style-type: none"> ● Manager of Heping Branch ● Bachelor of International Business, Tamkang University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Manager	Republic of China	Hsin-Min Cheng	Male	05/01/2016	—	—	<ul style="list-style-type: none"> ● Manager of Jhonghe Branch ● Master in Management Science, Tamkang University 	—	—
Senior Manager		Jo-Ti Yao	Female	06/13/2016			<ul style="list-style-type: none"> ● Manager of Zuoying Branch ● Associate degree of Radiology, Yuanpei Institute of Medical Technology 		
Senior Manager		I-Hsuan Huang	Female	02/02/2017			<ul style="list-style-type: none"> ● Manager of Xinzhuang Branch ● Master in Management, Fu Jen Catholic University 		
Senior Manager		Chien-Sheng Wang	Male	03/01/2017			<ul style="list-style-type: none"> ● Manager of Doushin Branch ● Master in Finance, National Yunlin University of Science and Technology 		
Senior Manager		Tsung-Chieh Lee	Male	03/01/2017			<ul style="list-style-type: none"> ● Manager of Taichung Branch ● Master in Accounting, National Yunlin University of Science and Technology 		
Senior Manager		Chin-Mei Lin	Female	03/01/2017			<ul style="list-style-type: none"> ● Manager of Dounan Branch ● Associate degree of International Business, National Taichung College of Business 		
Senior Manager		Hao Tsai	Female	03/01/2017			<ul style="list-style-type: none"> ● Manager of Dajia Branch ● Associate degree of International Business, National Taichung College of Business 		
Senior Manager		Tsung-Hua Hsieh	Male	03/01/2017			<ul style="list-style-type: none"> ● Manager of Beidou Branch ● Associate degree of Banking, Tamsui Institute of Business Administration 		
Senior Manager		Ting-I Chu	Male	06/01/2017			<ul style="list-style-type: none"> ● Manager of Wunsin Branch and Chief Representative of Myanmar Yangon Representative Office ● Master in International Financial Market, American Graduate School of International Management, USA 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Manager	Republic of China	Che-Chin Lin	Male	06/01/2017	—	—	<ul style="list-style-type: none"> ● Manager of Linkou Branch ● Master in Finance, National Taiwan University of Science and Technology 	—	—
Senior Manager		Ping-Huang Hu	Male	06/01/2017			<ul style="list-style-type: none"> ● Manager of Changhua Branch ● Bachelor of Economics, Fu Jen Catholic University 		
Senior Manager		Lu-Wen Tang	Male	06/01/2017			<ul style="list-style-type: none"> ● Manager of Shalu Branch ● Bachelor of Finance, Chaoyang University of Technology 		
Senior Manager		Hui-Chen Chang	Female	06/01/2017			<ul style="list-style-type: none"> ● Manager of Daan Branch ● MBA, Royal Roads University, Canada 		
Senior Manager		Kan-Lin Chen	Male	06/01/2017			<ul style="list-style-type: none"> ● Manager of Taipei Branch ● MBA, National Chengchi University 		
Senior Manager		Ming-Chia Tsai	Male	02/06/2017			<ul style="list-style-type: none"> ● Manager of Sanduo Branch ● Master in Economics, National Sun Yat-sen University 		
Senior Manager		Hui-Li Pai	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Huashan Branch ● Associate degree of International Business, Takming University of Science and Technology 		
Senior Manager		Miao-Ling Wu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of South Xinzhuan Branch ● Master in International Finance, National Taipei University 		
Senior Manager		Pei-Yu Wu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of West Tainan Branch ● Associate degree of Secretarial Science, Tamsui Institute of Business Administration 		
Senior Manager		Shu-Mei Lin	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Pingrong Branch ● Associate degree of Finance, Yung Ta Institute of Technology and Commerce 		
Senior Manager		Shu-Hu Chen	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Shiquan Branch ● Bachelor of Political Science, Soochow University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Manager	Republic of China	Chung-Lin Wu	Male	01/05/2018	—	—	<ul style="list-style-type: none"> ● Manager of Tainan Branch ● Master, Institute of Interdisciplinary Studies for Social Sciences, National Sun Yat-sen University 	—	—
Senior Manager		Li-Chang Lu	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Beisanchong Branch ● EMBA, National Central University 		
Senior Manager		Meng-Wei Lin	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Fongyuan Branch ● MBA, National Chung Hsing University 		
Senior Manager		Sheng-Chung Hu	Male	01/05/2018			<ul style="list-style-type: none"> ● Deputy Manager of Xindian Branch and Leader of Corporate Banking Group, Datong Branch ● Bachelor of Statistics, Tamkang University 		
Senior Manager		Chun-Hsiung Kuo	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Anhe Branch ● Master in Industrial Management, National Cheng Kung University 		
Senior Manager		Jung-Hua Huang	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Taoyuan Branch ● Bachelor of Business, National Taiwan University 		
Senior Manager		Ling-Ying Liao	Female	01/05/2018			<ul style="list-style-type: none"> ● Manager of ChungGang Branch ● Associate degree of Business Administration, Ling Tung Junior College of Accounting 		
Senior Manager		Mei-Chen Liu	Female	01/05/2018			<ul style="list-style-type: none"> ● Manager of Sinyi Branch ● Bachelor of International Business, Tamkang University 		
Senior Manager		Ching-Hsing Pan	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Chengjhong Branch ● Master in Finance, National Central University 		
Senior Manager		Shih-He Tsai	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Sanchong Branch ● Bachelor of Laws, Fu Jen Catholic University 		
Senior Manager		Sheng-Wen Chien	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Dali Branch ● MBA, Chaoyang University of Technology 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Chieh-Ping Wu	Male	02/17/2012	—	—	<ul style="list-style-type: none"> ● Manager of Kinmen Branch ● Master in Business Education, National Changhua University of Education 	—	—
Manager		Chi-Chang Yu	Male	09/28/2012			<ul style="list-style-type: none"> ● Manager of Guanqian Branch ● Bachelor of Business, National Open University 		
Manager		San-Kuei Huang	Male	09/19/2013			<ul style="list-style-type: none"> ● Manager of Tungshin Branch ● Bachelor of Accounting, Chinese Culture University 		
Manager		Hsiao-Pei Chang	Female	11/29/2013			<ul style="list-style-type: none"> ● Manager of Puqian Branch ● Bachelor of Accounting, Soochow University 		
Manager		Kuo-Tsai Liu	Male	01/24/2014			<ul style="list-style-type: none"> ● Manager of Shulin Branch ● Bachelor of Finance, Tamkang University 		
Manager		Chao-Hsiang Chen	Male	03/28/2014			<ul style="list-style-type: none"> ● Manager of Songsshan Branch ● Bachelor of Banking and Insurance, Feng Chia University 		
Manager		Chin-Tsung Huang	Male	03/28/2014			<ul style="list-style-type: none"> ● Manager of Xindian Zhongzheng Branch ● MBA., National Taiwan University of Science and Technology 		
Manager		Chin-Hao Wang	Male	05/09/2014			<ul style="list-style-type: none"> ● Manager of KaiYuan Branch ● Associate degree of Business Administration, Far East Junior College of Technology 		
Manager		Ming-Sheng Chen	Male	05/09/2014			<ul style="list-style-type: none"> ● Manager of Fudong Branch ● Associate degree of Banking and Insurance, Tatung Jr. College of Commerce 		
Manager		Chiu-Hua Chou	Female	09/26/2014			<ul style="list-style-type: none"> ● Manager of Shihlin Branch ● Associate degree of Information Management, Hwa Hsia College of Technology and Commerce 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Chao-Hung Cheng	Male	04/07/2015	—	—	<ul style="list-style-type: none"> ● Manager of Hualien Branch ● Bachelor of Applied Business, School of Continuing Education Affiliated to National Taipei College of Business 	—	—
Manager		Yen-Shan Lee	Male	05/01/2015			<ul style="list-style-type: none"> ● Manager of Yanping Branch ● Bachelor of Statistics, National Chung Hsing University 		
Manager		Che-Pin Liang	Male	10/02/2015			<ul style="list-style-type: none"> ● Manager of Tucheng Branch ● Bachelor of Public Finance and Taxation, Aletheia University 		
Manager		Hsu-Hua Liang	Male	05/01/2016			<ul style="list-style-type: none"> ● Manager of Shuanghe Branch ● Associate degree of Banking, Tamsui Institute of Business Administration 		
Manager		Chia-Lin Chiu	Male	08/25/2016			<ul style="list-style-type: none"> ● Manager of Guangfu Branch ● Bachelor of Finance, Tamkang University 		
Manager		Tieh-Cheng Hsieh	Male	02/02/2017			<ul style="list-style-type: none"> ● Manager of Gongguan Branch ● Bachelor of Finance, Takming University of Science and Technology 		
Manager		Yeh-Lu Lee	Male	03/01/2017			<ul style="list-style-type: none"> ● Manager of Fusing Branch ● Bachelor of Economics, Tunghai University 		
Manager		Li-Fen Chang	Female	03/01/2017			<ul style="list-style-type: none"> ● Manager of Caotun Branch ● Bachelor of Business Administration, Ling Tung University 		
Manager		Cheng-Fang Chen	Female	03/01/2017			<ul style="list-style-type: none"> ● Manager of Huwei Branch ● Master in Finance, National Yunlin University of Science and Technology 		
Manager		Hou-Jen Yang	Male	03/01/2017			<ul style="list-style-type: none"> ● Manager of Nankan Branch ● Bachelor of Economics, Feng Chia University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Shih-Cheng Lin	Male	06/01/2017	—	—	<ul style="list-style-type: none"> ● Manager of Chingmei Branch ● Bachelor of International Business, School of Continuing Education Affiliated to Chih Lee College of Business 	—	—
Manager		Hung-Ling Wang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of East Hsinchu Branch ● Bachelor of International Trade and Russian Literature, Heilongjiang University, Maimland China 		
Manager		Pao-Lin Wang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Changgeng Branch ● Bachelor of Urban Planning, Chinese Culture University 		
Manager		Chih-Yun Chiang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Tonghua Branch ● Bachelor of Tourism & Hospitality Management, Royal Melbourne Institute of Technology, Australia 		
Manager		Han-Chi Wu	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Beixin Branch ● Bachelor of Finance, Lunghwa University of Science and Technology 		
Manager		Yu-Ling Wu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Fengren Branch ● Master in Finance, Chaoyang University of Technology 		
Manager		Chen-Chieh Wu	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Yungchun Branch ● Bachelor of Economics, Fu Jen Catholic University 		
Manager		Hsueh-Ling Wu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Zhongshan Branch and Deputy Manager of Zhongcheng Branch ● EMBA, Soochow University 		
Manager		Chung-Hsuan Lee	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of North Kaohsiung Branch and Deputy Manager of Qianjin Branch ● Bachelor of Finance, Shih Chien University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Juan-Yu Tu	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of South Chiayi Branch ● Bachelor of Laws, Chinese Culture University 	—	—
Manager		Yu-Te Lin	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Changxing Branch ● Bachelor of Banking, National Chengchi University 		
Manager		Wei-Chih Lin	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Zhongzheng Branch ● Associate degree of Business Administration, Hsing Wu Jr. College of Commerce 		
Manager		Mei-Ling Lin	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Xiaogang Branch ● Bachelor of Industrial & Business Management, Open University of Kaohsiung 		
Manager		Jo-Ching Lin	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Xinying Branch ● Bachelor of Finance, Southern Taiwan University of Technology 		
Manager		Shu-Yueh Lin	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Dunhua Branch and Deputy Manager of Duennan Branch ● Bachelor of Public Finance, Aletheia University 		
Manager		Shih-Liang Hou	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Qianzhen Zhongshan Branch ● Bachelor of Statistics, Feng Chia University 		
Manager		Chung-Chien Chiang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Nantun Branch ● Bachelor of Banking and Insurance, Hsing Wu College 		
Manager		Tsai-Ti Hung	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Qianzhen Branch ● Bachelor of Business Administration, Cheng Shiu University 		
Manager		Hao-En Hsu	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Xinli Branch ● Bachelor of Applied Languages, Nanya Institute of Technology 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Te-Yu Yuan	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of Da Heping Branch ● Bachelor of Insurance, Tamkang University 	—	—
Manager		Su-Ning Chang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Shalu Zhongshan Branch ● Master in Management, Providence University 		
Manager		Chi-Hui Chang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Shuina Branch ● MBA., National Chung Hsing University 		
Manager		Hsiao-Ying Kuo	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of East Taipei Branch ● Bachelor of Business Administration, Soochow University 		
Manager		Shih-Hsun Chen	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Dali Defang Branch and Deputy Manager of North Taichung Branch ● Bachelor of International Business, Shih Chien University 		
Manager		Yung-Feng Chen	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of North Taoyuan Branch and Deputy Manager of Chengong Branch ● Associate degree of Electronic Engineering, Chien Hsin Industrial College 		
Manager		Chieh-Hsing Chen	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Xizhi Branch ● Associate degree of International Business, Takming College 		
Manager		Ya-Lun Chen	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Annan Branch ● Bachelor of Business Administration, New York Institute of Technology, USA 		
Manager		Ya-Hui Chen	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Jiangui Branch ● Master in Finance, University of York, UK 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Chih-Chun Wen	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of Liancheng Branch ● Associate degree of Accounting and Statistics, Takming University of Science and Technology 	—	—
Manager		Chih-Kang Feng	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Yancheng Branch ● MBA, I-Shou University 		
Manager		Wen-Hsiung Huang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of New Zuoying Branch ● Bachelor of International Business, Chung Yuan Christian University 		
Manager		Ho-Ching Huang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Mingcheng Branch ● Bachelor of Fashion Design and Merchandising, Shih Chien University 		
Manager		Sheng-Min Huang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Dongmen Branch ● Bachelor of Business Administration, Vanung University 		
Manager		Yung-Hui Yang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Gao Feng Branch ● Master in Management, Chung Yuan Christian University 		
Manager		Yu-Mei Yang	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Lingya Branch ● Bachelor of Business Administration, Daito Bunka University, Japan 		
Manager		Yao-Hsien Yang	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Ren'ai Branch ● Associate degree of Business Administration, Chinese Junior College of Industrial and Commercial Management 		
Manager		I-Chun Wan	Female	01/01/2018			<ul style="list-style-type: none"> ● Manager of Chengqing Branch ● Bachelor of Business Administration, Louisiana State University, USA 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Hsueh-Ping Yeh	Female	01/01/2018	—	—	<ul style="list-style-type: none"> ● Manager of East Banqiao Branch and Deputy Manager of Sinban Branch ● Master in Finance, National Taiwan University of Science and Technology 	—	—
Manager		Yung-Lung Chan	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Ruiguang Branch ● MBA, University of Management and Technology, USA 		
Manager		Chia-Lin Liu	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Wujia Branch ● Bachelor of Public Finance, Feng Chia University 		
Manager		Yu-Te Su	Male	01/01/2018			<ul style="list-style-type: none"> ● Manager of Xiulang Branch ● Bachelor of Finance, Jin Wen University of Science & Technology 		
Manager		Ying-Chou Ho	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Shangxinzhuang Branch ● Master in Mainland China Studies, Chinese Culture University 		
Manager		Ming-Hsiung Lin	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Pinghen Branch ● Associate degree of International Business, Tamsui Institute of Business Administration 		
Manager		Kuo-Ching Weng	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Jiali Branch ● Bachelor of Economics, National Taiwan University 		
Manager		Yu-Chien Hsu	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Hsinchu Science Park Branch ● Bachelor of Management Science, National Chiao Tung University 		
Manager		Sheng-Feng Chen	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Datong Branch ● Master in Economics, Feng Chia University 		
Manager		Yun-Chang Tseng	Male	01/05/2018			<ul style="list-style-type: none"> ● Manager of Minsheng Branch ● Master in Accountancy, Kansas State University, USA 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Manager	Republic of China	Fu-Hsiang Chen	Male	01/19/2018	—	—	<ul style="list-style-type: none"> ● Manager of Da Chang Branch ● MBA, Tainan University of Technology 	—	—
Manager		Yueh-Chung Wu	Male	01/29/2018			<ul style="list-style-type: none"> ● Manager of Yanji Branch ● MBA, Soochow University 		
Deputy Manager		Cheng-Chan Chiang	Male	01/01/2018			<ul style="list-style-type: none"> ● Deputy Manager of Wanli Branch ● Bachelor of Business Administration, Southern Taiwan University of Technology 		
Deputy Manager		Min-Tsung Chuang	Male	01/01/2018			<ul style="list-style-type: none"> ● Deputy Manager of Qijin Branch ● Bachelor of Transportation and Communication Management Science, Feng Chia University 		
Deputy Manager		I-Hsiang Chen	Male	01/01/2018			<ul style="list-style-type: none"> ● Deputy Manager of Nanmen Branch ● Bachelor of Business Administration, National Taiwan University of Science and Technology 		
Deputy Manager		Shih-Jung Tseng	Female	01/01/2018			<ul style="list-style-type: none"> ● Deputy Manager of Shihmao Branch ● Associate degree of International Business, Lunghwa college of Technology & Commerce 		
Deputy Manager		Chin-Hui Tseng	Female	01/01/2018			<ul style="list-style-type: none"> ● Deputy Manager of Shipai Branch ● Bachelor of Shipping and Transportation Management, National Taiwan Ocean University 		
Assistant Manager		Chung-Hsiang Yang	Male	01/01/2018			<ul style="list-style-type: none"> ● Deputy Manager of Yuanshan Branch ● Bachelor of International Business, JinWen University of Science & Technology 		
Assistant Manager		Ko-Yao Shen	Male	01/29/2018			<ul style="list-style-type: none"> ● Deputy Manager of Jincheng Branch ● Bachelor of Public Administration, National Chung Hsing University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Senior Assistant Vice President	Republic of China	Fu-Chang Tien	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Vice Manager of Accounting Dept. ● Master in Accounting, National Cheng Kung University 	—	—
Assistant Vice President		Hsiu-Yun Tsao	Female	01/01/2015			<ul style="list-style-type: none"> ● Leader of Public Relations Group, Business Management Dept. ● Bachelor of History, Chinese Culture University 		
Assistant Vice President		Chan-Feng Ma	Male	11/01/2016			<ul style="list-style-type: none"> ● Overseas Business Dept. ● Bachelor of Business Administration, Soochow University 		
Assistant Vice President		Hsi-Chung Wang	Male	06/01/2017			<ul style="list-style-type: none"> ● Vice Manager of Risk Management Dept. ● Master in Information Engineering, Feng Chia University 		
Assistant Vice President		Tsung-Yao Chen	Male	06/16/2017			<ul style="list-style-type: none"> ● Leader of Corporate Banking Group, Business Dept. ● Bachelor of Finance, Aletheia University 		
Assistant Vice President		Yung-Fu Lin	Male	08/01/2017			<ul style="list-style-type: none"> ● Vice Manager of Information Security Management Dept. ● Bachelor of Information Management, Fu Jen Catholic University 		
Assistant Vice President		Yen-Liang Lin	Male	08/01/2017			<ul style="list-style-type: none"> ● Vice Manager of Information Technology Development Dept. ● Master in Information and Electrical Engineering, Feng Chia University 		
Assistant Vice President		Mei-Chu Yeh	Female	01/01/2018			<ul style="list-style-type: none"> ● Vice Manager of Personal Loan Dept. ● Diploma, Department of Commerce, Shixin Vocational High School 		
Assistant Vice President		Hsiu-Mei Lee	Female	01/01/2018			<ul style="list-style-type: none"> ● Leader of Business Management Group, Personal Loan Dept. ● Bachelor of Land Economics, National Chung Hsing University 		

Title	Nationality	Name	Gender	Date of Appointment	Shares Held	Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the Second Degree
Assistant Vice President	Republic of China	Chia-Chieh Chien	Male	01/01/2018	—	—	<ul style="list-style-type: none"> ● Vice Manager of Treasury Dept. ● Master in Money and Banking, National Chengchi University 	—	—
Assistant Vice President		Shao-Hung Wu	Male	01/01/2018			<ul style="list-style-type: none"> ● Leader of Product Marketing Group, Project Finance Dept. ● Bachelor of International Business, Fu Jen Catholic University 		
Assistant Vice President		Tun-Jen Teng	Male	01/01/2018			<ul style="list-style-type: none"> ● Vice Manager of Financial Markets Administration Dept. ● Bachelor of Banking, Tamkang University 		
Assistant Vice President		Tzu-I Huang	Male	01/01/2018			<ul style="list-style-type: none"> ● Vice Manager of Financial Trading Dept. ● Master in International Business, National Taiwan University 		
Assistant Vice President		Li-Ya Wu	Female	01/01/2018			<ul style="list-style-type: none"> ● Vice Manager of Business Management Dept. ● Bachelor of Accounting, Tamkang University 		
Assistant Vice President		Chi-Ting Huang	Female	01/01/2018			<ul style="list-style-type: none"> ● Vice Manager of Consumer Banking Dept. ● Bachelor of Laws, Chinese Culture University 		

4. Corporate Governance

(1) Disclosures made in accordance with Corporate Governance Best-Practice Principles for Banks and related regulations

Disclosed in “Corporate Governance” on the Bank’s website : [http : //www.yuantabank.com.tw/bank/](http://www.yuantabank.com.tw/bank/)

(2) State of Corporate Governance

Item	Implementation		The Differences between the Corporate Governance Practice of the Bank and “Guideline for Bank Corporate Governance” and Causes
	Yes	No	
<p>1. Equity structure and shareholders’ rights of the Bank :</p> <p>(1) Did the Bank set up methods to handle shareholders suggestions, questions, complaints and legal actions from shareholders, and implemented the procedure?</p> <p>(2) Did the Bank maintain list of its major shareholders and the ultimate controllers of these major shareholders?</p> <p>(3) Did the Bank establish and execute risk control and firewall mechanism between the Bank and its affiliates?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Bank is wholly-owned by Yuanfa Financial Holdings (YFH). It accords its management of the Bank with Article 26 of Financial Holdings Company Act, and maintains an unobstructed communication channels with the Bank.</p> <p>(2) YFH is the Bank’s sole and actual controlling shareholder. Also, the Bank is also fully aware of YFH’s ultimate owner.</p> <p>(3) The Bank and its related party have been processing their finance independently, and the performance and division of responsibilities between both parties have been defined clearly, and also audited by CPA periodically. Additionally, the Bank has also established the stakeholder query system and developed according operation procedures and the controlling mechanism all according to Article 44 and Article 45 of Financial Holdings Company Act and relevant policies of the parent company. The Bank also handled the cross-selling operation in accordance with Article 42 and 43 of Financial Holdings Company Act and the relevant regulations.</p>
<p>2. Composition and responsibilities of the Board of Directors :</p> <p>(1) Did the Bank’s voluntary establishment of other functional committees in additional to Remuneration Committee and Audit Committee?</p>	<p>✓</p>		<p>(1) In addition to Remuneration Committee and Audit Committee, the Bank also set up Risk Management Committee, Credit Evaluation Committee, Non-Performing Loan Management Committee, Asset & Liability Management Committee, Human Resource Evaluation Committee, Treasury Product Evaluation Committee, New Product Evaluation Committee and Digital Development Strategy</p>

Item	Implementation			The Differences between the Corporate Governance Practice of the Bank and “Guideline for Bank Corporate Governance” and Causes
	Yes	No	Summary	
(2) Did the Bank assess the independence of the CPA periodically?	✓		Committee. Important matters are all reported to Remuneration Committee, Audit Committee and Board of Directors. (2) The evaluation report on the independence of certified accountants and their appointment are reported to the Audit Committee and Board of Directors for approval.	
3. If the Bank is a TWSE/GTSM-listed company, has it established a dedicated (concurrent) corporate governance unit or personnel for managing corporate governance affairs? (including but not limited to provide directors and supervisors with information required for service implementation, conduct affairs related to Board of Directors meetings, shareholders' meetings and company registration and produce meeting minutes for Board of Directors meetings and shareholders' meetings)	✓		The Bank is a public company and YFH is the sole shareholder of the Bank. Dedicated staffs are assigned to provide directors, independent directors with information required for service implementation, conduct affairs related to Board of Directors meetings and company registration and produce meeting minutes for Board of Directors meetings.	Conformity
4. Did the Bank establish communication channel with stakeholders? (including but not limited to shareholders, employees and customers etc.)	✓		The Bank has defined the “Regulations Governing Stakeholder's Suggestions and Disputes for Audit Committee” to establish the unobstructed communication and constructed “The Area for Employees and Stakeholder's Suggestions and Disputes for Audit Committee” as a communication channel on the website.	Conformity
5. Information Disclosure : (1) Did the Bank establish website to disclose information concerning financial affairs and corporate governance? (2) Did the Bank have other information-disclosing approaches? (e.g. English website, assignment of specific personnel to collect and disclose the Bank's information, implementation of a spokesperson system, broadcasting of investor conferences via the bank website and etc.)	✓ ✓		(1) The Bank has built the Chinese and English websites to disclose to the public the important financial information and corporate governance information, including annual financial reports. (2) The Bank established the spokesperson and deputy spokesperson system to unify and integrate financial and business information and advance the timeliness of public announcement.	Conformity
6. Did the Bank have other important information enabling better understanding of the Bank's corporate governance status? (including but not limited to staff interests and employee care, investors relations and stakeholder's rights, director's and supervisor's further	✓		Other important information enabling better understanding of the Bank's corporate governance status : (1) Staff Right and Employee Care : The Bank established Employees' Welfare Committee and, on the corporate website, set up Employee's Recommendation area as a	Conformity

Item	Implementation		The Differences between the Corporate Governance Practice of the Bank and "Guideline for Bank Corporate Governance" and Causes
	Yes	No	
training, the implementation of risk management policies and risk evaluation criteria, the implementation of customers' policies, Bank's purchase of liabilities insurance for directors and supervisors and the donation to political parties, stakeholders and charities)			<p>communicative medium between employees and employers.</p> <p>(2) Investors Relations and Stakeholder's Rights : The Bank's sole investor is Yuanta Financial Holdings Co., Ltd., which is the only shareholder and has smooth relationship with the Bank.</p> <p>(3) Director's and Supervisor's Further Education : The Bank has developed "Director Further Education Procedures" and implemented director's continuing education courses according to the procedures.</p> <p>(4) The Implementation of Risk Management Policies and Risk Evaluation Criteria : The Bank has developed superior risk management policy approved by Board of Director, and constituted a well-structured risk management system in order to ensure various risk evaluation criteria. Meanwhile, the Bank also set up Risk Management Committee to integrate the deliberation, supervision and coordination of the Bank's risk management.</p> <p>(5) The Implementation of Customers' Policies : To guard customer's rights, the Bank has developed Guidelines on Consumer Protection and regulations of personal information protection. Furthermore, the Bank acquired ISO 27001, a certificate of the Information Security Management Standard (ISMS), and BS10012, a certificate of Personal Information Management System to shield customers' privacy and advance the security of personal information.</p> <p>(6) Bank's Purchase of Liabilities Insurance for Directors and Supervisors : The Bank has purchased liability insurance from Union Insurance Company for directors and supervisors.</p> <p>(7) The donation to political parties, stakeholders and charities : A. In March 2017, the Bank donated NT\$ 7.2 million to Polaris Research Institute as the research fund for macro-economy, finance and commodities of Taiwan and major countries. B. In May 2017, a donation of NT\$ 16 million to Yuanta Foundation for talent development as well as arts and charity events.</p>

Item	Implementation		The Differences between the Corporate Governance Practice of the Bank and "Guideline for Bank Corporate Governance" and Causes
	Yes	No	
7. In response to the result on Corporate Governance Evaluation issued by Corporate Governance Center of Taiwan Stock Exchange for the latest year, please describe issues which have been improved. For those which have not been improved, please propose issues to be improved in the higher priority and the according measures (companies not listed in evaluation are not required for completion).			<p>The Bank is a public and non-TWSE/GTSM-listed company so it is not listed as a company by Taiwan Stock Exchange Corporation to be evaluated on corporate governance.</p> <p>〈Remark〉</p> <p>The Bank participated in CG6010 (2015) Corporate Governance System Assessment, conducted by Taiwan Corporate Governance Association, in 2015 and, on January 5th 2016, was honorably certified as Excellence (valid for two years). Its observation and advice on the six facets of the corporate governance system is summarized as follows :</p> <p>(1) Protection over Shareholder's Equity,</p> <p>(2) Equal treatment of shareholders : YFH is the sole shareholder of the Bank. Facet I and II are scored in accordance with the scores which YFH received.</p> <p>(3) Respect for rights of stakeholders and corporate social responsibilities : The Bank designated responsible personnel to join YFH Corporate Social Responsibility Work Promotion Center which was founded by YFH, and executed annual missions accordingly with stable and secure growth as its goals. Honorably Awarded with Gold Award in Credit Data by Joint Credit Information Center, the Bank has embraced recognition on respecting stakeholders' rights and fully performing its Corporate Social Responsibilities (CSR). The observation and advice that the Assessment Committee presented according to this facet are summarized as follows : YFH developed CSR Best Practice Principles, applicable to operation activities of its subsidiaries, and posted these principles on its website. In addition, CSR Report was also produced. However, to ensure that stakeholders of the Bank acquire adequate information easily, it is advised to disclose on the Bank's website or annual report all of CSR practices conducted in conformity with the general policies of the YFH so as to solidify stakeholders' confidence.</p> <p>(4) Transparency and disclosure : The Bank complied with regulations and disclosed according information in its annual report and website. Information</p>

Item	Implementation			The Differences between the Corporate Governance Practice of the Bank and “Guideline for Bank Corporate Governance” and Causes
	Yes	No	Summary	
			<p>disclosure and transparency are generally well performed. Yet, in addition to regulatory compliance, in order to advance voluntary disclosure of critical information so that sufficient and instant information channels can be provided for stakeholders' decisions and transactions, the observation and advice that the Assessment Committee presented according to this facet are summarized as follows :</p> <p>A. Respecting disclosures in the Bank's annual report :</p> <p>a. Two functional committees, Audit Committee and Compensation Committee, were established under Board of Directors of the Bank. Its annual report disclosed members' information and the operation of these committees but failed to detail specific duties of these two functional committees. It is advised to further disclose the according duties of every functional committee.</p> <p>b. The Bank produced “Procedures Governing Self-Evaluation of Directors and Board of Directors” and “Procedures Governing Self-Evaluation of Audit Committee” and conducts self-evaluation procedures every year. It is advised to further develop “Procedures Governing Self-Evaluation of Compensation Committee” and fully execute this evaluation system periodically.</p> <p>Meanwhile, the evaluation procedures on performance of Board of Directors, functional committees and individual directors should completely disclosed in the annual report.</p> <p>B. The duty separation between Chairman and General Manager is a critical section of corporate governance. It is suggested to detail the specific roles and duty separation between Chairman and General Manager on the Bank's website in order to enhance the transparency and accountability of corporate governance.</p> <p>(5) Duties of Board of Directors :</p> <p>The Bank has three professional independent directors and established Audit Committee and Compensation Committee with independent directors as their committees to perform their duties in supervision. Audit Committee developed communication</p>	

Item	Implementation		The Differences between the Corporate Governance Practice of the Bank and “Guideline for Bank Corporate Governance” and Causes
	Yes	No	
			<p>procedures and guidelines and established independent interaction mechanism with Internal Audit Department, CPAs and Risk Management Department. Additionally, with respect to internal auditing, Audit Committee periodically conduct internal auditing for comprehensive performance evaluation according to “Internal Audit for Performance Evaluation Questionnaire”, fill out by the Committee itself, accountants, leaders of major operation divisions and internal audit divisions in order to fully exercise its supervision functions. It is evident that the Bank has been endeavoring to solidify the capabilities of Board of Directors to completely achieve the goals of corporate governance. The observation and advice that the Assessment Committee presented according to this facet are summarized as follows :</p> <p>A. Corporate Governance Policies symbolizes the culture, features, systems and practices of corporate governance and shall be periodically reviewed and revised in accordance with corporate development and regulations so that these policies can well function as the corporate guidelines on sustainable development. Because regulations on corporate governance have been considerably amended for their consistency with international standards, it is advised that the Board of Directors examine corporate governance policies at least once per tenure and, in conformity with regulatory requirements and international dynamics, update principles of corporate governance practices as the basis for the Bank to fully execute its governance practices in order to ensure the Bank's timely advancement.</p> <p>B. Good corporate governance is founded upon integrity from top to bottom in the company. The company created code of ethical conducts but posted only on the internal website. It is suggested that regulations and practical operation on ethical conducts and integrity be announced on the corporate website. It is convenient not only for directors and employees periodically examine and observe these regulations, but also for external stakeholders to look up and understand how the Company ensures its operation of integrity, which helps</p>

Item	Implementation		The Differences between the Corporate Governance Practice of the Bank and “Guideline for Bank Corporate Governance” and Causes
	Yes	No	
			<p>strengthen stakeholders' confidence.</p> <p>C. The Bank renders professional courses and management training customized to high-level, mid-level, entry-level managers and management trainees and has submitted the training plans along with the annual budget to Board of Directors for approval. Notwithstanding, the Bank is advised to formulate development and succession plans of the choice, development and evaluation of candidates for important managers and to periodically submit these plans to Compensation Committee and Board of Directors for review in hope for smooth succession.</p> <p>D. Self-Evaluation Procedures for Board of Directors and Audit Committee has been formulated but performance evaluation standards for Compensation Committee haven't. It is recommended that the Bank refer to self-evaluation procedures of Audit Committee and established objective evaluation mechanism on comprehensive performance of Compensation Committee. In addition, the result of evaluating Board of Directors and functional committees shall be presented and discussed periodically in the board meeting in hope for fortifying its efficiency.</p> <p>(6) Corporate Governance Culture :</p> <p>The Bank persists in voluntary participation in corporate government assessment by the Association and manifests its strong ambition to globalize itself and carry out the best corporate governance practices. This participation helps to sharpen corporate governance culture significantly. During previous reviews, active responses are made by Chairman, Independent Directors and management. According to the suggested best practices and in consideration of the features and the operation requirements, the corporate governance systems have been created and modified and developed into the optimal model and culture. A benchmark is set thereby.</p> <p>Nevertheless, in order to enhance corporate governance and thus achieve consistency with international trends and standards, Assessment Committee presents its observation and advice, as</p>

Item	Implementation			The Differences between the Corporate Governance Practice of the Bank and “Guideline for Bank Corporate Governance” and Causes
	Yes	No	Summary	
			<p>follows, according to the review of this facet :</p> <p>The Bank, in “Procedures on Reporting Major Contingencies in the Bank”, clearly stipulates that directors and independent directors shall be notified of major contingencies by emails or phone after these contingencies have been reported. It is suggested to specify the notification deadlines for observation so that all members of the Board can instantly grasp critical information of the Bank in hope for directors’ and supervisors’ better performance of their duties.</p>	

(3) Implementation of Social Responsibility

Item	Implementation	
	Yes	No
<p>1. Implementation of Corporate Governance :</p> <p>(1) Did the Bank stipulate corporate social responsibility policy and examines the results of its implementation?</p> <p>(2) Did the Bank host regular social corporate responsibility training?</p> <p>(3) Did the Bank establish exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies and Board of Directors authorizes top management to address such issue and report progress to the Board?</p> <p>(4) Did the Bank develop reasonable salary and compensation policies, integrate employee performance appraisal system with CSR policies and set up the effective reward and penalty system?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>(1) The parent company Yuanfa Financial Holdings (YFH) has stipulated its "CSR Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and established CSR Promotion Center as the exclusive dedicated unit in the Group. The Center periodically convenes meetings to review the performance of CSR implementation.</p> <p>(2) The Bank regularly holds bank-wide CSR-related education and training, including courses on corporate governance, the principle of bona fides, Personal Information Protection Act, Financial Consumer Protection Act, legal responsibility, professional ethics, code of conduct, and occupational safety, etc., to strengthen the concept of social responsibility and to have it implemented in daily work.</p> <p>(3) The Bank conformed to the general rules and objectives developed by the parent company YFH. CSR Promotion Center of YFH periodically reports its performance of CSR implementation to the Board of Directors.</p> <p>(4) The Bank's general compensation policies are performance-oriented and are structured for market competitiveness to encourage our team to fully exercise its potential and achieve high performance. In addition, to carry out corporate social responsibility, the Bank's reward and penalty rules are linked to performance appraisal to encourage and urge employees to be responsible and diligent and to ensure employees fully comply with corresponding regulations and internal audit mechanism in daily operation.</p>
<p>2. Fostering a Sustainable Environment :</p> <p>(1) Did the Bank endeavor to utilize all resources more efficiently and uses recyclable materials which have a low impact on the environment?</p>	<p>✓</p>	<p>(1) Fully executed by the policies and regulations of the parent company YFH to raise resource utilization efficiency and its use of recyclable materials are explained below :</p> <p>A. We recycle and reuse energy-intensive articles. This includes advocating and promoting the recycling and reuse of paper products, the use of recycled paper and resource recycling as well as execution status reporting.</p> <p>B. We properly dispose of waste. This includes advocating and promoting waste sorting and reduction and wasted water treatment.</p> <p>C. We use low and green energy office supplies and machines. YFH is awarded Best Green Purchasing Unit by Taipei City Government and Environmental Protection Administration</p>

Item	Implementation	
	Yes	No
<p>(2) Did the Bank establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Did the Bank monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction?</p>	✓	<p>for six consecutive years from 2011 to 2016.</p> <p>D. Fully utilize all office furniture to avoid waste. Meanwhile, all discard equipments are handled by the according recycling procedure.</p> <p>(2) Regarding the establishment of environment management systems(including water conservation, energy conservation and carbon and greenhouse gas reduction), we have taken the following measures :</p> <p>A. In response to the policy for the air-conditioning temperature of office buildings set up by Taipei City Government, the Bank has developed the internal managerial standards and the air-conditioning inspection approach for all business sites to carry out temperature control.</p> <p>B. We implemented water conservation, energy conservation and carbon and greenhouse gas reduction.</p> <p>C. Smoking is completely prohibited inside our offices. Smokers must use designated outdoor places to meet regulations. Also, we regularly carry out disinfection, rodent and insect control.</p> <p>D. The use of company cars complied with energy saving and avoid unnecessary carbon emission.</p> <p>(3) The Bank engages in financial service and does not produce a significant amount of greenhouse emission. The greenhouse emission from the Bank mostly results from electricity, water and transportation oil usage. To place an emphasis on greenhouse gas, the Bank started to apply for ISO-14064-1 Greenhouse Gas Inventory System to probe into and monitor the emission of the greenhouse gas in 2017. The Bank has applied for ISO 50001, the energy management system (Chengde Building), in 2016 and continue the implementation in 2017. The certification site of the Financial Holding Building was added in 2018 to examine the use of electricity along with the following eco-friendly strategies :</p> <p>A. Newly established business offices shall adopt low energy-saving lights, such as T5 Light fixture, LED or Cold Cathode Fluorescent Lamp, to minimize electricity expense and energy consumption.</p> <p>B. Used energy-saving electric fans to minimize the energy consumption of air conditioning.</p>
	✓	<p>(1) The Bank has complied with labor regulations and codes of its parent company YFH and developed codes of work and according personnel management rules for job seekers or employees, which specify no discrimination on ethnicity, thoughts, religions, political parties, household registry, birthplace registry, sex, sexual orientation, age and marriage, in order to construct an equal employment environment and shield employee's legal rights. In addition, the labor management meeting is convened periodically to guard employee rights, expedite labor-</p>
3. Preserving Public Welfare :	✓	<p>(1) Did the Bank develop management policies and procedures according to regulations and International Bill of Human Rights?</p>

Item	Implementation	
	Yes	No
(2) Did the Bank establish the employee complaint mechanism and channel and process according to affairs properly?	✓	<p>management harmony and construct a mutually-benefiting and win-win prospect.</p> <p>(2) The Bank set up Employee Suggestion Mailbox as a platform of the conversation between labors and the employer and of employee complaints. The internal website also details the complaint and reporting channels and responsible units and personnel. Employees can file complaints and report through multiple channels.</p> <p>(3) The Bank not only observes the Group's policies and offers employees secure and healthy workplace, but also periodically executes security and security and health education. The Bank also constructed "Operation Unit Security Maintenance Procedures" to forge its security maintenance mechanism.</p> <p>A. Strict entrance guard and security check measures to fully protect the safety of our employees at work and in everyday life.</p> <p>B. Regular safety inspections of drinking water, carbon dioxide and illumination brightness.</p> <p>C. Regular report and inspected fire and public safety equipments.</p> <p>D. Regular maintained and inspect the generator, uninterruptable power supply and the elevators.</p> <p>E. Regular disinfection and sanitation of the environment.</p> <p>F. Confirming that office surveillance systems at all business locations function normally.</p> <p>G. Realized non-smoking working environment and provided a cozy, healthful and refreshing workplace. The Bank acquired Healthy Workplace Certificate Cigarette Prevention Logo for all of its branches :</p> <p>H. Regularly conducts occupational safety, fire education, training and drills in accordance with the law. In accordance with the provisions of Articles 16 and 17 of the Ministry of Labor's "Occupational Safety and Health Education and Training Rules," the Bank cooperated with Yuanta Financial Holding to hold general safety and health education training for new employees and in-service staff. The scope of training includes safety and health related regulations, safety and health concepts and codes of practice, emergency response, firefighting and first aid knowledge and drills, etc.</p>
	✓	<p>(4) Did the Bank establish the periodic communication mechanism and, in a reasonable approach, inform employees of the operation changes with possible significant influence?</p> <p>(4) A. The Bank, through the periodical convention of labor-management meetings, establishes a communication platform for labor and management, enhances employee's participation and assurance in company policies and develops smooth interaction in order to achieve the goal that labor and management share one mind and create a win-win situation.</p> <p>B. All information on rules, systems and benefits of the Bank and employees are announced on the internal website so that employees are aware of their rights. In addition, a fully dedicated unit places daily important news of the Bank on the web pages for employees to look up</p>

Item	Implementation	
	Yes	No
(5) Did the Bank develop training programs on effective career and capability development for employees?	✓	<p>anytime in order to understand the latest industrial news and important news of the Bank.</p> <p>C. The Bank also irregularly announces its major changes in operation through email boxes so that employees can receive instant information.</p> <p>(5) In response to the rapid changes in the financial environment and based on the Bank's business strategy, the Bank is committed to the professional training of the employees and the human resource development, in order to improve the quality and efficiency of the services as well as strengthen the employees' career advantages and career development competitiveness. The Bank provides diverse learning resources, including new employee training, financial professional competence training, management competence training, reserve manager training, legal compliance training, general competency training, healthy living lectures, and attending external courses offered by specialized institutions, etc.</p>
	✓	<p>(6) To fully serve the Bank duty in the confidentiality of customers' personal information, the Bank developed "Guidelines on Consumer Protection," "Personal Information Protection Policies," "Personal Information Management Rules" and related regulations. Meanwhile, the Bank has not only disclosed Privacy Protection Statement and the measures for the confidentiality of customer data on its website, but also executed all the group's confidentiality measures for the personal information to shield customers' privacy and advance personal information security.</p> <p>B. The Bank uses the following avenues and procedures to handle customer complaints :</p>

2017 Training statistics					
Type	Total Course	Total Hours (Note1)	Total number of persons	Avg. training hours per person (Note 2)	Avg. training per person (Note 3)
Internal	289	95,517	48,161	33.8	17.1
External	258	11,314	1,358	4.0	0.5
Total	547	106,831	49,519	37.9	17.5

Note 1 : Total Hours = \sum (Total course hours * number of participants)

Note 2 : Avg. training hours per person = Total hours / Total employees

Note 3 : Avg. training per person = Total number of persons / Total employees

Item	Implementation	
	Yes	No
		Summary
		<p>a. Customer Feedback Forms are placed in the business hall of business units.</p> <p>b. The Bank's Hotline : 0800-688-168.</p> <p>c. E-mail : service@yuanta.com</p> <p>d. As soon as any complaint is made by consumers, according units will be instantly informed for response while case status and responses will stay fully controlled.</p>
(7) Did the Bank conform its marketing, products and services to regulations and international principles?	✓	(7) The Bank's marketing activities of all products and services are in conformity with according regulations.
(8) Did the Bank evaluate the suppliers' past records for influencing environment and society prior to the relationship establishment?	✓	(8) To fulfill the Bank's commitment to Corporate Social Responsibilities, Letter of Clauses on Human Rights and Environment Sustainability should be included in the Bank's contracts with the suppliers.
(9) Did the agreement signed between the bank and its suppliers stipulate that the Bank may suspend or terminate the contract should the suppliers be involved any violation of its corporate social responsibilities?	✓	(9) Currently the Bank has not signed any agreement with the suppliers stipulating that the Bank may suspend or terminate the contract in case of the supplier's violation of its corporate social responsibilities.
4. Enhance Information Disclosure : Did the Bank disclose vital and accountable CSR information on its website and Market Observation Post System?	✓	<p>(1) The Bank has disclosed information through its parent company YFH website and Market Observation Post System.</p> <p>(2) YFH has produced Corporate Social Responsibility Report to disclose its performance on Corporate Social Responsibility.</p>
5. If the Bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation : Please refer to Item 1 to 4.		
6. Other important information to facilitate better understanding of the Company's corporate social responsibility Practices : For further details, please view our corporate and parent company Yuanta Financial Holdings website.		
7. If the Bank's products or corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should state so below : (1) YFH 2016 CSR Report passed the accreditation of a third-party accreditation institution, British Standards Institution (BSI), in May 2017. BSI examined the inclusivity, materiality and responsiveness of an enterprise's corporate social responsibility report according to AA1000 AS : 2008 Assurance Standard and GRI G4 Guidance. (2) YFH CSR Report conformed to GRI G4 "Core" options and meet the intermediate assurance level of AA1000. Also, an Independent Assurance Opinion Statement from BSI was acquired. (3) YFH CSR Report is available in both Chinese and English versions. Please download YFH CSR Report through the following web addresses : : http : ://www.yuanta.com/tw/IR02/IR0112/ or click the link of "Corporate Responsibility Report at http : //www.yuanta.com.		

(4) The Bank's Implementation of Ethical Corporate Management and Practices

Item	Implementation		
	Yes	No	Summary
<p>1. Develop ethical corporate management policies and solutions :</p> <p>(1) Did the Bank clearly express its ethical corporate management policies in regulations and external documents and the promise made by Board of Directors and Management to fully execute these policies?</p>	✓		<p>(1)</p> <p>A. In compliance with "Ethical Corporate Management Best Practice Principles for Yuanta Financial Holdings" (hereinafter referred to as "Ethical Management Principles") and "Operational Procedures of Ethical Corporate Management and Code of Conduct for Yuanta Financing Holding" (hereinafter referred to as "Code of Conduct"), the Bank has established good corporate governance, risk management mechanism and complete internal regulations to prevent unethical conduct and create an operational environment for sustainable development.</p> <p>B. The Bank has specified in the provisions of the "Notices of Handling Procurement of Goods (Labor services)" that upon the Bank's signing a procurement contract of an outright sale of goods with an external company, the signing unit shall fill out the "Procurement Contract Signing Procedure Checklist." The "Declaration of Good Faith Commitment" signed by the external company shall be attached, and the relevant matters of the business integrity statement shall be included in the contract.</p> <p>C. To fully carry out the commitment of the Board and the management to operation policies, the Bank designated a responsible unit for according affairs and periodically report its progress to the Board of Directors.</p>
<p>(2) Did the Bank develop programs against unethical conduct, including the detailed operating procedures, conduct guidance, penalty against violation and the dispute system, and also fully execute these programs?</p>	✓		<p>(2)</p> <p>A. In addition to "Ethical Management Principles" and "Code of Conduct", the Bank has developed "Code of Work" and "Standards on Ethical Conduct" in order that the employees and the employer are both devoted to the establishment of business ethics and business morality. Directors and managers are also required to set good examples of fully compliance with ethical principles in order to nurture the ethical and sincere corporate culture. The regulations also express to dismiss the offenders who commit serious violations of the integrity.</p> <p>B. The labor contract that the Bank and all of its staff signed includes the agreement of confidentiality, which stipulates that employees shall shoulder full obligation for confidentiality of the authorized services, tasks, documents and customers' data. Unless stipulated or approved, no disclosure is permitted. The same procedure shall be followed after employees left jobs. No browse or summarization of reports and documents unrelated to according duties are permitted.</p> <p>C. The Bank developed reward and penalty policies stipulating that any employee of material</p>

Item	Implementation		
	Yes	No	Summary
(3) Did the Bank take preventive measure against operation activities involving highly risky unethical conduct stipulated in Section 2, Article 7, Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and other business scopes?	✓		<p>violation against ethical conduct shall be discharged or dismissed.</p> <p>D. The Bank set up Human Resource Evaluation Committee for reviewing employee reward and penalty cases and disputes.</p> <p>(3) The Bank, in conformity with “Code of Conduct”, adopt the following preventive measures against business activities with relatively high unethical risks, such as procurement :</p> <p>A. The Bank regulates that all employees shall not exploit their authority to seek illegal interest and receive preferential treatment, endowment, rebates, speculation of public money and any other illegal interest.</p> <p>B. The Bank developed “External Donation Procedures” to be the provision of political donations, charity donation or sponsorship. All donation and sponsorship requires approval from the authorized executives, which complies with the corresponding laws and the internal procedure.</p>
2. Fully execute ethical corporate management :	✓		(1) The Company has already drawn up the “Inspection Sheet of Purchase Contract Signing Procedures” to require every supplier to present Declaration Letter of Ethics Promise for product or equipment procurement and contract signing. Also, articles on ethical management are included in the contract. During contract reviewing, Legal Affairs Dept. always scrutinize whether the procurement contract contains the Bank’s standard integrity articles.
(1) Did the Bank evaluate ethics records of its clients and sign any agreement stipulating ethical conduct?	✓		(2) YFH, the parent company of the Bank, has established Ethical Management Committee to perform ethical management and operation. The Bank designated Compliance Affairs Dept. as the exclusive unit for ethical-management related affairs. Internal Audit Dept., Business Management Dept., Human Resource Dept., Administration and Facilities Management Dept., Legal Affairs Dept. and Compliance Affairs Dept. of the Bank are responsible for ethical management procedures. In addition, Business Management Department compiles and reports on corporate governance and the performance of ethical management for the previous year to Board of Directors.
(3) Did the Bank develop policies against conflicts of interest, provides proper declaration channels and fully execute these policies?	✓		(3) A. Audit Committee Charter, Principles on Ethical Conduct and according regulations are fully complied regarding avoidance of corporate personnel on conflict of interests, divulgence of commercial secrets, forbiddance of internal trading and the agreement of confidentiality.
(4) Has the Bank, to fully execute ethical management, established effective accounting and internal audit	✓		<p>B. It is regulated that critical financial transaction involving stakeholders shall be approved by Board of Directors. The stakeholder query system has also been established to fully ensure that transactions involving stakeholders shall not be more preferable to counterparts.</p> <p>(4) A. In accordance with The Banking Act of The Republic of China, Securities and Exchange Act,</p>

Item	Implementation		
	Yes	No	Summary
<p>systems and conduct periodical auditing by the internal audit unit or appoint accountants to conduct such audit?</p> <p>(5) Did the Bank periodically host internal and external training on ethical management?</p>	✓		<p>Company Act , Business Entity Account Act, Regulations Governing the Preparation of Financial Reports by Public Ban, International Financial Reporting Standards (IFRS) endorsed by FSC, International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) and in reference to Accounting System Models for the Banking Industry and Practical Banking and Accounting Procedures made by Bankers' Association of R.O.C, the Bank has developed the corresponding accounting system.</p> <p>B. The Internal Audit Department of Bank, in conformity with laws, periodically reviews and evaluates the Bank's internal audit system and the execution. During 2017, no violation against "Code of Conduct" was found in the result of internal audit evaluation.</p> <p>(5) Each year, the Bank arranges directors to attend professional courses in corporate governance, and holds bank-wide statutory training courses and training for new employees. The trainings include the principle of bona fides, the principle of fiduciary duty, personal data protection, and self-inspection, etc. It is to enhance employees' professional knowledge and judgement ability regarding relevant laws and integrity so that they can apply and implement them in daily operations, and ensure the implementation of the integrity management policy. The Bank is devoted to deepen "integrity" in the daily operations.</p>
<p>3. Operation of the whistle-blowing mechanism :</p> <p>(1) Did the Bank develop a clear whistle-blowing and reward mechanism, establish convenient channels for the reporters and designate appropriate dedicated personnel for persons being reported?</p> <p>(2) Did the Bank develop standards of procedures and confidentiality mechanism on the investigation of reported cases?</p> <p>(3) Did the Bank execute measures to protect reporters from improper treatment arising from whistle-blowing?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Bank has developed reward policies and set up multiple channels for employees to file complaints and report, The Employee Suggestion Mailbox is a platform of the conversation between labors and the employer and of employee complaints. The internal website also details the complaint and reporting channels and responsible units and personnel.</p> <p>(2)(3)</p> <p>A. According to "Ethical Management Principles" , the Bank provides the legitimate whistle-blowing channel and keeps the identity of the reporter and the content of the cases confidential. The Bank stipulated the penalty and dispute system against violation of ethical management and instantly discloses the information including position titles and names of violators, dates of violation, contents of violation, and responsive procedures on the internal website.</p> <p>B. According to "Code of Conduct", the Bank integrated ethical management with employee performance appraisal and human resources policies to set up a clear and effective reward and dispute system. Any employee of material violation against ethical conduct shall be discharged or dismissed according to the external and internal regulations.</p>

Item	Implementation		
	Yes	No	Summary
4. Enhance information disclosure : Did the Bank disclose the content of principles of ethical management and its performance on website and Market Observation Post System?	✓		Information in respect of ethical management is disclosed in the Annual Report on the Bank's website and posted on the Bank's official website and Market Observation Post System.
5. If the Bank has developed its practice principles of ethical management in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please explicate its implementation and any deviation from the principles : The Bank fully complies with regulation and conducts management according to "Ethical Management Principles" and "Code of Conduct".			
6. Other important information enabling better understanding to the Bank's implementation of ethical corporate management (such as the Bank reviews and amends its practice principles of ethical corporate management.) : The Bank has developed The Inspection Sheet of Purchase Contract Signing Procedures to require suppliers present the Declaration Letter of Ethics Promise for the contract signing. In addition, the Bank inquires, on the website of Judicial Yuan if there is any public record of unethical conduct in bribery or illegal political donation for any involving supplier and incorporates clauses and matters on the compliance with ethical management are embedded in the contract.			

III. Fund Raising and Operational Highlights

1. Capital and Shares

(1) Sources of Capital

Unit : NT\$1,000, thousand shares; Base Date : January 31st, 2018

Date of Issue	Issue price	Authorized Capital		Paid-in Capital		Remarks
		Shares	Amount	Shares	Amount	Source of Capital
December 2002	\$10	1,211,514	12,115,136	1,211,514	12,115,136	
December 2003	\$10	1,050,000	10,500,000	1,050,000	10,500,000	Capital decrease to make up for loss of 161,514 thousand shares
February 2004	\$10	1,350,000	13,500,000	1,350,000	13,500,000	Private placement of 300,000 thousand shares
July 2004	\$10	1,400,000	14,000,000	1,400,000	14,000,000	Capitalization of earnings, 50,000 thousand shares
July 2005	\$10	1,800,000	18,000,000	1,800,000	18,000,000	Capitalization of earnings, 100,000 thousand shares, and private placement of 300,000 thousand shares
October 2007	\$10	2,400,000	24,000,000	2,400,000	24,000,000	Capital decrease to make up for loss of 400,000 thousand shares, and private placement of 1,000,000 thousand shares
March 2008	\$10	2,200,000	22,000,000	2,200,000	22,000,000	Capital decrease to make up for loss of 200,000 thousand shares
March 2009	\$10	2,200,000	22,000,000	1,874,509	18,745,089	Capital decrease to make up for loss of 325,491 thousand shares
March 2009	\$15	2,200,000	22,000,000	2,150,000	21,500,000	Private placement of 275,491 thousand shares
June 2010	\$10	2,200,000	22,000,000	2,181,134	21,811,335	Capitalization of earnings, 31,134 thousand shares
June 2011	\$10	2,500,000	25,000,000	2,273,313	22,733,131	Capitalization of earnings, 92,179 thousand shares
November 2011	\$16	2,700,000	27,000,000	2,510,813	25,108,131	Private placement of 237,500 thousand shares
June 2012	\$10	2,700,000	27,000,000	2,622,983	26,229,835	Capitalization of earnings, 112,170 thousand shares
September 2012	\$13.74	3,500,000	35,000,000	3,496,331	34,963,315	Private placement of 873,348 thousand shares
June 2013	\$10	3,650,000	36,500,000	3,649,693	36,496,931	Capitalization of earnings, 153,362 thousand shares
June 2014	\$10	3,800,000	38,000,000	3,769,049	37,690,490	Capitalization of earnings, 119,356 thousand shares
June 2015	\$10	3,950,000	39,500,000	3,918,362	39,183,618	Capitalization of earnings, 149,313 thousand shares
June 2016	\$10	4,200,000	42,000,000	4,152,182	41,521,815	Capitalization of earnings, 233,820 thousand shares
August 2017	\$10	8,000,000	80,000,000	4,265,285	42,652,845	Capitalization of earnings, 113,103 thousand shares
January 2018	\$10	8,000,000	80,000,000	7,394,039	73,940,390	The Bank's capital increased by 3,128,754 thousand shares due to the merger with Ta Chong Commercial Bank Co., Ltd.

Unit : thousand shares; Base Date : January 31th, 2018

Types of Shares	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	7,394,039	605,961	8,000,000	Public offering

(1) Shareholder Structure

Unit : thousand shares; Base Date : January 31th, 2018

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Others	Total
Persons	0	1	0	0	0	1
Shares Held (shares)	0	7,394,039	0	0	0	7,394,039
Shareholding Ratio (%)	0	100%	0	0	0	100%

(2) Dispersion of Ownership

Unit : thousand shares; Base Date : January 31th, 2018; Face value \$10 per share

Shareholding Category	Number of Shareholders	Shares Held	Shareholding Ratio (%)
1,000,001 and above	1	7,394,039	100%
Total	1	7,394,039	100%

(3) List of Principal Shareholders

Unit : thousand shares; Base Date : January 31th, 2018

Shares Major Shareholders	Shares Held	Shareholding Ratio (%)
Yuanta Financial Holdings	7,394,039	100%

(4) Market Price, Book Value, Earnings and Dividends Per Share, and the Relevant Information Over the Most Recent Two Years

Item \ Year			2016	2017	January 31 th , 2018 (Note 2)
Market Price/Share	Highest		Not applicable	Not applicable	Not applicable
	Lowest		Not applicable	Not applicable	Not applicable
	Average		Not applicable	Not applicable	Not applicable
Book Value/Share	Before Distribution		NT\$13.66	NT\$14.73	NT\$15.34
	After Distribution		NT\$13.04	Note 1	Not applicable
EPS	Weighted Average Shares (thousand shares)		4,265,285	4,265,285	7,394,039
	EPS	Before Adjustment	NT\$1.35	NT\$1.58	NT\$0.09
		After Adjustment	NT\$1.31	Note 1	Not applicable
Dividend/Share (NT\$/Share)	Cash Dividends		NT\$0.64	Note 1	Not applicable
	Stock Dividends	By Earnings	NT\$0.27	Note 1	Not applicable
		By Capital Surplus	—	Note 1	Not applicable
	Accumulated Unpaid Dividends		—	Note 1	Not applicable
Return on Investment	P/E ratio		Not applicable	Not applicable	Not applicable
	Dividend Yield		Not applicable	Not applicable	Not applicable
	Cash Dividend Yield		Not applicable	Not applicable	Not applicable

Note 1 : The earning distribution for 2017 has been resolved by the Board of Directors on March 22th, 2018; however, it has not been resolved by the shareholders' meeting.

Note 2 : The preliminary financial data ending January 31th, 2018 were prepared by the Bank.

2. Financial Debentures and Capital Utilization Plan

(1) Issuance of Financial Debentures

Type of financial debentures	1 st term financial debentures 2011	2 nd term financial debentures 2011	3 rd term financial debentures A 2011
Date of approval & approval document No.	Jin-Kuan-Yin-Kong-10000110840 Dated April 25 th , 2011	Jin-Kuan-Yin-Kong-10000110840 Dated April 25 th , 2011	Jin-Kuan-Yin-Kong-10000110840 Dated April 25 th , 2011
Date of issuance	June 27 th , 2011	August 22 nd , 2011	October 27 th , 2011
Par value	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$2.45 billion	NT\$2.35 billion	NT\$0.7 billion
Interest rate	1.75%	1.85%	1.80%
Duration	Duration : 7 years Maturity : June 27 th , 2018	Duration : 7 years Maturity : August 22 nd , 2018	Duration : 7 years Maturity : October 27 th , 2018
Priority	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Tsar & Tsai Law Firm Janice Lin; YvonneLiu	Tsar & Tsai Law Firm Janice Lin; YvonneLiu	Tsar & Tsai Law Firm Janice Lin; YvonneLiu
Certification CPA	PricewaterhouseCoopers James Huang	PricewaterhouseCoopers James Huang	PricewaterhouseCoopers James Huang
Certification financial Institution	None	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity
Outstanding balance	NT\$2.45 billion	NT\$2.35 billion	NT\$0.7 billion
Paid-in capital for previous year	NT\$21,811,335 thousand	NT\$21,811,335 thousand	NT\$21,811,335 thousand
Net value upon final account in the previous year	NT\$24,812,541 thousand	NT\$24,812,541 thousand	NT\$24,812,541 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	None	None
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	70.11% (Note1,2,3)	79.58% (Note1,2,3)	80.39% (Note2,3)
Eligible entity capital and type	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	December 12 th , 2014 Taiwan Ratings : twAA - (Debentures rating)	December 12 th , 2014 Taiwan Ratings : twAA - (Debentures rating)	December 12 th , 2014 Taiwan Ratings : twAA - (Debentures rating)

Note 1 : Before the issuance, the Bank had an unsecured subordinated financial debentures (95-1) outstanding at NT\$5 billion. The debentures matured on August 24th, 2011 and have been repaid in full.

Note 2 : Before the issuance, the Bank had an unsecured subordinated financial debentures (95-2-1) outstanding at NT\$1.8 billion. The debentures matured on December 22nd, 2011 and have been repaid in full.

Note 3 : Before the issuance, the Bank had an unsecured subordinated financial debentures (95-2-2) outstanding at NT\$3 billion. The debentures matured on December 27th, 2011 and have been repaid in full.

Type of financial debentures	3 rd term financial debentures B 2011	1 st term financial debentures A 2014	1 st term financial debentures B 2014
Date of approval & approval document No.	Jin-Kuan-Yin-Kong-10000110840 Dated April 25 th , 2011	Jin-Kuan-Yin-Kong-10300180640 Dated June 27 th , 2014	Jin-Kuan-Yin-Kong-10300180640 Dated June 27 th , 2014
Date of issuance	October 27 th , 2011	September 4 th , 2014	September 4 th , 2014
Par value	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$4.5 billion	NT\$1.6 billion	NT\$4.7 billion
Interest rate	1.95%	1.80%	2.00%
Duration	Duration : 10 years Maturity : October 27 th , 2021	Duration : 7 years Maturity : September 4 th , 2021	Duration : 10 years Maturity : September 4 th , 2024
Priority	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Tsar & Tsai Law Firm Janice Lin; YvonneLiu	Chien Yeh Law Offices Hermes Kung	Chien Yeh Law Offices Hermes Kung
Certification CPA	PricewaterhouseCoopers James Huang	PricewaterhouseCoopers Ellen Kuo	PricewaterhouseCoopers Ellen Kuo
Certification financial Institution	None	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity
Outstanding balance	NT\$4.5 billion	NT\$1.6 billion	NT\$4.7 billion
Paid-in capital for previous year	NT\$21,811,335 thousand	NT\$36,496,931 thousand	NT\$36,496,931 thousand
Net value upon final account in the previous year	NT\$24,812,541 thousand	NT\$46,245,949 thousand	NT\$46,245,949 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	None	None
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	80.39% (Note2,3)	46.06%	46.06%
Eligible entity capital and type	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	December 12 th , 2014 Taiwan Ratings : tw AA - (Debentures rating)	December 12 th , 2014 Taiwan Ratings : twA + (Debentures rating)	December 12 th , 2014 Taiwan Ratings : twA + (Debentures rating)

Type of financial debentures	2 nd term financial debentures 2014	1 st term financial debentures 2015	3 rd term financial debentures 2015
Date of approval & approval document No.	Jin-Kuan-Yin-Kong-10300180640 Dated June 27 th , 2014	Jin-Kuan-Yin-Kong-10400000510 Dated January 14 th , 2015	Jin-Kuan-Yin-Kong-10400130410 Dated June 12 th , 2015
Date of issuance	October 29 th , 2014	March 24 th , 2015	August 27 th , 2015
Par value	NT\$10,000,000	CNY\$1,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	CNY\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$1.7 billion	CNY\$250 million	NT\$5.55 billion
Interest rate	1.85%	4.6%	4.1%
Duration	Duration : 7 years Maturity : October 29 th , 2021	Duration : 3 years Maturity : March 24 th , 2018	Duration : Perpetual Maturity : N/A
Priority	Unsecured subordinated financial debentures	General financial debentures	Unsecured subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Chien Yeh Law Offices Hermes Kung	Chien Yeh Law Offices Hermes Kung	Chien Yeh Law Offices Hermes Kung
Certification CPA	PricewaterhouseCoopers Ellen Kuo	PricewaterhouseCoopers Ellen Kuo	PricewaterhouseCoopers Ellen Kuo
Certification financial Institution	None	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity	Early redemption or buy-back from the market upon 10 years after issuance is subject to the approval by the competent authority
Outstanding balance	NT\$1.7 billion	CNY\$250 million	NT\$5.55 billion
Paid-in capital for previous year	NT\$36,496,931 thousand	NT\$37,690,491 thousand	NT\$37,690,491 thousand
Net value upon final account in the previous year	NT\$46,245,949 thousand	NT\$51,073,449 thousand	NT\$51,073,449 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	None	This debenture has no maturity date or specified redemption date. The Bank may early redeem or buy back this debenture from the market upon 10 years after issuance of this debenture where one of the following requirements is met and the prior approval by the competent authority is acquired. (1). The ratio of regulatory capital to risk-weighted assets after being redeemed shall meet the minimum rate stated in Paragraph 1 of Article 5 in

Type of financial debentures	2 nd term financial debentures 2014	1 st term financial debentures 2015	3 rd term financial debentures 2015
			Regulations Governing the Capital Adequacy and Capital Category of Banks. (2). Replace the original capital instrument with a capital instrument of equivalent or higher quality. The Bank, if planning to early redeem the debenture, will announce so 30 days prior to the call date and call the debentures in face value along with accrued interest payable. Where the Bank exercises its call option, this debenture matures on the call date
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	Solidify and steady mid-to-long term capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	49.73%	52.47%	67.36%
Eligible entity capital and type	Yes, Tier II	No	Yes, Tier I
Credit rating organization, date of rating and rating score	December 12 th , 2014 Taiwan Ratings : twA + (Debentures rating)	July 18 nd , 2016 Fitch Ratings : AA-(twn)	January 17 th , 2018 Taiwan Ratings : twAA

Type of financial debentures	4 th term financial debentures 2015	5 th term financial debentures 2015	1 st term financial debentures 2016
Date of approval & approval document No.	Jin-Kuan-Yin-Kong-10400130410 Dated June 12 th , 2015	Jin-Kuan-Yin-Kong-10400130410 Dated June 12 th , 2015	Jin-Kuan-Yin-Kong-10400296320 Dated December 24 th , 2015
Date of issuance	August 27 th , 2015	September 29 th , 2015	February 23 rd , 2016
Par value	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$3 billion	NT\$1.45 billion	NT\$5 billion
Interest rate	2.1%	4.1%	1.8%
Duration	Duration : 10 years Maturity : August 27 th , 2025	Duration : Perpetual Maturity : N/A	Duration : 10 years Maturity : February 23 rd , 2026
Priority	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures	Unsecured subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Chien Yeh Law Offices Hermes Kung	Chien Yeh Law Offices Hermes Kung	Chien Yeh Law Offices Hermes Kung
Certification CPA	PricewaterhouseCoopers Ellen Kuo	PricewaterhouseCoopers Ellen Kuo	PricewaterhouseCoopers Ellen Kuo
Certification financial Institution	None	None	None
Repayment	Repayment in a lump sum upon maturity	Early redemption or buy-back from the market upon 10 years after issuance is subject to the approval by the competent authority	Repayment in a lump sum upon maturity or early redemption or buy-back from the market upon 5 years after issuance is subject to the approval by the competent authority
Outstanding balance	NT\$3 billion	NT\$1.45 billion	NT\$5 billion
Paid-in capital for previous year	NT\$37,690,491 thousand	NT\$37,690,491 thousand	NT\$37,690,491 thousand
Net value upon final account in the previous year	NT\$51,073,449 thousand	NT\$51,073,449 thousand	NT\$51,345,873 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	This debenture has no maturity date or specified redemption date. The Bank may early redeem or buy back this debenture from the market upon 10 years after issuance of this debenture where one of the following requirements is met and the prior approval by the competent authority is acquired. (1). The ratio of regulatory capital to risk-weighted assets after being	The Bank may early redeem or buy back this debenture from the market upon 5 years after issuance of this debenture where one of the following requirements is met and the prior approval by the competent authority is acquired. (1). The ratio of regulatory capital to risk-weighted assets after being redeemed shall meet the minimum rate stated in Paragraph 1 of Article 5 in

Type of financial debentures	4 th term financial debentures 2015	5 th term financial debentures 2015	1 st term financial debentures 2016
		redeemed shall meet the minimum rate stated in Paragraph 1 of Article 5 in Regulations Governing the Capital Adequacy and Capital Category of Banks. (2). Replace the original capital instrument with a capital instrument of equivalent or higher quality. The Bank, if planning to early redeem the debenture, will announce so 30 days prior to the call date and call the debentures in face value along with accrued interest payable. Where the Bank exercises its call option, this debenture matures on the call date	Regulations Governing the Capital Adequacy and Capital Category of Banks. (2). Replace the original capital instrument with a capital instrument of equivalent or higher quality. The Bank, if planning to early redeem the debenture, will announce so 30 days prior to the call date and call the debentures in face value along with accrued interest payable. Where the Bank exercises its call option, this debenture matures on the call date
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
Ratio of reported issuing debt and balance of outstanding debt to the net book value in the previous fiscal year (%)	73.85%	76.98%	79.08%
Eligible entity capital and type	Yes, Tier II	Yes, Tier I	Yes, Tier II
Credit rating organization, date of rating and rating score	January 17 th , 2018 Taiwan Ratings : twAA	January 17 th , 2018 Taiwan Ratings : twAA	January 17 th , 2018 Taiwan Ratings : twAA

(2) Acquisitions or Assignment of Other Financial Institutes

A. CPA's opinions on share exchange ratio for mergers and acquisitions or assignment of other financial institutions for the most recent year :

On February 3rd, 2016, the Bank signed share purchase agreement with AON Corporation and acquired 100% equity of Han Shin Savings Bank in Korea from AON Corporation at 135.102 billion Korean Wons. This acquisition received approval from FSC in letter of Jin-Kuan-Yin-Kong No. 10500026760 on March 17th, 2016 and received approval from Financial Services Commission of Korea on April 14th, 2016. Both parties in this acquisition completed the delivery on April 25th, 2016 and, on February 13th, 2017, the company was renamed to Yuanta Savings Bank Korea Co., Ltd. No conversion was involved in this transaction. KPMG was appointed to issue opinions on reasonableness of share value, which concluded that the amount of this transaction was regarded reasonable.

- B. Upon the resolution of the Board of Directors on any merger or acquisition of other financial institution through new share issuance in the recent year and until the date of publication of the annual report (January 31th, 2018), the enforcement thereof and basic information of the merged or acquired financial institutions shall be disclosed :

The merger of the Bank and Ta Chong Bank was approved in Board of Directors meetings of both banks on September 14th, 2016 (exercising the duty and power of the shareholders' meeting). After the merger, the Bank will be the surviving company and Ta Chong Bank will be the dissolving company. This merger acquired approval from FSC with Letter No. Jin-Kuan-Yin-Kong No.10500320920, dated January 17th, 2017. Yuanta Bank and Ta Chong Bank officially merged on January 1st, 2018 (record date of merger).

The proportion of the share conversion in this merger is that, on the base date, every common share held by Ta Chong Bank shareholders can be exchanged for 0.8602 common share of the Bank while each share of Type C Preferred Stock of Ta Chong Bank can be exchanged for 1.0625 share of Type A Preferred Stock of the Bank. The Bank and Ta Chong Bank respectively appointed Mr.William Yu of KenWill United CPAs Firm and Ms.He-Ying Jian of Chun Hue Accounting Firm to issue the fairness opinion on share exchange ratio for mergers and acquisition which the accountants has regard reasonable and fair. In response to the expiration of Type C Preferred Shares of the Ta Chong Bank on September 30th, 2017, the Board of Directors of both parties signed the second supplement agreement of the merger contract on August 17th, 2017, to cancel the originally agreed stock swap of the preferred shares upon merger.

On the base date of the merger, the Bank has exchanged 0.8602 common shares of Yuanta Bank for one common share of Ta Chong Bank. The total issuance of new shares is 3,128,754,439 shares, with face vlaue of NT\$10 per share. After the merger, the paid-in capital of Yuanta Bank amounts to NT\$73,940,389,820.

- a. Information on the financial institution involved in merger and acquisition

Name of the Financial Institute		Ta Chong Commercial Bank Co., Ltd.
Address of the Financial Institute		6F, 7F, 8F and 9F, No. 66 and 2F, 2F-1, 7F and 9F, No.68, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City 10557, Taiwan (R.O.C.)
Responsible Person		Chien-Ping Chen
Paid-in Capital (NT\$)		36,372,406,880
Main Business/Product Items		Commercial Bank
Financial Information for 2017 (Unit : NT\$ thousand)	Total Assets	431,681,325
	Total Liabilities	389,198,334
	Total Shareholders' Equity	42,482,991
	Operating Income (Note)	5,744,571
	Gross Profit	Not Applicable
	Operating Gains and Losses (Note)	5,744,571
	Current Profit And Loss	(761,512)
Earnings Per Share		(0.18)

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

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

This merger is going to benefit the persistent expansion of various services in the Bank’s subsidiaries and advance its competence in the market so should deliver a positive effect on shareholders’ equity.

(3) Implementation Capital Utilization Plan

- A. With approval from the authority, the Bank issued subordinated debentures of NT\$10 billion on April 25th, 2011, issued subordinated debentures of NT\$8 billion on June 27th, 2014, issued foreign currency financial debentures of NT\$5 billion (or equivalent to USD or CNY) on January 14th, 2015, issued subordinated debentures of NT\$10 billion (or equivalent to foreign currency) on June 12th, 2015, and issued subordinated debentures of NT\$10 billion (or equivalent to foreign currency) on December 24th, 2015.

The Bank issues financial debentures in order to enhance capital adequacy ratio, fulfill capital demand for loans and financial operation, and reduce liquidity risk.

- B. As of January 31st, 2017, the Bank has issued debentures of NT\$33 billion and CNY\$0.25 billion. Applying amount and the according execution are itemized as follows :

Date of Approval & Approval Document No.	Total Amount	Execution
Jin-Kuan-Yin-Kong-10000110840 dated April 25 th , 2011	The subordinated financial debentures of NT\$10 billion	<ul style="list-style-type: none"> • The 1st term (2011) subordinated financial debentures of NT\$2.45 billion were issued on June 27th, 2011. • The 2nd term (2011) subordinated financial debentures of NT\$2.35 billion were issued on August 22nd, 2011. • The 3rd term (2011) subordinated financial debentures A of NT\$0.7 billion were issued on October 27th, 2011. • The 3rd term (2011) subordinated financial debentures B of NT\$4.5 billion were issued on October 27th, 2011.
Jin-Kuan-Yin-Kong-10300180640 dated June 27 th , 2014	The subordinated financial debentures of NT\$8 billion	<ul style="list-style-type: none"> • The 1st term (2014) subordinated financial debentures A of NT\$1.6 billion were issued on September 4th, 2014. • The 1st term (2014) subordinated financial debentures B of NT\$4.7 billion were issued on September 4th, 2014. • The 2nd term (2014) subordinated financial debentures of NT\$1.7 billion were issued on October 29th, 2014.
Jin-Kuan-Yin-Kong-10400000510 dated January 14 th , 2015	The financial debentures of NT\$5 billion (or equivalent to USD or CNY)	<ul style="list-style-type: none"> • The 1st term (2015) unsecured financial debentures of CNY\$0.25 billion were issued on March 24th, 2015.
Jin-Kuan-Yin-Kong-10400130410 dated June 12 th , 2015	The subordinated financial debentures of NT\$10 billion (or equivalent to foreign currency)	<ul style="list-style-type: none"> • The 3rd term (2015) perpetual non-cumulative subordinated financial debentures of NT\$5.55 billion were issued on August 27th, 2015. • The 4th term (2015) subordinated financial debentures of NT\$3 billion were issued on August 27th, 2015. • The 5th term (2015) perpetual non-cumulative subordinated financial debentures of NT\$1.45 billion were issued on September 29th, 2015.
Jin-Kuan-Yin-Kong-10400296320 dated December 24 th , 2015	The subordinated financial debentures of NT\$10 billion (or equivalent to foreign currency)	<ul style="list-style-type: none"> • The 1st term (2016) subordinated financial debentures of NT\$5 billion were issued on February 23rd, 2016.

3. Business Overview

(1) Business Performance for 2016~2017

A. Revenue Breakdown

Unit : NT\$1,000; %

Item \ Year	2017		2016	
	Amount	Proportion (%)	Amount	Proportion (%)
Net Interest Income	9,212,330	60.89	8,597,599	61.40
Net Service Fee and Commission Income	3,095,273	20.46	2,832,863	20.23
Gain (loss) on Financial Assets and Financial Liabilities at Fair Value through Profit or Loss	1,861,290	12.30	1,700,479	12.14
Realized Gain on Available-for-sale Financial Assets	386,707	2.56	260,914	1.86
Foreign Exchange Gain (Loss)	(285,874)	(1.89)	(76,776)	(0.55)
Gain on asset impairment (loss)	(166)	-	(763)	-
The Other Comprehensive Income of Associates/Joint Ventures Accounted for Using the Equity Method	-	-	(300)	-
Other Non-interest Income	228,531	1.51	73,682	0.53
Net Investment Gain (loss) on Debts Investment without Active Market	631,474	4.17	614,210	4.39
Net Revenue	15,129,565	100.00	14,001,908	100.00

B. Deposit

Unit : NT\$ in million; %

Item \ Year	2017		2016		Comparison with 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Checking Deposits	3,708	0.51	3,432	0.48	276	0.02
Demand Deposits	103,415	14.19	108,714	15.18	(5,299)	(0.99)
Demand Saving Deposits	261,748	35.92	235,909	33.10	25,839	2.82
Time Deposits	231,051	31.71	237,136	33.27	(6,085)	(1.57)
Time Saving Deposits	128,738	17.66	128,114	17.97	624	(0.31)
Total	728,660	100	712,765	100.00	15,895	0.00

Note : The deposits include NTD and foreign currency deposits but not the deposits from the Central Bank and Other Banks.

C. Loan

Unit : NT\$ in million; %

Item \ Year	2017		2016		Comparison with 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Corporate Loans	285,185	57.69	299,898	60.25	(14,713)	(4.91)
General Corporate Loans	172,316	34.86	185,884	37.34	(13,568)	(7.30)
Small-and-medium Business Loans	112,112	22.68	113,340	22.77	(1,228)	(1.08)
Government Loans	—	—	—	—	—	—
Delinquent	757	0.15	674	0.14	83	12.31
Consumer Loans	205,228	42.47	197,864	39.75	7,364	3.72
Mortgage	171,128	35.41	166,240	33.40	4,888	2.94
Auto Loans	30,780	6.37	27,575	5.54	3,205	11.62
Consumer Unsecured Loans	1,227	0.25	1,457	0.29	(230)	(15.79)
Stock-secured Loan	1,714	0.35	2,142	0.43	(428)	(19.98)
Delinquent	219	0.05	168	0.03	51	30.36
Other (Note)	160	0.03	282	0.06	(122)	(43.26)
Total	494,350	100.00	497,762	100.00	(3,412)	(0.69)

Note : Including certificate of deposit loan and composite overdraft.

D. Foreign Exchange

Unit : US\$1,000; %

Item \ Year	2017		2016		Comparison with 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Import Business	1,628,555	2.85	1,552,303	2.51	76,252	4.91
Export Business	433,786	0.76	500,665	0.82	(66,879)	(13.36)
Outward Remittance	27,782,269	48.68	29,483,543	47.75	(1,701,274)	(5.77)
Inward Remittance	27,227,956	47.71	30,207,041	48.92	(2,979,085)	(9.86)
Total	57,072,566	100.00	61,743,552	100.00	(4,670,986)	(7.57)

E. Trust Business

Unit : NT\$1,000; %

Year Item		2017	2016	Comparison with 2016	
				Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Total Balance of Trust Assets		126,214,752 (Note1)	124,446,204 (Note 2)	1,768,548	1.42
Other Consigned Items		3,255,308	2,959,445	295,863	10.00
Total Revenue of Trust Business Service Fee		1,164,013	764,021	399,992	52.35
Scale of Assets under Custody of Investment Insurance Policy		247,572	1,125,951	(878,379)	(78.01)
The Custody Asset in Discretionary Investment Account		4,960,485	4,097,582	862,903	21.06
Scale of Assets under Custody of Foreign Investment		28,753,193	22,131,623	6,621,571	29.92
The Custody of Other Property		123,112	0	123,112	0.00
Scale of Assets under Custody of Business Guarantee Bond		2,325,000	2,330,000	(5,000)	(0.21)
Custodian Service Fee Income		22,368	18,752	3,616	19.28
Certification of Securities	Amount of Certification	34,955,594	21,573,447	13,382,147	62.03
	Revenue of Certification Service Charges	5,351	3,866	1,485	38.41

Note 1 : Including OBU trust property in the amount of NT\$1,944,126 thousands.

Note 2 : Including OBU trust property in the amount of NT\$2,000,195 thousands.

F. Credit Card

Unit : NT\$ in million; %

Year Item		2017	2016	Comparison with 2016	
				Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Number of Cards Issued (Card)		1,511,648	1,345,028	166,620	12.39
Cards in Circulation (Card)		650,964	578,740	72,224	12.48
Transaction Amount (NT\$ million)		58,341	45,803	12,538	27.37
Revolving Balance (NT\$ million)		525	529	(5)	(0.86)

G. Investment

Unit : NT\$ in million; %

Item \ Year	2017	2016	Comparison with 2016	
			Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Bond Trading Volume	445,931	278,062	167,869	60.37
Bill Trading Volume	1,871,630	165,235	1,706,395	1,032.71

Unit : US\$ in million; %

Item \ Year	2017	2016	Comparison with 2016	
			Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Spot Transaction	21,539	23,824	(2,285)	(9.59)
Forward Exchange Transaction	2,105	2,565	(460)	(17.93)
Foreign Exchange SWAP	20,094	24,414	(4,320)	(17.69)
Option Transaction	16,726	9,851	6,875	69.79

H. E-Banking

Unit : in thousands

Item \ Year	2017	2016	Comparison with 2016	
			Amount Increase (Decrease)	Increase (Decrease) Proportion (%)
Total Internet Banking Transactions	3,534	3,338	196	5.87
Total Mobile Banking Transactions	11,350	5,734	5,616	97.94
Total Cross-border Payment Transactions	232	83	149	179.52

(2) 2017 Operating Plan

During 2017, the Bank will continuously devote to keep the business and profit structure in the balanced manner as well as to fully implement the risk control and legal compliance mechanism. In addition, the Bank's integration with the Ta Chong Bank is also one of its important tasks. Retaining the characteristics and competitive advantages of the two banks is the principle for the Bank to plan the post-merger system and principles to create the greatest synergy. The Bank's operation plans are summarized as follows :

A. Business Development

- a. Financing service will focus on services with higher profitability under manageable risks, such as SME loans, lead arrangers of the domestic syndicated loan, OBU syndicated loans, revolving mortgages, auto loans and unsecured loans. Reasonable interest rates for loans will be set in consideration of the Bank's capital cost and clients' overall contribution so as to maximize profits.
- b. Wealth management business will focus on One Banking as the main concept, sustain the diverse product range and advance the professionalism and stability of financial advisors in order to maximize the client base and maintain the stable growth of the fee income.
- c. For the customers of credit cards, the Bank will continuously launch card-using promotion events to escalate the numbers of active cards, card spendings and revolving balance. Also, through cross-selling to credit card customers, the Bank will improve customer loyalty and contribution.

B. Channel Development

- a. In response to the popularization of mobile communications and Internet, the Bank, according to client needs, enhances its functionality and security of mobile bank and electronic payment business so as to maximize number of customers and volume of transaction.
- b. Seize the business opportunities arising from the approval of electronic payment services and strive to enter into partnership with collaborative shops in hope for becoming the best platform for product-selling and payment flow services.
- c. Guide clients to make transactions or inquiries through digital channels to ease off the stress on the customer service and reduce operational costs.
- d. In terms of physical channels, the Bank embraces 152 domestic branches after the merger with Ta Chong Bank that will advance the deployment and flexibility. The Bank also continues to introduce digital services to better operating procedures in branches and further customer satisfaction.
- e. In terms of the overseas market, the Bank provides services through the subsidiary banks in Philippines and Korea as well as the Hong Kong branch and Myanmar office. The Bank will dedicate its full effort to the management and operation of the Bank's overseas business in order to boost its contribution

to profit year to year.

C. Risk Management

- a. Solidify the Bank's managerial capability in credit, market and operational risks through risk models and databases. Build up the risk warning mechanism riding on the deeply understanding of each industry and country risk, so as to effectively reduce the risk.
- b. Set up a dedicated unit and supervisors according to regulations in "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector," developed by the competent authorities, for the development of managerial mechanisms, training and system establishment.
- c. Fortify the Bank's risk control, legal compliance, management of internal audit and internal control of overseas business offices.

D. Personnel Training :

Utterly perform employee orientation and on-the-job training. Through job rotation, the Bank plans to cultivate multi-functional talents and intensify trainings on managers, international professionals and digital finance professionals to well prepare the Bank for future developments and demands for internationalization and thus lay the foundation for sustainability of the Bank.

(3) Research and Development

In response to the globalization of the financial market, the Bank will aggressively and practically place significant attention to and grasp the update of the industry for business expansion, risk warning and integrated marketing in hope for maximizing customer satisfaction and profitability. The Bank has developed its future plans as follows :

A. Banking Service Research and Development

- a. Apply biometric to customer's identity authentication in digital finance service so that customers' information can be accessed speedily and personalized financial service can be provided to customers.
- b. Develop "fund plus" efficiency investment method to combine the advantages of systematic investment plan and one-time investment plan, in order to have the effect of simultaneously diversifying risks (single investment in parent funds) and improving profitability (systematic investment in sub-funds).

- c. Establish customer loyalty points exchange platform service, intending to convert customer contribution revenue into loyalty points, in order to enhance the customer's overall exchange service experience, and deepen the relationship between the Bank and the customers.

B. Risk Management

- a. To manage the post-integration of corporate banking and consumer banking portfolio, plan and fine tune the credit rating/ scoring models as well as the credit risk grades. Closely monitor the portfolio performance and alert any adverse trend. Continually reinforced the credit risk management framework and control mechanism.
- b. Systematically manage the risky industries and total exposure granted to China. Continually revamping the large risk exposure management systems to control the concentration risk more comprehensively.
- c. Set the proper frequency of stress test and continuously refine the methodology, such as the simulation of the quantitative model, the setting of stress scenarios, and risk factor selections and prediction.
- d. Conduct rigorous research on operation risk management technology, including the operational risk tolerance classification calculation and the backtracking and detection of the effectiveness of operational risk self-assessment.
- e. Continuously develop and pre-calculate the managerial mechanism for maximum of the net interest income and economic value of banking book for each time band.
- f. Continue to improve the liquidity risk management mechanism, and build the system to strengthen fund liquidity risk measurement and analysis (e.g. Simulation of stress testing scenario) and control the disclosure of information.

C. IT Research and Development Projects

The Bank will continue to develop its operation and business and also fulfill the information security management. The information system R&D and upgrading projects to be commenced include the upgrading of foreign exchange system, revision of OLAP multi-dimensional data analysis tool, BASEL4 accrual capital system, upgrading of credit card issuance accounting and authorization system functions, improvement of credit card review system function and procedure, merchant business

system construction project, upgrading of BPM (Business Process Manager) cross-system integration platform, 2nd-stage construction of corporate banking collection system, inclusion of Ta Chong E-LOAN into consumer banking review system, upgrading of collateral system and consumer banking review system, addition of acceptance of application for loan in the OCR system, 2nd-stage wealth management system, new insurance agency system-online insurance (including electronic signature), real estate trust system, new image system construction project, collection and payment transfer platform upgrading project, construction of 2nd-stage CTI system_consumer banking credit card and Ta Chong Bank function, Web ATM inter-browser safety control component construction, upgrading of WebSphere Application Server , revision of personal network bank-related systems and transformation of Tiberio database, new financial system construction project, NSI structured notes trading management system, TMU transaction management system, evaluation on computer system and information security (Class I), e-payment platform safety evaluation, tapeless back-up management system construction, intranet information security policy management platform construction, intra-bank online video conference system construction, Advanced Persistent Threat (APT) construction, Virtual Desktop Infrastructure (VDI) system construction, and Security Operation Center (SOC) construction project, etc.

(4) The Long-Term and Short-Term Business Plans

A. Short-Term Business Development Plans

- a. Complete the integration to upgrade the consolidated synergy
 - i. Continue to execute the integration of personnel, business, customers, and management orientations related to the consolidation project, and review and adjust the integration timely.
 - ii. With significant growth in business volume and transaction volume after merger, continuously conduct system tuning and upgrade, optimize the operational efficiency of each system, and reduce manpower burden through operation flow design.
 - iii. Conduct manpower stocktaking, increase the flexibility of dispatching and backup, promote the integration of corporate culture through education, job rotation, support between branches and other mechanisms, and quickly increase staff's familiarity with the operation and professional competence.

- b. Balance development of all services and maximize capital efficiency
 - i. Under the controllable risks and taking into account the Bank's cost of capital, select the business with better profitability as the main core and continue the adjustment of the loans business structure.
 - ii. Wealth management business will focus on One Banking as the main concept, sustain the diverse product range and advance the professionalism and stability of financial advisors in order to maximize the client base and maintain the stable growth of the fee income.
 - iii. For the customers of credit cards, continuously launch card usage promotion events to escalate the number of active cards, retail sales volume and revolving balance. Also, through cross-sale to credit card customers, maximize client loyalty and contribution.
 - iv. Upgrade the stability of the yield from financial operations to utilize the earnings stably.
- c. Seize the dynamic of the banking sector and raise the investment in digital channels
 - i. In response to mobile communications and Internet popularization, increasingly promote the usage of mobile banking and electronic payment and enhance the functionality and security so as to maximize number of customers and transaction amounts.
 - ii. Seize the business opportunities arising from the approval of e-payment services and strive to enter into partnership with collaborative shops in hope for becoming the best platform for product-selling and payment flow services.
 - iii. Continue to develop digital services, provide integrated diversified digital services and develop new customer bases, which are supplemented with the integrated digital marketing projects to increase subscribers and usage of e-banking and mobile banking services. At the same time, design the login gifts to increase the e-banking and mobile banking usage. Incorporate digital medias of YouTube and IG in community marketing to instill the brand preference and visibility in target customers.
- d. Fully observe legal compliance and risk management and sustain the Bank's

sound operation

- i. According to the competent authority's "Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers," establish and amend the internal regulations and operating procedures, and also conduct educational training and system tuning, etc.
- ii. Fortify the Bank's risk control, legal compliance and management of internal audit and internal control of overseas branches.
- iii. Regularly collect the latest changes in financial regulations and instantly amend bylaws. Furthermore, ensure the complete compliance with regulations through periodically performing self-evaluation and assessment of legal compliance.

B. Long-Term Business Development Plans

- a. Strengthen operating efficiency and and stably upgrade profitability
 - i. After the merger with Ta Chong Bank, the Bank's market share goals of deposit and loan services will be set above 3% and gradually raise these goals.
 - ii. Strengthen the wealth management investment consulting business, and optimize the operating procedures of business locations and digital channels, in order to enhance the Bank's professionalism and identity in the market.
 - iii. Integrate the resources of domestic/overseas locations and the Group, provide comprehensive financial services and customized financing solutions, and actively compete for the business of corporate customers.
- b. Utilize Fintech to enhance products and services to make the Bank as the customers' first priority financial institution
 - i. Use the big data analytics to develop new typed financial products based on customer needs, and conduct precision marketing, in order to improve customer loyalty and contribution.
 - ii. Based on the opening policies, develop various innovative payment products and mobile payment services to meet the needs of customers and merchants, create brand differentiation through intelligent and mobile consumer service

experiences, and connect online and offline scenarios, in order to increase customers' market shares. Also, develop the online accounts receivable financing services so that the corporate customers can activate corporate assets and easily deploy working capital.

- c. Penetrate the domestic market deeply and explore overseas market actively
 - i. Upon the consolidation, the Bank owns 152 business locations domestically, which are integrated with such e-channels as ATM, network banks and mobile banks, helpful to improve convenience for customers and publicity of brand. Meanwhile, the Bank will integrate the Group's resources to provide diversified products and deepen the trading relationship between customers and the Company.
 - ii. Currently, the Bank owns subsidiaries in Philippines and Korea. Along with Hong Kong Branch of Ta Chong Bank, a preliminary scale of overseas deployment has turned visible. In the future, the Bank will speed up establishment of the business development model applicable locally by transplanting the relevant experience and enhance the cooperation between domestic and overseas business locations to upgrade contribution to earnings year by year.
 - iii. Enhance the training of international talents and encourage the staff to enhance and improve their foreign language ability and strive for opportunities in overseas visits or education.

(5) Employee Composition

Year		2016	2017	January 31 th , 2018
Number of Staff		2,717	2,822	4,457
Average Age		39.46	39.62	40.56
Average Seniority		8.35	8.46	9.44
Education Level Ratio	PhD	0.11%	0.10%	0.11%
	Master Degree	14.90%	14.52%	14.11%
	University/ College	81.07%	81.21%	81.21%
	Senior High School	3.85%	4.07%	4.51%
	Lower than Senior High School	0.07%	0.10%	0.06%
Certificates and Licenses Held by Yuanta Commercial Bank Employees	Certificates/Licenses	Number of Staff	Certificates/Licenses	Number of Staff
	Internal Control	2,868	Investment Insurance Salesperson	1,448
	Trust Salesperson	2,655	Financial Knowledge and Ethics	2,382
	Life Insurance Salesperson	2,513	Financial Planning Specialist	634
	Property Insurance Salesperson	2,092	Other Financial Certificates/Licenses	8,766
	Life Insurance Salesperson to Sell Foreign Currency Receipts and Disbursements Non-investment Insured Goods			1,535

Note : On January 31th, 2018, number of staff of Yuanta Savings Bank (Philippines) is 84.

Note : On January 31th, 2018, number of staff of Yuanta Savings Bank (Korea) is 52.

(6) Corporate Social Responsibilities and Ethics

The Bank has been making donations to Yuanta Foundation for social services in cultural and education fields. Yuanta Foundation centers on caring for public welfare with initiatives on education in four educational approaches : (1) social welfare and education; (2) fostering of young talent through scholarships and other forms of academic sponsorship and professional training; (3) promotion of the arts and cultural education; (4) social security and law education. A total of 482 events were organized and dedicated to various charity services in 2017, including 113 self-hosted events, 194 co-hosted events and 175 sponsored events.

The Foundation also integrated the extensive network and ample human resources of Yuanta Financial Holdings (YFH) to promote volunteer service so that the Foundation can aim at wide targets and scope and generate stronger power for its service. During 2017, the Foundation held Yuanta Blissful Day and Volunteer Day, to accompany hundreds of children from children's shelters to attend exhibitions. Also, the Bank created the original

“Dream Big” program, combining resources to build a virtual and physical integrated charity platform to assist 15 charity groups in need through not only funding but also dedication of numerous volunteers in hope to make a contribution to the whole society in terms of finance and labor!

The Foundation gathers the social service strength and hopes to set an example for various sectors in the society and encourage them to participate the public welfare events, so as to fulfill the corporate social responsibility insisted by YFH. In the future, the Foundation will persistently help more minorities and families in need, as our promise “Let dreams be not just dreams!”, and build a warmer future for Taiwan.

The Bank also cooperated with charity groups to issue co-brander cards for charitable donation. For example, for Changhua Fellow Townsmen Association Co-brander Card, the Bank appropriates 0.2% of the consumption amount to Changhua Fellow Townsmen Association for charity use; for Sung Shan TsuHuei Temple Charity Card, the Bank appropriated 0.2% of the consumption amount to Sung Shan TsuHuei Temple for charity use. It is hoped to feedback the society and fully carry out the Bank’s corporate social responsibilities.

(7) The Number of Non-supervisor Employees, Annual Average Employee Benefits and the Differences from the Previous Year

Non-supervisor employees in the Bank amounted to 2,695. Annual average benefits for 2017 is totaled to be NT\$ 1,397,647, a rise by NT\$ 131,692 from the previous year.

(8) IT Development Projects

A. Hardware and Software Configuration of Major Information Systems

The configuration of major information system, including NTD deposit and loan, domestic remittance, cross-bank transactions, foreign exchange, trust, accounting, data warehouse, wealth management and credit card authentication etc., are equipped with the hardware and operation systems of IBM p-Series, IBM AS/400 I-Series, SUN M5000, EMC Greenplum and Windows x86 server.

B. Future Development and Purchasing Plans

In response to the business continuity, business development and implement the information security management, the Bank plans to launch the construction of information system infrastructure and security enhancement, including computer system information security assessment project (Class I), e-payment platform

security assessment, tape-less backup management system construction (phase II), intranet information security policy management platform construction, intra-bank online video conference system construction, Advanced Persistent Threat (APT) protection mechanism construction, Virtual Desktop Infrastructure (VDI) system construction, Security Operation Center (SOC) construction and Global Server Load Balancing (GSLB) construction project, etc.

C. Emergency Backup and Security Measures

In order to safeguard the smoothness of major system operation, local backup and remote backup mechanisms are devised for the host of each connectivity system according to the service features and conduct corresponding fail-over maneuvers to the system levels. It is not only the responding capability of the trainers, but also the effectiveness of the backup recovery procedures reviewed. In order to safeguard the equipment of the system and data storage, the Bank plans the following safety preventive measures :

a. Computer Room Security

The computer facilities of the Bank are installed with equipment against earthquake, fire, thunder and disasters. The access control system and the monitoring system are also well executed to tightly control entry and exit. Vital computers and equipments are maintained and tested periodically to safeguard the equipment operation.

b. System and Network Security

i. Firewall

Critical gateways in the internal network are shielded with Back To Back dual layer firewall to achieve double defense with different brands of hardware and software firewalls. Major external websites are setup on the N-tier structure. While the web server is placed in the DMZ area behind the layer 1 firewall, major application servers and database servers are placed behind the layer 2 firewall.

ii. IP Address Protection

The user terminal of the Bank adopted MAC and IP address blocking system to protect the internal IP addresses of the Bank from being mistakenly or falsely used.

iii. Weakness Scanning and Flaw Repair

Scanned the weakness of servers and automatically fix the system flaws of

personal computers to improve system security.

iv. External Service Website Penetration Testing

Proactively conducted the penetration testing on external e-commerce websites, in order to identify security issues proactively for protection.

v. Anti-virus Mechanism

All of personal computers, servers and emails are devised with anti-virus and anti-spam mail mechanism.

vi. The Intrusion Detection System

Establish an intrusion detection system on critical gateways of external websites. Actively detect hacker's invasion and attack and have operators instantly supervise and report such matter 24 hours a day.

vii. The Application Firewall

Establish the application firewall on critical gateways of the external website. Actively analyze and filter OSI L4-L7 Internet behavior. For illegal programming or any penetration and attack against the flaws of the system or programs, the application firewall will actively quarantine, block and report such matter to fortify the Internet defense and system security.

viii. Source Code Security

Established the inspection mechanism of source code security which automatically executes the analysis to find hidden flaws and malicious programs during the development phase of the electronic trading programs in order to avoid the poor quality programs cause any security concern, such as the attack from hackers to intensify the program quality and safety.

ix. Monitor the Changes of Files

Launch the file changed monitoring system on the e-commerce website to avoid malicious damages or false information implantation.

x. Mobile Device Management Mechanism

Strengthen enterprise' internal management of mobile devices to ensure the data security through the establishment of Mobile Device Management Mechanism, including managing mobile device components, enhancing content security for mobile devices and establishing Internet security mechanisms for mobile devices.

xi. Protection against Distributed Denial of Service (DDoS) Attack

Subscribe to the service of protection against Distributed Denial of Service (DDoS) Attack with the Internet Service Provider for the external network, accompanied by ISP's sandbox protection, in order to avoid DDoS attack and ensure financial services of e-banking.

xii. ATM Application Whitelisting

Establish the managerial system for ATM application whitelisting in order to advance recognition of executable applications at ATM lest any malicious software should be planted or activated in ATMs.

c. Information Security and Personal Information Protection

In order to advance the quality of financial service, information security management and personal information protection, the Bank utterly implements every procedure in "ISO 27001 : 2013 Information Security Management Systems" and "BS 10012 : 2009 Personal Information Management Systems" and engages in semi-annual review and triennial re-assessment by BSI. In addition, in order to comply with the requirements of the competent authorities and adapted to the management of digital financial information security, the Bank regularly conducted "Computer System Information Security Assessment", "E-payment Platform Security Control Operation Assessment", "Automatic Teller Machine (ATM) Information Security Attack and Defense "DDos Attack and Defense Drill", "Detection of Mobile App;" and "Cyber and System Penetration Testing Services", the Bank is persistently devoted to the enhancement of managerial mechanism of information security and personal information protection and risk management and to stronger awareness of security across the Bank in order to safeguard the confidentiality, integrity and availability of information asset so that our clientele can enjoy financial services of stronger security and higher quality.

(9) Employee Welfare

A. In addition to enrolling employees in labor insurance and national health insurance in accordance with Government's laws and regulations, the Bank also enrolled employees in group insurance, including term life insurance, injury insurance, critical illness insurance, accidental medical insurance, cancer insurance and occupational disaster insurance, etc.

B. Established Employees Welfare Committee and stipulated the relevant reimbursement procedures, such as providing subsidies to marriage, maternity, disease, injury, death,

emergency, children scholarship.

- C. Provided employees meal reimbursement.
- D. Provided preferential interest rates for savings accounts of employees, mortgages, property remodeling loans and consumer loans.
- E. Provided employees with Employee Stock Ownership Trust.

IV. Financial Information and Risk Management

1. Financial Review 2013~2017

(1) Condensed Consolidated Balance Sheet for 2013~2017

Unit : NT\$1,000

Item		Financial Information (Note 1)				
		2017	2016	2015 (Note 3)	2014 (Note 4)	2013
Cash and cash equivalents, Due from Central Bank and call loans to other banks		67,936,614	111,051,887	91,084,244	92,677,166	92,951,953
Financial assets at fair value through profit or loss – net		84,342,923	75,856,017	85,539,654	49,412,091	24,375,726
Bills and bonds purchased under resale agreements		9,180,000	6,249,307	1,937,969	—	—
Available-for-sale financial assets – net		141,727,769	84,420,516	41,794,256	34,767,648	31,039,688
Receivables – net		15,625,696	18,768,134	16,747,814	19,094,761	12,339,605
Current income tax assets		2,381,676	2,852,044	2,848,594	3,110,545	3,058,196
Bills discounted and loans – net		487,857,672	490,845,954	478,156,273	445,276,774	397,268,743
Held-to-maturity financial assets		26,743,729	14,741,656	14,665,264	7,345,168	4,955,516
Other financial assets – net		34,671,976	49,570,202	70,157,273	38,861,792	26,168,420
Property and equipment– net		6,778,256	6,079,960	5,015,333	2,160,396	2,149,569
Investment Property – net		1,059,195	1,083,277	1,876,961	306,052	314,808
Intangible assets – net		2,574,712	2,545,091	2,133,271	2,068,089	2,058,637
Deferred income tax assets – net		383,565	437,751	615,950	610,164	193,903
Other assets– net		1,596,441	2,409,515	5,396,994	3,205,017	1,495,054
Total Assets		882,860,224	866,911,311	817,969,850	698,895,663	598,369,818
Due to Central Bank and other banks		10,541,967	25,624,867	31,901,180	5,681,005	13,072,480
Financial liabilities at fair value through profit or loss – net		2,978,553	5,332,985	9,714,271	5,679,085	2,336,752
Bills and bonds sold under repurchase agreements		11,240,704	7,786,562	10,578,602	8,340,995	—
Payables		18,228,206	13,277,873	11,668,104	15,830,696	10,326,621
Current income tax liabilities		688,003	918,818	608,110	986,876	325,264
Deposits and remittances		739,208,515	713,029,940	661,165,107	579,860,129	496,482,959
Bonds payable		33,000,000	38,000,000	33,000,000	23,000,000	15,000,000
Other financial liabilities		1,611,059	2,234,695	2,895,043	6,237,906	12,902,996
Provision		1,133,997	1,197,338	1,253,653	1,030,176	735,122
Deferred income tax liabilities		179,605	194,232	364,716	171,751	209,163
Other liabilities		1,236,459	1,060,123	1,041,664	731,171	731,582
Total liabilities	Before distribution	820,047,068	808,657,433	764,190,450	647,549,790	552,122,939
	After distribution	Note 2	811,296,504	765,192,534	649,549,790	552,122,939
Equity attributable to owners of the parent company		62,813,156	58,253,878	53,779,400	51,345,873	46,246,879
Share Capital	Before distribution	42,652,845	41,521,815	39,183,618	37,690,491	36,496,931
	After distribution	Note 2	42,652,845	41,521,815	39,183,618	37,690,491
Additional paid-in capital		6,038,882	6,038,882	6,038,882	6,116,883	6,116,883
Retained earnings	Before distribution	14,111,826	11,172,970	8,813,539	7,495,147	4,241,009
	After distribution	Note 2	7,402,869	5,473,258	4,002,020	3,047,449
Other equity		9,603	(479,789)	(256,639)	(228,357)	(607,944)
Prior interests under common control		—	—	—	144,848	—
Non-controlling interests		—	—	—	126,861	—
Total equity	Before distribution	62,813,156	58,253,878	53,779,400	51,345,873	46,246,879
	After distribution	Note 2	55,614,807	52,777,316	49,345,873	46,246,879

Note1 : The above financial information was audited by accountants.

Note2 : The appropriation of the Bank's 2017 earnings is pending until the confirmation from the Board of Directors on behalf of stockholders.

Note3 : To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note4 : On August 5th, 2015, the consolidated Company acquired 100% equity of Tong Yang Savings Bank and completed the according delivery. This acquisition is Business Combination Under Common Control (BCUCC), so, when producing financial reports for the previous periods, the Bank considered itself consolidated ab initio and thus reproduced previous financial reports. Tong Yang Savings Bank was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11th, 2014. Therefore, June 11th, 2014 is the date of ab initio consolidation.

(2) Condensed Consolidated Statements of Comprehensive Income for 2013~2017

Unit : NT\$1,000

Item	Year	Financial Information (Note 1)				
		2017	2016	2015 (Note 2)	2014 (Note 3)	2013
Interest income		14,426,861	13,777,724	13,050,370	11,167,221	9,798,277
Less : Interest expense		5,214,531	5,180,125	5,304,799	4,167,006	3,682,850
Net interest income		9,212,330	8,597,599	7,745,571	7,000,215	6,115,427
Net non-interest income		5,917,235	5,404,309	5,187,193	4,400,633	3,253,166
Net revenue		15,129,565	14,001,908	12,932,764	11,400,848	9,368,593
Provision for bad debts expenses and guarantee reserve		311,230	1,006,950	886,889	757,128	720,371
Operating expenses		7,357,790	6,642,951	6,405,803	5,632,982	5,239,500
Income from continuing operations before income tax		7,460,545	6,352,007	5,640,072	5,010,738	3,408,722
Income tax expense		(717,538)	(757,052)	(696,099)	(468,340)	(356,517)
Net income from continuing operations		6,743,007	5,594,955	4,943,973	4,542,398	3,052,205
Net income		6,743,007	5,594,955	4,943,973	4,542,398	3,052,205
Other comprehensive income (loss) (net of tax)		455,342	(118,393)	(177,526)	291,138	(1,200,081)
Total comprehensive income		7,198,349	5,476,562	4,766,447	4,833,536	1,852,124
Net income attributable to : Parent company		6,743,007	5,594,955	4,949,974	4,546,935	3,052,205
Net income attributable to : Prior interests under common control		—	—	(3,304)	(2,419)	—
Net income attributable to : Uncontrolled equity		—	—	(2,697)	(2,118)	—
Comprehensive income attributable to : Parent company		7,198,349	5,476,562	4,782,113	4,827,285	1,852,124
Comprehensive income attributable to : Prior interests under common control		—	—	(7,901)	3,397	—
Comprehensive income attributable to : Uncontrolled equity		—	—	(7,765)	2,854	—
EPS(NT\$) (Note 4)		1.58	1.31	1.19	1.16	0.81

Note1 : The above financial information was audited by accountants.

Note2 : To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note3 : On August 5th, 2015, the consolidated Company acquired 100% equity of TongYang Savings Bank and completed the according delivery. This acquisition is Business Combination Under Common Control (BCUCC), so, when producing financial reports for the previous periods, the Bank considered itself consolidated ab initio and thus reproduced previous financial reports. TongYang Savings Bank was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11th, 2014. Therefore, June 11th, 2014 is the date of ab initio consolidation.

Note4 : The outstanding shares have been adjusted proportionally based on the capitalization of earnings on May 25th, 2017. Before adjustment, EPS after-tax of 2016 is NT\$1.35.

(3) Condensed Separate Balance Sheet for 2013~2017

Unit : NTS1,000

Item	Year	Financial Information (Note 1)				
		2017	2016	2015 (Note 3)	2014 (Note 3, 4)	2013
Cash and cash equivalents, Due from Central Bank and call loans to other banks		65,717,484	106,013,194	90,082,158	92,216,171	92,951,873
Financial assets at fair value through profit or loss – net		84,342,923	75,856,017	85,539,308	49,411,506	24,375,726
Bills and bonds purchased under resale agreements		9,180,000	6,249,307	1,937,969	—	—
Available-for-sale financial assets – net		140,849,559	83,750,635	41,793,681	34,767,019	31,037,413
Receivables – net		15,264,898	18,319,774	16,319,285	18,673,646	12,276,134
Current income tax assets		2,380,835	2,848,594	2,848,594	3,109,168	3,057,284
Bills discounted and loans – net		476,787,047	490,029,141	477,989,325	445,096,204	397,268,743
Held-to-maturity financial assets		26,533,847	14,513,341	14,494,870	7,277,780	4,955,516
Equity investments accounted for under the equity method – net		5,180,010	4,983,889	1,315,587	758,086	655,121
Other financial assets – net		34,483,031	49,478,502	70,138,491	38,837,359	25,842,649
Property and equipment– net		6,681,689	5,818,750	4,947,906	2,087,564	2,149,071
Investment Property – net		1,059,195	1,083,277	1,876,961	306,052	314,808
Intangible assets – net		2,125,592	2,125,491	2,132,733	2,067,369	2,058,637
Deferred income tax assets – net		363,868	406,092	583,384	582,426	193,733
Other assets– net		1,345,254	2,174,629	5,276,578	3,194,049	1,467,868
Total assets		872,295,232	863,650,633	817,276,830	698,384,399	598,604,576
Due to Central Bank and other banks		10,541,967	25,624,867	31,901,180	5,681,005	13,072,480
Financial liabilities at fair value through profit or loss – net		2,978,553	5,332,985	9,714,271	5,679,085	2,336,752
Bills and bonds sold under repurchase agreements		11,240,704	7,786,562	10,578,602	8,340,995	—
Payables		18,082,685	13,212,014	11,604,913	15,822,935	10,313,523
Current income tax liabilities		686,798	918,499	606,906	985,209	323,253
Deposits and remittances		728,947,095	709,988,729	660,554,776	579,493,478	496,750,456
Bonds payable		33,000,000	38,000,000	33,000,000	23,000,000	15,000,000
Other financial liabilities		1,611,059	2,234,695	2,895,043	6,237,906	12,902,996
Provision		1,009,808	1,076,576	1,249,615	1,027,396	735,122
Deferred income tax liabilities		179,127	182,081	364,705	171,751	209,163
Other liabilities		1,204,280	1,039,747	1,027,419	725,627	713,952
Total liabilities	Before distribution	809,482,076	805,396,755	763,497,430	647,165,387	552,357,697
	After distribution	Note 2	808,035,826	764,499,514	649,165,387	552,357,697
Equity attributable to owners of the parent company		62,813,156	58,253,878	53,779,400	51,219,012	46,246,879
Share Capital	Before distribution	42,652,845	41,521,815	39,183,618	37,690,491	36,496,931
	After distribution	Note 2	42,652,845	41,521,815	39,183,618	37,690,491
Additional paid-in capital		6,038,882	6,038,882	6,038,882	6,116,883	6,116,883
Retained earnings	Before distribution	14,111,826	11,172,970	8,813,539	7,495,147	4,241,009
	After distribution	Note 2	7,402,869	5,473,258	4,002,020	3,047,449
Other equity		9,603	(479,789)	(256,639)	(228,357)	(607,944)
Prior interests under common control		—	—	—	144,848	—
Total equity	Before distribution	62,813,156	58,253,878	53,779,400	51,219,012	46,246,879
	After distribution	Note 2	55,614,807	52,777,316	49,219,012	46,245,879

Note1 : The above financial information was audited by accountants.

Note2 : The appropriation of the Bank's 2017 earnings is pending until the confirmation from the Board of Directors on behalf of stockholders.

Note3 : To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note4 : On August 5th, 2015, the consolidated Company acquired 100% equity of TongYang Savings Bank and completed the according delivery. This acquisition is Business Combination Under Common Control (BCUCC), so, when producing financial reports for the previous periods, the Bank considered itself consolidated ab initio and thus reproduced previous financial reports. TongYang Savings Bank was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11th, 2014. Therefore, June 11th, 2014 is the date of ab initio consolidation.

(4) Condensed Separate Statements of Comprehensive Income for 2013~2017

Unit : NT\$1,000

Item \ Year	Financial Information (Note 1)				
	2017	2016	2015 (Note 2)	2014	2013
Interest income	13,999,882	13,618,315	12,974,127	11,098,363	9,795,941
Less : Interest expense	5,105,242	5,141,414	5,299,901	4,164,271	3,687,102
Net interest income	8,894,640	8,476,901	7,674,226	6,934,092	6,108,839
Net non-interest income	5,848,117	5,295,425	5,160,646	4,334,051	3,218,495
Net revenue	14,742,757	13,772,326	12,834,872	11,268,143	9,327,334
Provision for bad debts expenses and guarantee reserve	225,450	1,002,168	869,105	758,804	720,371
Operating expenses	7,066,081	6,427,822	6,330,031	5,509,759	5,205,430
Income from continuing operations before income tax	7,451,226	6,342,336	5,635,736	4,999,580	3,401,533
Income tax expense	(708,219)	(747,381)	(689,066)	(455,064)	(349,328)
Net income from continuing operations	6,743,007	5,594,955	4,946,670	4,544,516	3,052,205
Net income	6,743,007	5,594,955	4,946,670	4,544,516	3,052,205
Other comprehensive income (loss) (net of tax)	455,342	(118,393)	(172,458)	286,166	(1,200,081)
Total comprehensive income	7,198,349	5,476,562	4,774,212	4,830,682	1,852,124
Net income (loss) attributable to : Parent company	6,743,007	5,594,955	4,949,974	4,546,935	3,052,205
Net income (loss) attributable to : Prior interests under common control	—	—	(3,304)	(2,419)	—
Total comprehensive income attributable to : Parent company	7,198,349	5,476,562	4,782,113	4,827,285	1,852,124
Total comprehensive income attributable to : Prior interests under common control	—	—	(7,901)	3,397	—
EPS(NT\$) (Note 3)	1.58	1.31	1.19	1.16	0.81

Note1 : The above financial information was audited by accountants.

Note2 : To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note3 : The outstanding shares have been adjusted proportionally based on the capitalization of earnings on May 25th, 2017. Before adjustment, EPS after-tax of 2016 is NT\$1.35.

(5) Independent Auditors Over the Past Five Years and their Audit Opinions

Year	Independent Auditing Firm	CPA	Auditor's Opinion
2013	PricewaterhouseCoopers, Taiwan	James Huang & Ellen Kuo	Standard unqualified opinion
2014	PricewaterhouseCoopers, Taiwan	Ellen Kuo & Maria Chen	Standard unqualified opinion
2015	PricewaterhouseCoopers, Taiwan	Ellen Kuo & Maria Chen	Modified unqualified opinion
2016	PricewaterhouseCoopers, Taiwan	Ellen Kuo & Maria Chen	Standard unqualified opinion
2017	PricewaterhouseCoopers, Taiwan	Ellen Kuo & Maria Chen	Standard unqualified opinion

(6) Consolidated Financial Analysis for 2013~2017

Item (Note 5)		Financial Analysis (Note 1)				
		2017	2016	2015 (Note 2)	2014	2013
Operating Performance	Ratio of deposits to loans (%)	66.44	69.34	72.15	77.15	80.25
	NPL ratio (%)	0.23	0.21	0.20	0.21	0.31
	Ratio of interest cost to annual average deposits (%)	0.56	0.59	0.70	0.68	0.68
	Ratio of interest income to annual average loans outstanding (%)	2.28	2.19	2.20	2.18	2.14
	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
	Average operation revenue per employee (thousand NT\$)	5,086	4,892	4,547	4,333	4,047
	Average profit per employee (thousand NT\$)	2,267	1,955	1,738	1,726	1,318
Profitability	Return on tier I capital (%)	11.74	10.70	10.72	10.97	7.99
	Return on assets (%)	0.77	0.66	0.65	0.70	0.53
	Return on equity (%)	11.14	9.99	9.41	9.31	6.73
	Net income ratio (%)	44.57	39.96	38.23	39.84	32.58
	EPS (NT\$)	1.58	1.31	1.19	1.16	0.81
Financial Structure	Ratio of liabilities to assets (%)	92.87	93.24	93.38	92.60	92.23
	Ratio of property and equipment to equity (%)	10.79	10.44	9.33	4.21	4.65
Growth rate	Rate of assets growth (%)	1.84	5.98	17.04	16.80	7.94
	Rate of earnings growth (%)	17.45	12.62	12.56	47.00	42.68
Cash flow	Cash flow ratio (%)	Note 3	41.43	Note 3	Note 3	44.66
	Cash flow adequacy ratio (%)	221.07	296.59	116.44	955.03	2,188.06
	Cash flow coverage ratio (%)	Note 3	1,335.73	Note 3	Note 3	(1,117.80)
Ratio of liquidity reserve (%)		36.00	33.00	33.00	29.00	31.90
Total balance of secured loans of related parties (thousand NT\$)		4,608,871	4,885,495	5,330,601	6,632,636	6,649,493
Ratio of total balance of secured loans of related parties to total balance of credit extension (%)		0.91	0.93	1.03	1.36	1.51
Scale of operations (Note 4)	Asset market share (%)	1.60	1.65	1.61	1.42	1.33
	Net-worth market share (%)	1.67	1.61	1.57	1.62	1.63
	Deposits market share (%)	1.87	1.82	1.76	1.64	1.50
	Loans market share (%)	1.61	1.72	1.72	1.65	1.56
The specified reasons of changes in financial ratios for the latest two years : (If the variation does not reach 20%, the analysis can be omitted) With the maintenance of asset quality as the premise, in 2017, the Bank continuously expanded each business and raised the net income which resulted in the higher profitability and growth than 2016.						

Note1 : The above financial information was audited by accountants.

Note2 : To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note3 : Because cash flows from operating activities in statement of cash flows are cash outflow in 2014, 2015 and 2017, it is not included for the calculation of according cash flow ratio.

Note4 : Because of inaccessibility to information, market share of operating scale is calculated according to separate financial statements.

Note5 : The formulas of various ratios are as follows :

1. Operating Performance

- (1) Ratio of deposits to loans = Annual average loans outstanding / Annual average deposit (Including postal savings re-deposits)
- (2) NPL ratio = Total NPL / Total loans outstanding
- (3) Ratio of interest cost to annual average deposits = Total interest cost from deposits / Annual average deposits
- (4) Ratio of interest income to annual average loans outstanding = Total interest income from loans / Annual average amount of loans outstanding
- (5) Total assets turnover (times) = Operating income / Average total assets
- (6) Average operation revenue per employee (Note 9) = Operating Revenues / Annual average total number of employees
- (7) Average profit per employee = Net income after tax / total employees

2. Profitability

- (1) Return on tier I capital = Before-tax profit or loss / Total amount of tier I capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on Equity = Net income / Average total equity
- (4) Net income ratio = Net income / Total operating revenues
- (5) EPS = (Net profit attributable to parent company-preferred stock dividend) / Weighted average number of shares issued (Note 7)

3. Financial structure
 - (1) Ratio of Liabilities to Assets = Liabilities / Total assets
 - (2) Ratio of Property and Equipment to Equity = Property and equipment assets / Total equity
4. Growth rate
 - (1) Rate of Assets growth = (Total assets for current year — Total assets for previous year) / Total assets for previous year
 - (2) Rate of earnings growth = (Before-tax profit or loss for current year — Before-tax profit or loss for previous year) / Before-tax profit for previous year
5. Cash flow (Note 10)
 - (1) Cash flow ratio = Net cash flow from operating activities / (interbank lending and overdraft + payable commercial paper + Financial liabilities at fair value through profit or loss + RP + Payable accounts-current portion)
 - (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the latest five years / (Capital expenditure + cash dividends for the latest five years)
 - (3) Cash flow coverage ratio = Net cash flow from operating activities / net cash flow from investing activities
6. Ratio of liquidity reserve = Liquidity assets defined by Central Bank / Accrual liquidity reserve liabilities
7. Scale of operations
 - (1) Asset market share = total assets / total assets of all financial institutions able to engage in deposit and loan business (Note 8)
 - (2) Net-worth market share = net worth / total net worth of all financial institutions able to engage in deposit and loan business
 - (3) Deposit market share = total value of deposits / total value of deposits at all financial institutions able to engage in deposit and loan business
 - (4) Loan market share = total value of loans / total value of loans at all financial institutions able to engage in deposits and loan business

Note6 : The total liabilities have deducted allowance for guarantee liability and allowance for accidental loss.

Note7 : The following shall be noted in the equations of EPS of the preceding paragraph :

1. It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
2. For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
3. For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
5. If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.

Note8 : The financial institutions which could do the deposit and loan business include domestic banks, local branches of foreign and Mainland Chinese banks, credit co-operative associations and credit departments of farmers and fishermen's associations.

Note9 : The income means the total interest income and non-interest income.

Note10 : The following shall be considered in measuring of cash flow analysis :

1. Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure means the cash outflow from capital investment per year.
3. Cash dividends include of common and preferred stocks.
4. Gross for fixed assets means the total fixed assets before deduction of accumulated depreciation.

(7) Separate Financial Analysis for 2013~2017

Item		Financial Analysis (Note 1)				
		2017	2016	2015 (Note 2)	2014	2013
Operating performance	Ratio of deposits to loans (%)	65.86	69.51	72.80	77.15	80.21
	NPL ratio (%)	0.22	0.19	0.18	0.19	0.31
	Ratio of interest cost to annual average deposits (%)	0.55	0.59	0.70	0.68	0.68
	Ratio of interest income to annual average loans outstanding (%)	2.24	2.18	2.19	2.17	2.14
	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
	Average operation revenue per employee (thousand NT\$)	5,202	5,049	4,637	4,311	4,057
	Average profit per employee (thousand NT\$)	2,379	2,051	1,787	1,739	1,328
Profitability	Return on tier I capital (%)	12.12	10.94	10.81	11.03	8.04
	Return on assets (%)	0.78	0.67	0.65	0.70	0.53
	Return on equity (%)	11.14	9.99	9.42	9.33	6.73
	Net income ratio (%)	45.74	40.62	38.54	40.33	32.72
	EPS (NT\$)	1.58	1.31	1.19	1.16	0.81
Financial Structure	Ratio of liabilities to assets (%)	92.78	93.22	93.37	92.61	92.24
	Ratio of property and equipment to equity (%)	10.64	9.99	9.20	4.08	4.65
Growth rate	Rate of assets growth (%)	1.00	5.67	17.02	16.67	7.85
	Rate of earnings growth (%)	17.48	12.54	12.72	46.98	42.98
Cash flow	Cash flow ratio (%)	Note 3	44.94	Note 3	Note 3	44.57
	Cash flow adequacy ratio (%)	233.95	313.69	116.24	954.66	2,191.23
	Cash flow coverage ratio (%)	Note 3	(493.57)	Note 3	Note 3	(1,146.17)
Ratio of liquidity reserve (%)		36.00	33.00	33.00	29.00	31.90
Total balance of secured loans of related parties (thousand NT\$)		4,608,871	4,885,495	5,330,601	6,632,636	6,649,493
Ratio of total balance of secured loans of related parties to total balance of credit extension (%)		0.91	0.93	1.03	1.36	1.51
Scale of operations	Asset market share (%)	1.60	1.65	1.61	1.42	1.33
	Net-worth market share (%)	1.67	1.61	1.57	1.62	1.63
	Deposits market share (%)	1.87	1.82	1.76	1.64	1.50
	Loans market share (%)	1.61	1.72	1.72	1.65	1.56
The specified reasons of changes in financial ratios for the latest two years : (If the variation does not reach 20%, the analysis can be omitted) With the maintenance of asset quality as the premise, in 2017, the Bank continuously expanded each business and raised the net income which resulted in the higher profitability and growth than 2016.						

Note1 : The above financial information was audited by accountants.

Note2 : To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note3 : Because cash flows from operating activities in statement of cash flows are cash outflow in 2014, 2015 and 2017, it is not included for the calculation of according cash flow ratio.

(8) Consolidated Capital Adequacy for 2013~2017

Unit : NT\$1,000

Item			Year	Consolidated Capital Adequacy Ratio				
			2017	2016	2015	2014	2013	
Regulatory Capital	Common Equity Tier 1 Capital		58,769,676	54,546,613	50,454,350	47,972,473	43,367,166	
	Additional Tier 1 Capital		6,913,076	6,912,792	6,841,515	—	—	
	Tier 2 Capital		20,594,951	22,651,404	21,080,944	19,003,750	11,649,461	
	Regulatory Capital		86,277,703	84,110,809	78,376,809	66,976,223	55,016,627	
Risk-weighted Assets	Credit Risk	Standardized Approach	502,593,162	552,690,922	529,595,884	471,176,159	396,135,491	
		Internal ratings-based Approach	—	—	—	—	—	
		Securitization	—	—	—	—	—	
	Operational Risk	Basic Indicator Approach	—	—	—	—	—	
		Standardized Approach	24,185,623	22,704,950	20,887,182	17,517,763	15,150,838	
		Advanced Measurement Approaches	—	—	—	—	—	
	Market Risk	Standardized Approach	50,058,350	37,699,975	53,212,313	33,517,888	14,523,300	
		Internal Models Approach	—	—	—	—	—	
	Total Amount of Risk-weighted Assets		576,837,135	613,095,847	603,695,379	522,211,810	425,809,629	
Capital Adequacy Ratio (%)			14.96	13.72	12.98	12.83	12.92	
Tier 1 Capital Ratio (%)			11.39	10.02	9.49	9.19	10.18	
Common Equity Tier 1 Ratio (%)			10.19	8.90	8.36	9.19	10.18	
Leverage Ratio (%)			7.08	6.60	6.40	4.68	5.13	
Please specify the reasons for the changes of capital adequacy ratios for the past two years : (If the variation does not reach 20%, the analysis can be omitted)								
The changes of capital adequacy ratios for the past two years are less than 20% and waived from explanation.								

Note1 : The regulatory capital, risk-weighted assets and Exposure Measurement in the table above should be filled in accordance with "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "calculation method and table of self-owned capital and risk-weighted assets".

Note2 : The relevant formulas are as follows :

1. Regulatory capital = Common equity Tier1 capital + Additional Tier 1 capital + Tier 2 capital
2. Total amount of risk-weighted assets = credit risk-weighted assets + (operational risk + market risk) * 12.5
3. Capital adequacy ratio = Regulatory capital / Total amount of risk-weighted assets
4. Tier 1 capital ratio = (Common equity Tier 1 capital + additional Tier 1 capital) / Total amount of risk-weighted assets
5. Common equity Tier 1 ratio = Common equity Tier 1 capital / Total amount of risk-weighted assets
6. Leverage Ratio = Tier 1 capital / Exposure measurement

Note3 : The above financial information was audited by accountants.

(9) Separate Capital Adequacy for 2013~2017

Unit : NT\$1,000

Item			Year	Capital Adequacy Ratio				
			2017	2016	2015	2014	2013	
Regulatory Capital	Common equity Tier 1 Capital		57,923,794	53,720,241	50,102,099	47,637,217	43,040,229	
	Additional Tier 1 Capital		5,618,074	5,666,820	6,488,726	—	—	
	Tier 2 Capital		18,004,946	20,159,459	20,375,365	18,668,496	11,321,900	
	Regulatory Capital		81,546,814	79,546,520	76,966,190	66,305,713	54,362,129	
Risk-weighted Assets	Credit Risk	Standardized Approach	490,386,975	549,276,054	527,772,726	470,706,649	395,721,923	
		Internal Ratings- based Approach	—	—	—	—	—	
		Securitization	—	—	—	—	—	
	Operational Risk	Basic Indicator Approach	—	—	—	—	—	
		Standardized Approach	23,700,674	22,196,068	20,410,221	17,262,188	14,950,575	
		Advanced Measurement Approaches	—	—	—	—	—	
	Market risk	Standardized Approach	50,058,350	37,699,975	53,212,313	33,517,888	14,523,300	
		Internal Models Approach	—	—	—	—	—	
	Total Amount of Risk-weighted Assets		564,145,999	609,172,097	601,395,260	521,486,725	425,195,798	
Capital Adequacy Ratio (%)			14.45	13.06	12.80	12.71	12.79	
Tier 1 Capital Ratio (%)			11.26	9.75	9.41	9.13	10.12	
Common Equity Tier 1 Ratio (%)			10.27	8.82	8.33	9.13	10.12	
Leverage Ratio (%)			6.95	6.41	6.33	4.66	5.09	

Note1 : The regulatory capital, risk-weighted assets and Exposure Measurement in the table above should be filled in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks” and “calculation method and table of self-owned capital and risk-weighted assets”.

Note2 : The relevant formulas are as follows :

1. Regulatory capital = Common equity Tier1 capital + Additional Tier 1 capital + Tier 2 capital
2. Total amount of risk-weighted assets = credit risk-weighted assets + (operational risk + market risk) * 12.5
3. Capital adequacy ratio = Regulatory capital / Total amount of risk-weighted assets
4. Tier 1 capital ratio = (Common equity Tier 1 capital + additional Tier 1 capital) / Total amount of risk-weighted assets
5. Common equity Tier 1 ratio = Common equity Tier 1 capital / Total amount of risk-weighted assets
6. Leverage Ratio = Tier 1 capital / Exposure measurement

Note3 : The above financial information was audited by accountants.

2. Consolidated Financial Report for 2017

Please refer to “Appendix Consolidated Financial Report for 2017” in this annual report.

3. Risk Management and Other Significant Issues

(1) Information of Credit Risk Management

A. Credit Risk Management System in 2017

Item	Contents
1. Strategies, objectives, policies and procedure of credit risk	<ol style="list-style-type: none"> Strategies and Objectives : <ol style="list-style-type: none"> Comply with Basel III requirements. Uplift the capability of risk management and unify worldwide. Set appropriate risk management framework and control process, and ensure its deployment in practice. Strengthen the integration of management information, risk analytics and effectiveness of early warning mechanism, build the aggressive risk management culture and value. Strengthen the information integration, analysis and precautionary effect to exert the risk management actively. Credit Risk Policies : <ol style="list-style-type: none"> Establish the culture to value the importance of credit risk management. Develop the business strategies riding on the well quantitative and qualitative assessment from management perspective. Establish the comprehensive risk management framework, control the credit risk within the acceptable risk appetite and achieve the business goal in risk reward balance. Delegate the appropriate authorities to personnel within the risk management functions; ensure the corresponding duties and responsibilities of assisting Board of directors and management to oversee the implementation of credit risk policies. Establish effective methods and monitoring procedures to ensure the adequacy of capital, and express business performance in a proper manner through the risk adjustment, and maximize shareholders' value. Management Procedure : Credit risk identification, measurement, monitoring and management, credit risk report and credit risk performance management.
2. Structure and organization of credit risk management	<ol style="list-style-type: none"> Board of Directors : <ol style="list-style-type: none"> The Board of Directors is the Bank's supreme policy-making entity for risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire credit risk management objectives. Audit Committee to review the risk-related proposal before proposing to the Board of Directors and communicate with the risk implementation entities. Senior Management : Risk Management Committee is subordinated to the Chairman, and Asset & Liability Management Committee, Non-Performing Loan Management Committee and Credit Evaluation Committee are subordinated to the President. Risk Management Department : <ol style="list-style-type: none"> Responsible for researching or suggesting the amendments of the Bank's credit risk management policies and guidelines to be proposed to the Board of Directors for approval. Establish the Bank's entire structure of measuring, controlling and evaluating quantitative risk. Responsible for enforcing and controlling the Bank's credit risk management and credit risk management regulations for the various businesses to ensure all businesses apply strictly with the Bank's credit risk management policies and

Item	Contents
	<p>guidelines.</p> <p>4. Credit Management Units and Other Business Units : Manage credit risks of crediting cases according to stratified empowerment, including credit review, credit management and post-loan management.</p> <p>5. Internal Audit : The independent internal audit entities review the enforcement of the Bank's credit risk management systems periodically and disclose it in the audit report truly, and ensure that the relevant entities have taken the corrective actions in a timely manner.</p>
3. Scope and characteristics of credit risk report and measurement systems	<p>1. Scope and characteristics of credit risk report : (1) Report to Board of Directors. (Regularly)/(Integrated risk report) (2) Report to Audit Committee. (Regularly)/(Integrated risk report) (3) Monthly report to Asset & Liability Management Committee. (Integrated risk report) (4) Monthly report to Risk Management Committee. (Integrated risk report) (5) Monthly corporate and consumer banking asset quality report. (6) Monthly disclosure credit limit by country, industry, group and single person (natural & juristic). (7) Daily monitor the loan concentration ratio and early warning notification incidents stipulated in Article 72(2) of the Banking Act.</p> <p>2. Credit risk measurement systems include : (1) Capital charge calculation platform information system. (2) The credit information and investigation system : Credit rating. (3) The collection system : Asset appraisal. (4) The Bank's credit risk alarming system : The credit risk alarming mechanism. (5) Mid-term crediting management platform. (Including post loan management and the review platform) (6) Scorecards of consumer banking and credit rating models of corporate banking. (7) Large exposure system.</p>
4. Credit risk hedging or risk reduction policies, and strategies and procedures for controlling the ongoing effectiveness of hedging and risk reduction tools	<p>1. Credit risk hedging or risk reduction policies : (1) Review the credit risk hedging plan and execution of the centralized risk or higher risk businesses. (2) Plan to amend the Bank's regulations of risk reduction and controlling system to follow the risk reduction regulations in the Basel III.</p> <p>2. Strategies and procedures for controlling effectiveness of hedging and risk reduction : Establish the collateral management system in accordance with Basel III risk reduction regulations, and ensure the ongoing effective mess of risk reduction of collaterals through periodical revaluation of collaterals, loan-to-value ratio alert, analysis of centralization and stress testing.</p>
5. Approach for regulatory capital charge	Standardized Approach.

**B. Exposure and Accrued Capital Charge upon Risk Reduction under Credit Risk
Standardized Approach**

Unit : NT\$1,000 ; Base Date : December 31st, 2017

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Capital Charge
Sovereigns	163,846,760	0
Non-central Government Public Sector Entities	0	0
Banks (Multilateral Development Banks Included)	58,656,276	1,643,274
Corporations (Securities Firms and Insurance Companies Included)	299,762,283	22,287,105
Retailed Credit	97,340,602	6,604,745
Residential Property	165,370,620	7,846,274
Equity-securities Investment	5,965	477
Other Assets	15,251,280	841,963
Total	800,233,786	39,223,838

Note : Capital charge is equal to the risk exposure after risk mitigation multiplied by legal minimum capital adequacy ratio.

(2) Information of Securitization Management

A. Securitization Management System in 2017

Item	Contents
1. The strategies and procedure of securitization risk management	The procedure of securitized product investment : Investment in securitized products should be authorized by the delegation of approval authority. Before the business department invests in securitized products within the scope of authorization, it should first conduct investment analysis according to the credit worthiness, liquidity and profitability of the product, and submits to the supervisor for approval.
2. The organization and structure of securitization management	<ol style="list-style-type: none"> 1. In terms of asset securitization, at present, we engage only in securities investments. We are not the originating bank. 2. For the risk of investment in asset securitization, the Board of Directors is the top management, the Treasury Department is the business execution unit, the Risk Management Department is the risk monitoring and control unit, and the Financial Markets Operation Department is the operation settlement unit of this bank.
3. Scope and characteristics of securitization risk report and measurement systems	<ol style="list-style-type: none"> 1. The use of asset securitization investment positions and risk limits for other financial product positions should be monthly/quarterly disclosed to the Risk Management Committee/ Board of Directors. When the loss on valuation exceeds the specific proportion of cost, the business execution unit should make reviews in a timely manner and propose corresponding solutions <u>to be approved by authorized executives.</u> 2. Asset securitization products with a quotation on the public market should be evaluated according to such quotation every day. If there is no quotation on the public market, products should be evaluated according to the quotation of the counterparty.
4. The hedge of securitization or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools	When there is a larger risk exposure risk, assessments will be conducted to reduce risk exposure; or the approved risk reduction methods will be implemented to reduce risk to a controllable range.
5. Approach for regulatory capital charge	Standardized Approach.
6. Requirement on comprehensive qualitative disclosure, including : <ol style="list-style-type: none"> (1) Goals for securitization activities, risk models undertaken and retained of the Bank's re-securitization. (2) Other risks involved in securitized asset (such as liquidity risk). (3) Various roles that the Bank plays during the securitization process and the Bank's involvement in each process. (4) The description on the monitoring procedures taken for changes in credit and market risk involved in securitization risk exposure. (5) The Bank's management strategies in credit risk mitigation during the 	The Bank has never served as an originator of asset securitization so no information shall be disclosed in this item.

Item	Contents
mitigation of risk retained in securitization and re-securitization.	
7. Description on the Bank's accounting policies on securitization	
8. The names of ECAI used in banking books for securitization and their usage in each type of asset securitization exposure	
9. Explanation on any significant changes in any quantitative information from last reported period (such as any transfer of asset between banking books and trading books)	

B. Engagement in Securitization

As of December 2017, the Bank has never been the originator for securitization.

C. Risk Exposure and Accrual Capital Charge for Securitization

As of December 2017, the Bank didn't hold any investments in securitized product.

D. Information of Investment in Securitization Products

As of December 2017, the Bank didn't hold any investments in securitized product.

(3) Information of Operational Risk Management

A. Operational Risk Management System in 2017

Item	Contents
1. The strategies and procedure of operational risk management	<ol style="list-style-type: none"> Formed a risk-oriented operational model and straightened business development to achieve its operation goals and maximize shareholder value. The Bank developed risk management policies, operational risk management principles, defined the scope and duties of operational risk management, and executed risk identification, risk evaluation and reporting processes including operational risk assessment and process analysis. In response to existing or potential operational risks, all divisions in the Bank take effective improvement practices and persistently track the according implementation. Before the undertaking or during the planning of new services, all related operational risks must be identified and the controls of the process marked. The Bank additionally constructed contingency plans and conducted necessary simulation to assure incessant operation amid possible severe accidents.
2. The organization and structure of operational risk management	<ol style="list-style-type: none"> Board of Directors : The supreme authority in the Bank, in charge of approving risk management policies and according principles and monitoring execution of all systems in order to achieve the goals of operational risk management. Risk Management Committee In order to facilitate the integration and implementation of the Bank's risk management policies and systems, the Risk Management Committee is established under the Board of Directors. The Chairman serves as the Committee Chair to regularly convene meetings. In addition to assisting the Audit Committee and the Board of Directors to perform risk management duties, the main tasks of the committee are as follows : <ol style="list-style-type: none"> Reviewing annual risk limits Reviewing Risk Management Report Integrating and coordinating common risk management issues among subsidiaries Declaring and communicating important risk management issues Senior Management : <ol style="list-style-type: none"> According to the risk management policies approved by the Board of Directors, the Bank establishes its risk management guidelines and regulation, to ensure it has clear authorities and responsibilities for risk management, effective risk management procedures and appropriate risk management systems. Authorize appropriate employees to implement risk management operations, and confirm that they have sufficient capabilities and expertise to perform risk management operations and comply with relevant policies and procedures. Risk Management Department : <ol style="list-style-type: none"> Responsible for the development of the operational risk management framework of the Bank and the review of the implementation status, and proposing necessary adjustment plans. Develop the operational risk management guidelines and related policies of the Bank. Supervise the Bank's major operational risks and loss exposure. Regularly collate the operational risk events notified by each departments and business units. Coordinate operational risk management with all divisions and branches. Compliance Affairs Department : Plan, manage, appraise and execute the legal compliance system of the

Item	Contents
	<p>Bank; establish the legal conveyance, consultancy, coordination and communication system; confirm instant update of all procedures and managerial rules according to the regulations; present and sign opinions conforming to the laws and bylaws; and analyze reasons and corrective opinions for major drawbacks or abuses of all division in legal compliance.</p> <p>6. All departments in Head Office, supervising divisions and branches : According to operational risk management regulations, all departments and supervising divisions developed according business regulations as standards for execution of all business divisions.</p>
3. Scope and characteristics of operational risk report and measurement systems	<p>We identify measure and monitor operational risk with various risk management instruments, such as operational risk loss data collection, operational risk and control self-assessment, and operational risk indicators. All divisions in the Bank conduct online risk event reporting and self assessment through the operational risk report system and the self-assessment system. Risk Management Department conducts operation process examination, compiled analysis and improvement practice tracking with the trend of risk indicator changes, internal and external losses, and the self- assessment of all divisions on control. The result of risk identification, measurement and monitoring are periodically reported to the executives.</p>
4. Operational risk hedging or risk reduction policies, and strategies procedures for controlling the continuously effectiveness of hedging and risk reduction tools	<p>The Bank has developed regulations on operational risk hedging and risk mitigation. In response to possibilities and severity of risk, the Bank will adopt the following risk measures and procedures for risk bearing, risk averse, risk transfer, risk reduction, according indicators, risk warning, control mechanism, and corrective plans of every major products :</p> <ol style="list-style-type: none"> 1. Risk bearing and tighter operation control shall be conducted for smaller loss amounts and lower frequencies. 2. Risk reduction or risk control, more intense personnel training, operating procedure improvement or system control advancement shall be conducted for smaller loss amounts and higher frequencies. 3. Risk transfer or risk mitigation shall be conducted for larger loss amounts and lower frequencies. Proper insurance and outsourcing should be undertaken after cautious evaluation. 4. Risk averse shall be conducted for large loss amounts and higher frequencies while the according business or service should not be launched or shall be stopped. <p>Outsourcing or insurance shall require periodical evaluation on its risk, effect or the claim payment ability of the insurance company in order to ensure the risk mitigation tools will be effective constantly.</p>
5. Approach for regulatory capital charge	Standardized Approach.

B. Accrued Capital Charge of Operational Risk

Unit : NT\$1,000 ; Base Date : December 31st, 2017

Year	Gross Income	Capital Charge
2015	12,751,111	
2016	12,927,206	
2017	13,849,932	
Total	39,528,249	1,896,054

(4) Information of Market Risk Management

A. Market Risk Management System in 2017

Item	Content
1. Market risk management strategies and processes	<ol style="list-style-type: none"> In order to establish the fair risk management system and well found the development of business to boost the proper risk management-oriented business model and achieve the operation objectives and increase shareholders' value, the Bank's Board of Directors approves the risk management policies to fulfill the well-founded risk management system and create stable and high-quality profitability for shareholders. Based on the existing risk management policies and guidelines, fulfill the quantification of market risk step by step and establish the management and appraisal mechanism for value at risk and optimal allocation of capital. Scope of business and underwritten products : enact the market risk management guidelines, define the scope of market risk management; the scope of businesses may include transactions in foreign exchange market, money market and capital market, and transactions of financial derivatives. Define the risk management procedure and application methods (e.g. sensitivity analysis, value at risk calculation, scenario simulation and stress testing, etc.); require the relevant entities to set the limits of the various financial product transactions, e.g. the limit of risk exposure, loss limit, value at risk limit and also the approving authority and guidelines to process the excess in the limit. In order to enhance the transparency of the information about market risk, the risk management entities shall inspect and submit the risk management report on a daily basis, and shall continue supervising and following up on extraordinary circumstances in the transactions, if any.
2. Market risk management organization and structure	<ol style="list-style-type: none"> Board of Directors : <ol style="list-style-type: none"> The Board of Directors is the Bank's supreme policy-making entity of risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire market risk management objectives. Audit Committee to review the risk-related motions before proposing them to the Board of Directors and communicate with the risk implementation entities. Senior Management : <p>Risk Management Committee is subordinated to the Chairman while Asset & Liability Management Committee is subordinated to the President.</p> <ol style="list-style-type: none"> Develop the Bank's market risk management guidelines and rules according to the market risk management policies approved by Board of Directors, and ensure that the Bank has the express functions and operations for market risk management, effective market risk management procedure and proper market risk management system. Authorize competent employees to execute the market risk management operation and ensure that they have the ability and expertise affordable to execute the market risk management business and comply with the relevant policies and procedures. Risk Management Department : <ol style="list-style-type: none"> Responsible for researching and drafting or amending the Bank's risk management policies and market risk management guidelines to be proposed to Board of Directors for approval. Work with proprietary trading entities to research and draft or amend the various financial products business control rules, and propose them to the Chairman or President for approval. Plan and establish the Bank's structure of identifying, measuring and controlling market risk, execute the limit management report and inspection to alert excess in limit, in order to ensure that the various financial products businesses may strictly comply with the Bank's risk management policies

Item	Content
	<p>and regulations.</p> <p>4. Business Unit : In charge of foreign exchange, securities and financial derivatives trading, and cross-Bank capital management, as well as executing transactions within limit according to the Bank's risk-control standard.</p> <p>5. Internal Audit : An independent internal audit unit reporting to the Board of Directors reviews the Market of this bank's risk management system at planned intervals, discloses the related information in the audit report, and ensures that appropriate improvement actions have been taken by related units.</p>
3. Scope and characteristics of market risk report and measurement systems	<p>1. To provide the market risk daily management reports to disclose the positions, sensitivity analysis, value at risk, profit and loss of the various financial products.</p> <p>2. The Bank measures and supervises market risks according to related risk management guidelines and employs the VaR model for quantitative integrated management of market risks. Through daily presentation of the market risk report and position analysis, the Bank is fully aware of any changes in risks.</p>
4. The hedge of market risk or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools	When the market risk exposure is getting higher, the Bank will take some approaches such as risk exposure deduction or approved hedge to lower the market risk to the controllable level.
5. Approach for regulatory capital charge	Standardized Approach.

B. Accrued Capital Charge of Market Risk

Unit : NT\$1,000; Base Date : December 31st, 2017

Type of Risk	Capital Charge
Interest Rate Risk	3,039,011
Equity Risk	824,474
Foreign Exchange Risk	141,183
Commodity Risk	0
Total	4,004,668

C. Value at Risk for Trading Position (99%, one day)

Unit : NT\$1,000

Item	2017			
	December 31 th , 2017	Average VaR	Minimum VaR	Maximum VaR
Interest Rate	40,351	49,390	26,818	64,865
Equity	2,891	1,362	191	2,891
Foreign Exchange	9,641	11,664	5,057	25,332
Commodity	0	0	0	0
Subtotal	52,883	62,416	-	-
Diversified Effect	-5,648	-12,398	-	-
Total Value at Risk	47,235	50,018	29,528	66,644

(5) Information of Liquidity Risk Management

A. Structure Analysis of Time to Maturity (NT\$)

Unit : NT\$1,000; Base Date : December 31st, 2017

	Total	0-10 days	11-30 days	31-90days	91-180 days	181-365 days	Over 365 days
Primary Funds Inflow upon Maturity	737,265,040	137,012,897	74,578,610	41,907,392	41,623,009	65,150,225	376,992,907
Primary Funds Outflow upon Maturity	903,967,735	38,783,797	73,136,767	132,378,180	122,772,728	200,465,802	336,430,461
Gap	(166,702,695)	98,229,100	1,441,843	(90,470,788)	(81,149,719)	(135,315,577)	40,562,446

Note : The table represents NT\$ amount of the whole bank.

B. Structure Analysis of Time to Maturity (US\$)

Unit : US\$1,000; Base Date : December 31st, 2017

	Total	0-30 days	31-90days	91-180 days	181-365days	Over 365days
Primary Funds Inflow upon Maturity	3,903,625	997,632	457,761	172,393	101,299	2,174,540
Primary Funds Outflow upon Maturity	5,187,520	1,278,980	1,322,059	923,476	835,112	827,893
Gap	(1,283,895)	(281,348)	(864,298)	(751,083)	(733,813)	1,346,647

Note : The table represents US\$ amount of the whole bank.

C. Liquidity Management of the Bank's Asset and Funding Gap

The Bank's primary principles of liquidity management lie in the diverse, stable and reliable source of fund, diversified use of fund, and conservative and moderate funding flexibility. Market liquidity risks involve the concerns of the centralization of holding position and market volume, especially if the massive positions are impacted by market prices movement, so that quantitative and qualitative management of market liquidity risk can be conducted.

Funding liquidity risks concern on-balance-sheet items and off-balance-sheet transactions. The Bank measures possible liquidity risks and, according to different periods, periodically evaluates fund inflow, outflow and gap. According to the result

of cost-benefit analysis, assets and liabilities are appropriately allocated for effective liquidity management.

The Bank manages its quantitative and qualitative liquidity risk tolerance after periodical reviewed and approved by Board of Directors every year. Meanwhile, indicators on various liquidity risks, such as Liquidity Coverage Ratio, are set with warning values for indicators set up, which are periodically reported to ALCO and Board of Directors. Periodical simulation and stress tests are conducted to manage factors against liquidity. Analysis and proper responsive measures will be adopted to minimize its impact.

(6) Effect of Changes in Foreign/Domestic Important Policies and Regulations on the Bank's Financial Business, and Responsive Action Thereof

See page 5~7

(7) The Effect of Changes in the Bank's Image on the Bank's Financial Business , and Responsive Action Thereof

The Bank always conform to the philosophy “Sincerity, Stability, Service, Innovation and Attentiveness” and to the obedience with regulations and competent authority’s requirements to supply clients with more diverse, more complete and more comprehensive professional financial services and strive toward its ultimate goal-“provide ideal services to clients, create the most interest for shareholders and supply the feedback to the society wholeheartedly.”

(8) Predicted Benefit, Possible Risks and Countermeasures on Consolidation and Expansion of Business Locations

The expected benefits which results from the Bank’s acquisition include expanding its service network to provide more convenient financial services, broadening the Bank’s client base to acquire business opportunities. Additionally, through the acquisition, asset of the Bank can be rapidly accumulated and economy of scale and scope can be achieved to advance profitability and competence. Nevertheless, in the course of this acquisition, the integration of organization culture, personnel, workforce, systems, policies and management styles will be the toughest challenges after acquisition. The Bank plans to counteract these risks through its expertise and experiences in acquisition. The Bank will cautiously conduct preceding evaluation to minimize the asymmetric information risk

before acquisition. Further, after the acquisition, the likelihood of integration failure will be minimized through deliberate integration plans to maximize the acquisition synergy.

Moreover, the expected benefit of broadening the Bank's service network lies in the extension of the Bank's service territory so that the Bank can render the most suitable finance service and, through the consistent management platform, mesh a ubiquitous service network and utilize the effect of joint marketing. Furthermore, the selection of all service locations undergoes internal professional and deliberate cost-effect evaluation so that every service branch is able to bring forth its upmost benefits. Consequently, according risks are limited. In respect of overseas locations, the Bank currently embraces two subsidiary banks, Yuanta Savings Bank Philippines, Inc. and Yuanta Savings Bank Korea Co., Ltd. Through these two banks, along with Hong Kong Branch of Ta Chong Bank, an initial scale of overseas deployment has been witnessed. Highly qualified executives from Taiwan are selected as expatriates. Through experience sharing, the establishment of locally suitable operation models will be facilitated to elevate their profit contributions. In addition, in order to solidify the internal management of subsidiary banks, the Bank will assist to examine and advance various procedures and operation processes and develop supervision index and warning mechanisms to minimize occurrence of operational risks. The Bank will also fully carry out legal compliance and risk management in order to sustain the sound operation of the Bank.

(9) Risks and Responses for Service Centralization

A. Group Centralization Risk

The Bank has developed regulations and set up the limits for different groups and companies. These limits are adjusted timely to decentralize risk exposure the Bank undertakes.

B. Industry Centralization Risk

The Bank has developed regulations and set up the industry limits for different industries. Extra limits and guidelines have been set for China's high risk industries. These will be reviewed and amended timely in order to lest risks be excessively concentrated and to diversify risk exposure of the Bank's credit, investment and financial trading business.

C. Country Centralization Risk

Guidelines and limits to risky countries in trade have been set accordingly. The Bank's also set limit on the capital flow to China country. In order to diversify the Bank's risk exposure of its credit, investment and financial trading business, these guidelines and limits will be timely reviewed and adjusted.

(10) The Effect, Risks and Responsive Actions of Changes in the Management Rights

The Bank is a subsidiary 100% held by Yuanta Financial Holdings. Management rights did not change.

(11) Litigation and Non-Litigation

Unit : NTD\$; KWD

Event	Subject-Matter Amounts of Money	Starting Date	Principal Interested Parties	Status as of the Annual Report Publication Date	Remark
The subsidiary bank of Yuanta Bank, Yuanta Savings Bank (Korea), considered that the petition, filed to FSC of Korea by the Defendant Trust Investment, indicating Yuanta Savings Bank (Korea) overcharged in previous loan cases and, therefore, the plaintiff shall repay approximately 4 billion of improperly collected fees, is gratuitous. Hence, the plaintiff filed an appeal to Seoul District Court for nonexistent debt in order to clarify the related disputes in this petition.	The affected amount is 4,024,468,690 (about NTD\$ 114,295,000)	September, 2016	Defendant, Trust Investment	<ol style="list-style-type: none"> 1. When Yuanta Bank acquired Yuanta Savings Bank (Korea) (originally Han Shin Savings Bank), an agreement was made with original shareholders of Han Shin Savings Bank, AON BGN Limited Liability Company. It was stated in the agreement that the original shareholder shall provide the pledged deposit of ₩ 5 billion to Yuanta Bank as a guarantee of the litigation damages. As of December 31st, 2017, the indemnification assets and contingent liabilities have been recognized in accordance with the subject-matter amounts of money for the amount of ₩4,024,469 thousand, respectively on the accounts of "Other assets – net" and "Provisions." 2. The Seoul District Court rendered the first instance verdict of the aforementioned case on June 16th, 2017 for the plaintiff, Yuanta Savings Bank (South Korea). The defendant, Trust Investment, has filed an appeal to the Seoul High Court. It is now under trial in the Seoul High Court. 	The subsequent lawsuit has not caused any significant impacts on the operation or shareholder's equity of Yuanta Bank.

(12) Information of Crisis Management

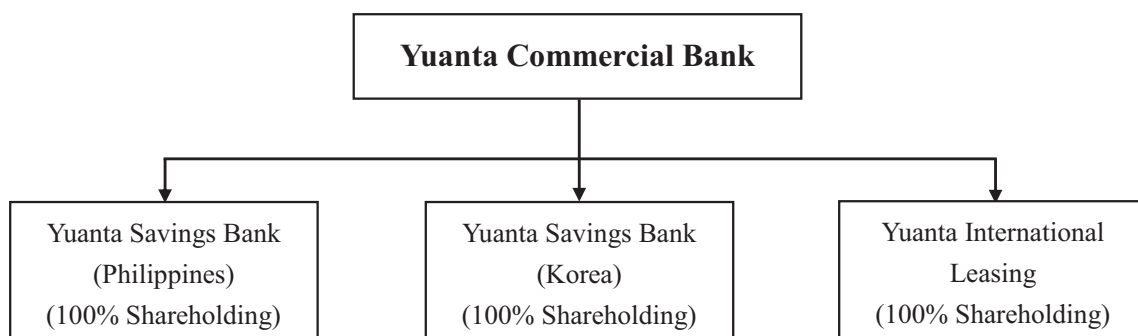
In order to perfect the Bank's crisis prevention and response mechanism, the Bank has defined the "Crisis Management Policies and Procedures" and "Manual for Crisis Management Response", so that supervisors of related units may report the emergency via the various channels and research and draft responsive practices in the case of any risk or likelihood of risk, so as to restore the operation of the Bank's businesses expeditiously and effectively to minimize the damage.

V. Special Notes

1. Information of Affiliates

(1) Organization Chart

Base Date : January 31th, 2017



Unit : NT\$1,000; PHP\$1,000; KRW\$1,000

Name of Corporation	Date of Establishment	Address	Paid-in Capital	Scope of Business
Yuanta International Leasing Co., Ltd	November 15 th , 2012	7F., No.69, Baoqing Rd., Zhongzheng Dist., Taipei City	NT\$600,000	Leasing
Yuanta Savings Bank Philippines, Inc.	November 5 th , 1997	Ground Floor, Chatham House Building, 116 Valero corner Rufino Streets, Salcedo Village, Makati City, Philippines	PHP\$1,000,000	Deposits, Lending and Foreign Exchange
Yuanta Savings Bank Korea Co., Ltd.	June 20 th , 1988	542, Gangnam-daero, Gangnam-gu, Seoul, Korea	KRW\$67,580,120	Deposits and Lending

(2) Directors, Supervisors and Managers

Base Date : January 31th, 2017

Name of Corporation	Position	Name of Individual or Representative(s)	Shareholdings (to the nearest 1,000 shares)
Yuanta International Leasing	Chairman Director Supervisor President	Yuanta Commercial Bank Statutory Representatives : Tsai-Yu Chang Yung-Chung Huang, Yeong-Jen Chen Yu-De Chuang Yu-Sheng Chen	60,000,000 shares 100%
Yuanta Savings Bank Philippines, Inc.	Chairman Director Director Independent Director Independent Director President	Yuanta Commercial Bank Statutory Representatives : Allen Wu Yu-Sheng Tsai Regina V. Saga Paulino Y. Tan Anna-Teresa Gozon-Valdes Yu-Sheng Tsai	1,000,000 shares 100%
Yuanta Savings Bank Korea Co., Ltd.	Chairman of Board Representative Director External Director President	Yuanta Commercial Bank Statutory Representatives : Tsai-Yu Chang Young-Seok Jung Ki-Young Lee Young-Seok Jung	13,516 shares 100%

(3) Business Overview

Unit : NT\$1,000; Base Date : December 31st, 2017

Name of Corporation	Capital	Total Assets	Total Liabilities	Book Value	Operating Revenue	Operating Income	Income (after tax)	EPS (NT\$) (after tax)
Yuanta International Leasing	600,000	577,902	3,812	574,090	12,828	(28,941)	(29,863)	(0.50)
Yuanta Savings Bank Philippines, Inc.	665,355	1,458,078	935,731	549,347	51,203	(24,929)	(40,671)	(0.04)
Yuanta Savings Bank Korea Co., Ltd.	1,923,330	13,384,206	9,758,974	3,625,232	501,262	241,982	249,428	18.45

2. Milestones of Yuanta Commercial Bank in 2017

February	Han Shin Savings Bank in Korea was officially renamed as Yuanta Savings Bank Korea Co., Ltd.
May	The Bank participated in the financing of the SME Credit Guarantee Fund's "Loans for Helping SMEs Invest in New Southbound Countries"
	Website revision of the official website and mobile banking was completed.
June	E-ticketing platform became online (Customers' digital channel transactions are rewarded with points for the exchange of electronic coupons).
August	The Bank participated in the SME Credit Guarantee Fund's "Forward-looking Construction and Green Energy Technology Financing Guarantee Measures."
	Yuanta School Net Mobile Scan Code Payment Function was activated.
	The Bank assisted Yuanta Securities to set up the online account identity verification mechanism.
	The Bank established the telephone marketing Team II to promote bank insurance products .
September	The customized online payroll transfer management for Yuanta Bank's corporate accounts was established.
November	Biometrics for mobile banking login authentication (ios Touch ID) was established.
December	Online application for a digital deposit account (verified by bank account number in other bank or credit card) was activated.
	The Bank cooperated with "Taiwan Bar" to issue a "Diamond Cashrebat Card" with the "Beer Bear" card face .

3. Branches and Overseas Offices

Base Date : March 31st, 2017

Name	Tel	Fax	Address
Business Department	(02) 2173-6680	(02) 2772-1909	No.66, Sec. 1, Dunhua S. Rd., Taipei City 105, Taiwan
Huashan Branch	(02) 2321-6600	(02) 2341-8217	1F., No.88, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Daan Branch	(02) 2395-8199	(02) 2395-6619	No.148-1, Sec. 1, Xincheng S. Rd., Taipei City 100, Taiwan
Zhongzheng Branch	(02) 2311-3166	(02) 2375-9911	1F., No.45, Sec. 1, Hankou St., Zhongzheng Dist., Taipei City 100, Taiwan
Chengjiong Branch	(02) 2382-2888	(02) 2381-8399	No.42, Hengyang Rd., Taipei City 100, Taiwan
Nanmen Branch	(02) 2321-3300	(02) 2341-5222	1F., No.99, Sec. 1, Roosevelt Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Ximen Branch	(02) 2388-2768	(02) 2388-1928	No.69, Baoqing Rd., Taipei City 100, Taiwan
Yanping Branch	(02) 2558-9222	(02) 2558-1700	No.57, Sec. 2, Yanping N. Rd., Taipei City 103, Taiwan
Chengde Branch	(02) 2592-0000	(02) 2592-1209	No.210, Sec. 3, Chengde Rd., Taipei City 103, Taiwan
Datong Branch	(02) 2558-5869	(02) 2550-0879	No.66, Nanjing W. Rd., Taipei City 103, Taiwan
Zhongshan Branch	(02) 2563-0900	(02) 2563-1886	1F., No.59, Sec. 1, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan
Zhongshan North Road Branch	(02) 2521-7888	(02) 2521-0678	No.135, Sec. 2, Zhongshan N. Rd., Taipei City 104, Taiwan
Yuanshan Branch	(02) 2598-6598	(02) 2598-6799	1F., No.47, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City 104, Taiwan
Songjiang Branch	(02) 2516-8608	(02) 2516-1078	No.109, Songjiang Rd., Taipei City 104, Taiwan
Nanjing East Road Branch	(02) 2545-8777	(02) 2545-8118	No.221, Sec. 3, Nanjing E. Rd., Taipei City 104, Taiwan
Minsheng Branch	(02) 8712-9666	(02) 8712-7077	No.52-1, Sec. 4, Minsheng E. Rd., Taipei City 105, Taiwan
East Taipei Branch	(02) 2577-1015	(02) 2578-4922	1F., No.112, Guangfu N. Rd., Songshan Dist., Taipei City 105, Taiwan
Dunhua Branch	(02) 2545-5569	(02) 2712-0196	1F., No.201, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan
Yanji Branch	(02) 2778-6398	(02) 2778-1538	1F., No.387, No.389, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan
Da Heping Branch	(02) 2343-2233	(02) 2392-3131	1F., No.197-1, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan
Guangfu Branch	(02) 8773-6667	(02) 8773-5068	3F.-1, No.300, Sec. 4, Zhongxiao E. Rd., Taipei City 106, Taiwan
Dongmen Branch	(02) 2321-8833	(02) 2391-0202	1F., No.33, Sec. 2, Jinshan S. Rd., Da'an Dist., Taipei City 106, Taiwan
Sinyi Branch	(02) 2703-2569	(02) 2701-2259	No.236-1, Sec. 4, Sinyi Rd., Taipei City 106, Taiwan
Taipei Branch	(02) 2705-7888	(02) 2755-3751	No.56, Sec. 2, Dunhua S. Rd., Taipei City 106, Taiwan
Gongguan Branch	(02) 2369-3955	(02) 2369-3983	No.275, Sec. 3, Roosevelt Rd., Taipei City 106, Taiwan
Guting Branch	(02) 2365-4567	(02) 2368-5959	No.37, Sec. 3, Roosevelt Rd., Taipei City 106, Taiwan

Name	Tel	Fax	Address
Zhongxiao Branch	(02) 8786-7778	(02) 8786-7758	No.400, Sec. 5, Zhongxiao E. Rd., Taipei City 110, Taiwan
Yungchun Branch	(02) 2723-0688	(02) 2723-0716	1F., No.478, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan
Songshan Branch	(02) 8785-7618	(02) 8785-9711	No.675, Sec. 5, Zhongxiao E. Rd., Taipei City 110, Taiwan
Shihmao Branch	(02) 2377-8568	(02) 2736-3866	1F., No.123, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan
Shihlin Branch	(02) 2837-6638	(02) 2835-5886	No.314, Zhongzheng Rd. , Taipei City 111, Taiwan
Tianmu Branch	(02) 2871-2558	(02) 2871-1117	No.14, Tianmu W. Rd., Taipei City 111, Taiwan
Zhongcheng Branch	(02) 2838-5959	(02) 2838-0101	1F., No.27, No.29, Sec. 1, Zhongcheng Rd., Shilin Dist., Taipei City 111, Taiwan
Beitou Branch	(02) 2898-2121	(02) 2897-9667	No.35, Sec. 2, Beitou Rd., Taipei City 112, Taiwan
Shipai Branch	(02) 2823-0857	(02) 2823-0758	1F., No.120, Sec. 2, Shipai Rd., Beitou Dist., Taipei City 112, Taiwan
Wende Branch	(02) 2797-7988	(02) 2797-0858	No.68, Wende Rd., Taipei City 114, Taiwan
Neihu Branch	(02) 8751-8759	(02) 8751-9858	No.189, Gangqian Rd., Taipei City 114, Taiwan
Ruiguang Branch	(02) 2627-1000	(02) 2627-1919	1F., No.21, Ln. 583, Ruiguang Rd., Neihu Dist., Taipei City 114, Taiwan
Nankan Branch	(02) 2783-2600	(02) 2783-1556	No.28, Park St., Taipei City 115, Taiwan
Chingmei Branch	(02) 8663-6766	(02) 8663-3139	No.3, Jingwun St., Taipei City 116, Taiwan
Sinban Branch	(02) 2953-6677	(02) 2953-8866	1F., No.156-3, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan
Banqiao Branch	(02) 2953-6789	(02) 2953-3386	No.69, Sec. 1, Zhongshan Rd., New Taipei City 220, Taiwan
Puqian Branch	(02) 8952-0788	(02) 8952-0828	No.125, Sec. 2, Zhongshan Rd., New Taipei City 220, Taiwan
East Banqiao Branch	(02) 2955-9966	(02) 2954-7648	1F., No.443, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan
Jiangcui Branch	(02) 2258-1188	(02) 2258-2298	1F., No.321, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan
Xizhi Branch	(02) 2641-7266	(02) 2641-7822	1F., No.285, Zhongxiao E. Rd., Xizhi Dist., New Taipei City 221, Taiwan
Xindian Zhongzheng Branch	(02) 2911-0058	(02) 2911-7858	No.225, Zhongzheng Rd., New Taipei City 231, Taiwan
Xindian Branch	(02) 2912-5799	(02) 2914-1255	No.252, Sec. 2, Beixin Rd., New Taipei City 231, Taiwan
Beixin Branch	(02) 2218-1399	(02) 2218-1655	1F., No.91, Minquan Rd., Xindian Dist., New Taipei City 231, Taiwan
Xiulang Branch	(02) 8921-9218	(02) 8921-9238	1F., No.253, Zhongzheng Rd., Yonghe Dist., New Taipei City 234, Taiwan
Yonghe Branch	(02) 8231-1288	(02) 8231-1277	No.657, Zhongzheng Rd., New Taipei City 234, Taiwan
Shuanghe Branch	(02) 2245-7198	(02) 2245-0698	2F.-1, No.232, Zhonghe Rd., New Taipei City 235, Taiwan
Jhonghe Branch	(02) 2245-6789	(02) 2245-5676	No.1 & No.3, Taihe St., New Taipei City 235, Taiwan
Liancheng Branch	(02) 2240-5100	(02) 2240-2830	1F., No.87, Liancheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan

Name	Tel	Fax	Address
Tucheng Branch	(02) 2270-3030	(02) 2260-5151	No.255, Sec. 1, Zhongyang Rd., New Taipei City 236, Taiwan
Jincheng Branch	(02) 2273-2899	(02) 2273-5559	1F., No.46, No.48, Sec. 3, Jincheng Rd., Tucheng Dist., New Taipei City 236, Taiwan
Shulin Branch	(02) 2675-7268	(02) 2675-7255	No.99, Sec. 1, Zhongshan Rd., New Taipei City 238, Taiwan
Beisanchong Branch	(02) 2982-9192	(02) 2989-3060	No.195, Jhengyi N. Rd., New Taipei City 241, Taiwan
Sanchong Branch	(02) 2983-2255	(02) 2988-5810	No.111, Sec.3, Chongsin Rd. , New Taipei City 241, Taiwan
South Xinzhuang Branch	(02) 2203-7676	(02) 2202-6017	1F., No.107, Siwei Rd., Xinzhuang Dist., New Taipei City 242, Taiwan
Shangxinzhuang Branch	(02) 2990-0999	(02) 2993-3222	No.173, Siyuan Rd., New Taipei City 242, Taiwan
Xinzhuang Branch	(02) 2996-7999	(02) 8992-6322	No.246, Xintai Rd., New Taipei City 242, Taiwan
Luzhou Branch	(02) 2281-8958	(02) 2281-0266	No.10, Zhongshan 1st Rd., New Taipei City 247, Taiwan
Luodong Branch	(03) 956-8966	(03) 956-2333	No.38, Zhongzheng N. Rd., Yilan County 265, Taiwan
Hsinchu Branch	(03) 545-6688	(03) 545-6008	No.276, Minsheng Rd., Hsinchu City 300, Taiwan
Hsinchu Science Park Branch	(03) 666-7888	(03) 666-7688	No.267, Sec. 1, Guangfu Rd., Hsinchu City 300, Taiwan
Datong Branch	(03)523-6600	(03) 525-7700	No.196, Linsen Rd., Hsinchu City 300, Taiwan
East Hsinchu Branch	(03) 564-3500	(03) 564-1873	1F., No.23, No.25, Guanxin Rd., East Dist., Hsinchu City 300, Taiwan
Jhubei Branch	(03) 555-9199	(03) 555-7200	No.85, Guangming 6th Rd., Hsinchu County 302, Taiwan
Xinli Branch	(03) 494-3000	(03) 494-3648	1F., No.152, Sec. 2, Zhongyang W. Rd., Zhongli Dist., Taoyuan City 320, Taiwan
Zhongli Branch	(03) 426-6007	(03) 426-6017	No.7, Zhongyang E. Rd., Taoyuan City 320, Taiwan
Pingjhen Branch	(03) 494-2690	(03) 494-3061	No.18, Huannan Rd., Taoyuan City 324, Taiwan
North Taoyuan Branch	(03) 326-1234	(03) 326-0707	1F., No.194, Sec. 1, Daxing W. Rd., Taoyuan Dist., Taoyuan City 330, Taiwan
Chenggong Branch	(03) 337-8588	(03) 336-6666	11F., No.32, Sec. 1, Chenggong Rd., Taoyuan Dist., Taoyuan City 330, Taiwan
Taoyuan Branch	(03) 356-5000	(03) 356-5001	No.375, Sec. 1, Zhuangjing Rd., Taoyuan City 330, Taiwan
Taosin Branch	(03) 338-5518	(03) 338-5618	No.51-2, Fusing Rd., Taoyuan City 330, Taiwan
Linkou Branch	(03) 328-8999	(03) 328-8668	No.118, Wenhua 3rd Rd., Taoyuan City 333, Taiwan
Changgeng Branch	(03) 397-5678	(03) 397-4567	1F., No.5, Fuxing St., Guishan Dist., Taoyuan City 333, Taiwan
Nankan Branch	(03) 312-9550	(03) 312-9551	No.309, Zhongzheng Rd., Taoyuan City 338, Taiwan
Miaoli Branch	(037) 336-678	(037) 336-718	No.460, Zhongzheng Rd., Miaoli County 360, Taiwan
Taichung Branch	(04) 2227-1799	(04) 2220-7499	No.8, Sec. 2, Ziyu Rd., Taichung City 400, Taiwan
Fusing Branch	(04) 2261-6889	(04) 2262-1060	No.269, Sec. 1, Fusing Rd., Taichung City 402, Taiwan

Name	Tel	Fax	Address
North Taichung Branch	(04) 2226-8800	(04) 2226-8700	1F., No.213, Sec. 3, Sanmin Rd., North Dist., Taichung City 404, Taiwan
ChongDe Branch	(04) 2232-9961	(04) 2233-1818	No.46, Sec. 2, Chongde Rd., Taichung City 406, Taiwan
Shuina Branch	(04) 2293-8998	(04) 2296-2702	1F., No.239, Sec. 3, Wenxin Rd., Xitun Dist., Taichung City 407, Taiwan
Wunsin Branch	(04) 2297-0068	(04) 2296-5966	No.337, Sec. 3, Wunsin Rd., Taichung City 407, Taiwan
ChungGang Branch	(04) 2465-0889	(04) 2465-0989	No.900, Sec. 4, Taiwan Blvd., Taichung City 407, Taiwan
Nantun Branch	(04) 2471-6066	(04) 2471-6266	1F., No.271, Sec. 2, Wuquan W. Rd., Nantun Dist., Taichung City 408, Taiwan
Taiping Branch	(04) 2270-2688	(04) 2273-6000	No.53, Zhongxing Rd., Taichung City 411, Taiwan
Dali Branch	(04) 2492-2288	(04) 2496-9422	No.724, Tucheng Rd., Taichung City 412, Taiwan
Dali Defang Branch	(04) 2418-0538	(04) 2418-0738	1F., No.113, Sec. 2, Defang Rd., Dali Dist., Taichung City 412, Taiwan
Fengren Branch	(04) 2515-6777	(04) 2515-9299	1F., No.6, Ren'ai St., Fengyuan Dist., Taichung City 420, Taiwan
Fongyuan Branch	(04) 2529-3366	(04) 2524-0028	No.23, Yuanhuan W. Rd., Taichung City 420, Taiwan
Shalu Zhongshan Branch	(04) 2662-1999	(04) 2662-2050	1F., No.428, Zhongshan Rd., Shalu Dist., Taichung City 433, Taiwan
Shalu Branch	(04) 2665-6656	(04) 2663-3852	No.535, Zhongshan Rd., Taichung City 433, Taiwan
Dajia Branch	(04) 2688-6088	(04) 2688-6366	No.833, Sec. 1, Zhongshan Rd., Taichung City 437, Taiwan
Changhua Branch	(04) 726-7001	(04) 726-6992	No.898, Sec. 2, Zhongshan Rd., Changhua County 500, Taiwan
Changxing Branch	(04) 729-1688	(04) 729-2199	1F., No.140, No.142, Zhongxingzhuang, Changhua City, Changhua County 500, Taiwan
Lugang Branch	(04) 778-5799	(04) 777-9779	No.321, Zhongshan Rd., Changhua County 505, Taiwan
Yuanlin Branch	(04) 835-6403	(04) 835-2653	No.283, Sec. 2, Datong Rd., Changhua County 510, Taiwan
Beidou Branch	(04) 887-3881	(04) 887-3886	No.166, Guangfu Rd., Changhua County 521, Taiwan
Caotun Branch	(049) 232-1661	(049) 232-1800	No.88, Zhongxing Rd., Nantou County 542, Taiwan
Chiayi Branch	(05) 232-7469	(05) 232-6415	No.185, Zhongxing Rd., Chiayi City 600, Taiwan
South Chiayi Branch	(05) 229-0666	(05) 223-9630	1F., No.198, Xinrong Rd., West Dist., Chiayi City 600, Taiwan
Dounan Branch	(05) 597-1138	(05) 597-1139	No.67, Zhongshan Rd., Yunlin County 630, Taiwan
Huwei Branch	(05) 633-9169	(05) 633-9423	No.1, Heping Rd., Yunlin County 632, Taiwan
Doushin Branch	(05) 535-1799	(05) 535-1313	No.29, Wunhua Rd., Yunlin County 640, Taiwan
Fuchen Branch	(06) 228-1281	(06) 222-2415	No.165, Sec. 1, Minsheng Rd., Tainan City 700, Taiwan
Tainan Branch	(06) 293-8688	(06) 293-8699	No.348, Sec. 1, Yonghua Rd., Tainan City 700, Taiwan
West Tainan Branch	(06) 223-0006	(06) 228-6651	1F., No.230, Sec. 3, Jinhua Rd., West Central Dist., Tainan City 700, Taiwan

Name	Tel	Fax	Address
Fudong Branch	(06) 268-7815	(06) 267-3371	No.348, Sec. 2, Dongmen Rd., Tainan City 701, Taiwan
Wanli Branch	(06) 262-3260	(06) 262-5069	1F., No.12-6, Aly. 88, Ln. 211, Wanli Rd., South Dist., Tainan City 702, Taiwan
Beifu Branch	(06) 226-6120	(06) 226-7357	1F., No.157, Sec. 3, Ximen Rd., North Dist., Tainan City 704, Taiwan
Kaiyuan Branch	(06) 238-3125	(06) 236-3661	No.461, Shengli Rd., Tainan City 704, Taiwan
Anhe Branch	(06) 255-1236	(06) 256-9941	No.226, Sec. 1, Anhe Rd., Tainan City 709, Taiwan
Annan Branch	(06) 355-9083	(06) 356-2440	1F., No.279, Sec. 5, Anhe Rd., Annan Dist., Tainan City 709, Taiwan
Yongkang Branch	(06) 312-6789	(06) 312-1528	No.511, Siaodong Rd., Tainan City 710, Taiwan
Jiali Branch	(06) 721-4888	(06) 721-0249	No.278, Wunhua Rd., Tainan City 722, Taiwan
Xinying Branch	(06) 633-3300	(06) 633-7033	1F., No.117, Zhongshan Rd., Xinying Dist., Tainan City 730, Taiwan
Kaohsiung Branch	(07) 282-2101	(07) 282-2168	No.143, Zhongzheng 4th Rd., Kaohsiung City 801, Taiwan
Qianjin Branch	(07) 272-2766	(07) 272-6595	1F., No.217, Zhonghua 3rd Rd., Qianjin Dist., Kaohsiung City 801, Taiwan
Lingya Branch	(07) 223-5550	(07) 2247-638	1F., No.58, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City 802, Taiwan
Yancheng Branch	(07) 550-5378	(07) 550-5376	1F., No.15, Mingcheng 4th Rd., Gushan Dist., Kaohsiung City 804, Taiwan
Qijin Branch	(07) 571-5898	(07) 571-0704	1F., No.106, Miaoqian Rd., Qijin Dist., Kaohsiung City 805, Taiwan
Sanduo Branch	(07) 332-2726	(07) 332-2662	No.83, Sanduo 3rd Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan
Qianzhen Zhongshan Branch	(07) 336-2020	(07) 335-6673	1F., No.2, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan
Qianzhen Branch	(07) 821-4581	(07) 815-1607	1F., No.517, Caoya 2nd Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan
Sanmin Branch	(07) 395-1588	(07) 395-3288	No.715, Jiangong Rd., Kaohsiung City 807, Taiwan
Shiquan Branch	(07) 316-0699	(07) 323-5290	1F., No.218, Bo'ai 1st Rd., Sanmin Dist., Kaohsiung City 807, Taiwan
Dachang Branch	(07) 381-4488	(07) 385-8095	1F., No.501, Juemin Rd., Sanmin Dist., Kaohsiung City 807, Taiwan
Youchang Branch	(07) 364-9911	(07) 365-6634	1F., No.803-1, Houchang Rd., Nanzi Dist., Kaohsiung City 811, Taiwan
Xiaogang Branch	(07) 806-3799	(07) 807-0399	1F., No.678, Hanmin Rd., Xiaogang Dist., Kaohsiung City 812, Taiwan
Zuoying Branch	(07) 581-0898	(07) 581-0798	No.158, Zuoying Avenue, Kaohsiung City 813, Taiwan
Mingcheng Branch	(07) 556-7188	(07) 556-7371	1F., No.359, Mingcheng 2nd Rd., Zuoying Dist., Kaohsiung City 813, Taiwan
Boai Branch	(07) 558-6088	(07) 558-3699	No.491, Mingcheng 2nd Rd., Kaohsiung City 813, Taiwan
Gaofeng Branch	(07) 740-3699	(07) 710-6619	1F., No.342, Zhongshan W. Rd., Fengshan Dist., Kaohsiung City 830, Taiwan
Wujia Branch	(07) 831-9900	(07) 822-8863	1F., No.490, Wujia 2nd Rd., Fengshan Dist., Kaohsiung City 830, Taiwan
Chengqing Branch	(07) 732-6501	(07) 732-6758	B1., No.123, Dapi Rd., Niasong Dist., Kaohsiung City 833, Taiwan

Name	Tel	Fax	Address
Kinmen Branch	(082) 322-566	(082) 373-102	No.188-1, Mincyuan Rd., Kinmen County 893, Taiwan
Pingrong Branch	(08) 722-6060	(08) 722-6039	1F., No.115, Guangdong Rd., Pingtung City, Pingtung County 900, Taiwan
Pingtung Branch	(08) 735-0426	(08) 737-0121	No.690, Guangdong Rd., Pingtung County 900, Taiwan
Tungshin Branch	(089) 324-351	(089) 324-734	No.427, Sec. 1, Zhonghua Rd., Taitung County 950, Taiwan
Hualien Branch	(03) 831-1708	(03) 832-1169	No.167, Guolian 1st Rd., Hualien County 970, Taiwan
Offshore Banking Unit (OBU)	(02) 2173-6699	(02) 2772-2513	3F., No.66, Sec. 1, Dunhua S. Rd., Taipei City 105, Taiwan
Hong Kong Branch	(852)2511-1719	(852)2511-1897	Suite 3418, 34/F, Two Pacific Place, 88 Queensway, Hong Kong

Overseas Subsidiary	Tel	Fax	Address
Yuanta Savings Bank Philippines, Inc.	(63) 2 845 3838	(63) 2 845 3839	Ground Floor, Chatham House Building, 116 Valero Cor. V.A. Rufino Streets, Salcedo Village, Makati City, Philippines
Yuanta Savings Bank Philippines, Inc. Alabang Branch	(63) 2 804 3628 (63) 2 804 3692	(63) 2 804 3629	Unit G3, Park Trade Center, Investment Drive, Madrigal Business Park, Alabang, Muntinlupa City, Philippines
Yuanta Savings Bank Philippines, Inc. Ortigas Branch	(63) 2 655 5630 (63) 2 477 7474	(63) 2 655 5690	Commercial Unit 4, East of Galleria Bldg., Topaz St., Ortigas Center, Pasig City, Philippines
Yuanta Savings Bank Korea Co., Ltd.	(82)2 6022 3700	(82) 2 519 2753	542, Gangnam-daero, Gangnam-gu, Seoul, Korea
Yuanta Savings Bank Korea Co., Ltd. Euljiro Branch	(82)2 6022 3700 (Dial No.3)	(82) 2 915 1196	International Building 13F, 109, Namdaemun-ro, Jung-gu, Seoul, Korea

Overseas Office	Tel	Fax	Address
Yangon Representative Office	(95) 01 230 4405 ext. 8533	(95) 01 230 5657	Suite 607, Level 6, 611 Hledan Centre, Corner of Pyay Road and Hledan Road, Kamayut Township, Yangon, Myanmar.

Affiliate	Tel	Fax	Address
Yuanta International Leasing Co., Ltd.	(02) 2173-6039	(02) 2772-5825	7F., No.69, Baoqing Rd., Taipei City 100, Taiwan

**YUANTA COMMERCIAL BANK CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Yuanta Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Yuanta Commercial Bank Co., Ltd. and its subsidiaries as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yuanta Commercial Bank Co., Ltd. and its subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

The key audit matters of Yuanta Commercial Bank Co., Ltd. and its subsidiaries are as follow:

Impairment evaluation of bills discounted and loans

Description

For the accounting policy for the impairment evaluation of bills discounted and loans, please refer to Note 4(9); for critical accounting estimates and assumption uncertainty of impairment of bills discounted and loans, please refer to Note 5; for the details on bills discounted and loans, please refer to Note 6(6). Total bills discounted and loans and their allowance for credit losses as at December 31, 2017, were NTD 494,342,097 thousand and NTD 6,484,425 thousand, respectively.

The impairment evaluation of bills discounted and loans is conducted in accordance with International Accounting Standard 39, ‘Financial Instruments: Recognition and Measurement’ and relevant regulations for allowance of doubtful accounts promulgated by the competent authority. For the allowance of credit losses, Yuanta Commercial Bank Co., Ltd. and its subsidiaries primarily evaluates parameters such as the borrower’s future cash flows, loss rate, recovery rate, and collateral value, and relevant regulations for allowance of doubtful accounts promulgated by the competent authority. Because the amount of bills discounted and loans is material with respect to the total consolidated assets and impairment evaluation involves management’s professional judgment and is highly uncertain, we have thus included the impairment evaluation of bills discounted and loans as one of the key audit matters.

How our audit addressed the matter

We obtained and understood the Yuanta Commercial Bank Co., Ltd.’s policies, internal controls, and operation procedures in relation to the credit risk management and the impairment evaluation of bills discounted and loans and perform a sample test. We conducted the following procedures on the impairment of bills discounted and loans as at December 31, 2017: examined the classifications of bills discounted and loans on a sample basis; sample tested parameters calculation such as impairment occurrence rates; assessed documents regarding management’s evaluation of future cash flows and collateral value on a sample basis; and evaluated whether the provision for impairment losses complied with the competent authority’s related regulations.

Impairment evaluation of goodwill

Description

For the accounting policy of the impairment assessment of goodwill (intangible assets), please refer to Note 4(14) and 4(15); for the critical accounting estimates and assumption uncertainty of impairment assessment of goodwill, please refer to Note 5; for the details on goodwill, please refer to Note 6(12). The book value of goodwill as at December 31, 2017, was NTD 2,351,479 thousand.

Yuanta Commercial Bank Co., Ltd. periodically performs impairment assessments on goodwill. Because the amount of goodwill is material and the parameters used in calculating recoverable amounts are made by management’s professional judgment and are critical accounting estimates, we have thus included the impairment assessment of goodwill as one of the key audit matters.

How our audit addressed the matter

Our main audit procedures included obtaining asset impairment evaluation data prepared by management; assessing management’s identification of cash generating units and estimation process for future cash flows; reviewed the management’s prior year operation plan execution result; sample assessed the reasonableness of key assumptions used in impairment testing models, and examined the calculation formulas of impairment testing models.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Yuanta Commercial Bank Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing Yuanta Commercial Bank Co., Ltd.’s financial reporting process.

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

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

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

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

to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yuanta Commercial Bank Co., Ltd. and its subsidiaries to cease to continue as a going concern.


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

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

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

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



KUO, PUO-JU

CHEN, HSIEN-I

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2018

The accompanying consolidated 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 COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

(Expressed in thousands of New Taiwan dollars)

ASSETS		NOTES	December 31, 2017		December 31, 2016	
			Amount	%	Amount	%
11000	Cash and cash equivalents	6(1)	\$ 21,605,040	3	\$ 11,770,628	1
11500	Due from Central Bank and call loans to other banks	6(2)	46,331,574	5	99,281,259	11
12000	Financial assets at fair value through profit or loss	6(3)	84,342,923	10	75,856,017	9
12500	Bills and bonds purchased under resale agreements	6(4)	9,180,000	1	6,249,307	1
13000	Receivables – net	6(5)	15,625,696	2	18,768,134	2
13200	Current income tax assets		2,381,676	-	2,852,044	-
13500	Bills discounted and loans – net	6(6)	487,857,672	55	490,845,954	57
14000	Available-for-sale financial assets – net	6(7)	141,727,769	16	84,420,516	10
14500	Held-to-maturity financial assets – net	6(8)	26,743,729	3	14,741,656	2
15500	Other financial assets – net	6(9)	34,671,976	4	49,570,202	6
18500	Property and equipment – net	6(10)	6,778,256	1	6,079,960	1
18700	Investment property- net	6(11)	1,059,195	-	1,083,277	-
19000	Intangible assets – net	6(12)	2,574,712	-	2,545,091	-
19300	Deferred income tax assets	6(35)	383,565	-	437,751	-
19500	Other assets – net	6(13) and (37)	1,596,441	-	2,409,515	-
TOTAL ASSETS			<u>\$ 882,860,224</u>	<u>100</u>	<u>\$ 866,911,311</u>	<u>100</u>

(Continued)

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	NOTES	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
LIABILITIES					
21000 Due to Central Bank and other banks	6(14)	\$ 10,541,967	1	\$ 25,624,867	3
22000 Financial liabilities at fair value through profit or loss	6(15)	2,978,553	1	5,332,985	1
22500 Bills and bonds sold under repurchase agreements	6(4)	11,240,704	1	7,786,562	1
23000 Payables	6(16)	18,228,206	2	13,277,873	2
23200 Current income tax liabilities		688,003	-	918,818	-
23500 Deposits and remittances	6(17)	739,208,515	84	713,029,940	82
24000 Financial debentures payable	6(18)	33,000,000	4	38,000,000	4
25500 Other financial liabilities	6(19)	1,611,059	-	2,234,695	-
25600 Provisions	6(20),(21) and (37)	1,133,997	-	1,197,338	-
29300 Deferred income tax liabilities	6(35)	179,605	-	194,232	-
29500 Other liabilities	6(22)	1,236,459	-	1,060,123	-
TOTAL LIABILITIES		<u>820,047,068</u>	<u>93</u>	<u>808,657,433</u>	<u>93</u>
EQUITY					
31000 Equity attributable to owners of the parent company					
31100 Share capital					
31101 Common stock	6(23)	42,652,845	5	41,521,815	5
31500 Additional paid-in capital	6(24)	6,038,882	-	6,038,882	1
32000 Retained earnings	6(25)				
32001 Legal reserve		6,895,084	1	5,216,597	-
32003 Special reserve		507,785	-	256,661	-
32011 Unappropriated earnings		6,708,957	1	5,699,712	1
32500 Other equity interest	6(26)	9,603	- (	479,789)	-
TOTAL EQUITY		<u>62,813,156</u>	<u>7</u>	<u>58,253,878</u>	<u>7</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 882,860,224</u>	<u>100</u>	<u>\$ 866,911,311</u>	<u>100</u>

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

YUANTA COMMERCIAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

ITEMS		NOTES	For the years ended December 31,				Change
			2017		2016		Percentage
			Amount	%	Amount	%	%
41000	Interest income		\$ 14,426,861	95	\$ 13,777,724	98	5
51000	Less: Interest expense		(5,214,531)	(34)	(5,180,125)	(37)	1
	Net interest income	6(27)	9,212,330	61	8,597,599	61	7
	Net non-interest income						
49100	Net service fee and commission income	6(28)	3,095,273	20	2,832,863	20	9
49200	Gain on financial assets and financial liabilities at fair value through profit or loss	6(3) and (29)	1,861,290	12	1,700,479	12	9
49300	Realized gain on available-for-sale financial assets	6(30)	386,707	3	260,914	2	48
49600	Foreign exchange loss		(285,874)	(2)	(76,776)	-	272
49700	Reversal of impairment loss on asset		(166)	-	(763)	-	(78)
49750	Share of the profit or loss of associates and joint ventures accounted for using the equity method		-	-	(300)	-	(100)
49800	Other non-interest income	6(31)	228,531	2	73,682	1	210
49813	Gain on bond investments without active market		631,474	4	614,210	4	3
	Net revenue		15,129,565	100	14,001,908	100	8
58200	Provision for bad debt expenses and guarantee reserve		(311,230)	(2)	(1,006,950)	(7)	(69)
	Operating expenses						
58500	Employee benefit expense	6(32)	(4,480,267)	(29)	(3,909,076)	(28)	15
59000	Depreciation and amortization expenses	6(33)	(329,492)	(2)	(292,832)	(2)	13
59500	Other general and administrative expenses	6(34)	(2,548,031)	(17)	(2,441,043)	(18)	4
61001	Income from continuing operations before income tax		7,460,545	50	6,352,007	45	17
61003	Income tax expense	6(35)	(717,538)	(5)	(757,052)	(5)	(5)
64000	Net income		\$ 6,743,007	45	\$ 5,594,955	40	(21)

(Continued)

YUANTA COMMERCIAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

		For the years ended December 31,				Change
		2017		2016		Percentage
ITEMS	NOTES	Amount	%	Amount	%	%
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
65201	Losses on remeasurements of defined benefit plans	(\$ 40,831)	-	\$ 125,847	1	(132)
65205	Change in fair value of financial liability attributable to change in credit risk of liability	6(15) and (26) (2)	-	(46,917)	(1)	(100)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6,781	-	(21,090)	-	(132)
Components of other comprehensive income that will be reclassified to profit or loss						
65301	Translation gain and loss on the financial statements of foreign operating entities	6(26) (104,391)	(1)	(316,140)	(2)	(67)
65302	Unrealized gain or loss on available-for-sale financial assets	6(26) 602,316	4	145,447	1	314
65320	Income tax relating to components of other comprehensive income	6(26) and (35) (8,531)	-	(5,540)	-	54
65000	Other comprehensive income (loss) (net of tax)	<u>\$ 455,342</u>	<u>3</u>	<u>(\$ 118,393)</u>	<u>(1)</u>	<u>(485)</u>
66000	Total comprehensive income	<u>\$ 7,198,349</u>	<u>48</u>	<u>\$ 5,476,562</u>	<u>39</u>	<u>31</u>
Net income attributable to:						
67101	Parent company	<u>\$ 6,743,007</u>	<u>45</u>	<u>\$ 5,594,955</u>	<u>40</u>	<u>21</u>
		<u>\$ 6,743,007</u>	<u>45</u>	<u>\$ 5,594,955</u>	<u>40</u>	<u>21</u>
Comprehensive income attributable to:						
67301	Parent company	<u>\$ 7,198,349</u>	<u>48</u>	<u>\$ 5,476,562</u>	<u>39</u>	<u>31</u>
		<u>\$ 7,198,349</u>	<u>48</u>	<u>\$ 5,476,562</u>	<u>39</u>	<u>31</u>
Earnings per share (in New Taiwan Dollars)						
	Basic and Diluted	6(36) \$	1.58	\$	1.31	

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

YUANTA COMMERCIAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent				Total equity		
	Retained Earnings		Other equity interest				
Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain (loss) on available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk
\$ 39,183,618	\$ 6,038,882	\$ 3,772,926	\$ 228,379	\$ 4,812,234	\$ 193,449	\$ 497,007	\$ 46,919
-	-	1,443,671	-	(1,443,671)	-	-	-
-	-	28,282	28,282	(28,282)	-	-	-
2,338,197	-	-	-	(2,338,197)	-	-	-
-	-	-	-	(1,002,084)	-	-	-
-	-	-	-	5,594,955	-	-	(1,002,084)
-	-	-	-	104,757	(316,140)	139,907	(46,917)
-	-	-	-	5,699,712	(316,140)	139,907	(46,917)
\$ 41,521,815	\$ 6,038,882	\$ 5,216,597	\$ 256,661	\$ 5,699,712	\$ 122,691	\$ 357,100	\$ 58,253,878
\$ 41,521,815	\$ 6,038,882	\$ 5,216,597	\$ 256,661	\$ 5,699,712	(\$ 122,691)	\$ 357,100	\$ 58,253,878
-	-	1,678,487	-	(1,678,487)	-	-	-
-	-	-	251,124	(251,124)	-	-	-
1,131,030	-	-	-	(1,131,030)	-	-	-
-	-	-	-	(2,639,071)	-	-	(2,639,071)
-	-	-	-	6,743,007	-	-	6,743,007
-	-	-	-	(34,050)	(104,391)	593,785	(2)
-	-	-	-	6,708,957	(104,391)	593,785	(2)
42,652,845	\$ 6,038,882	\$ 6,895,084	\$ 507,785	\$ 6,708,957	\$ 227,082	\$ 236,685	\$ 62,813,156

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

YUANTA COMMERCIAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated income from continuing operations before tax	\$ 7,460,545	\$ 6,352,007
Adjustments items		
Income and expense items:		
Depreciation	217,676	199,380
Amortization	111,816	93,452
Provision for bad debt expense and guarantee reserve	631,078	1,484,813
Interest expense	5,214,531	5,180,125
Interest income	(14,426,861)	(13,777,724)
Dividend income	(120,088)	(120,287)
Gain from disposal or retirement of property and equipment	(155,969)	(285)
Gain on disposal of investment property	-	(61)
Gain on disposal of other asset	(327)	-
Proceeds from disposal of investments under the equity method	-	300
Financial asset impairment losses	-	6
Reversal of impairment loss on non-financial assets	(166)	757
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Increase in due from Central Bank and call loans to other banks	(2,163,209)	(1,827,107)
(Increase) decrease in financial assets at fair value through profit or loss	(8,486,906)	9,683,637
Decrease (increase) in receivables	3,105,669	(1,765,434)
Decrease (increase) in bills discounted and loans	2,783,007	(13,439,170)
Increase in available-for-sale financial assets	(56,800,775)	(42,181,780)
Increase in held-to-maturity financial assets	(12,006,340)	(76,392)
Decrease in other financial assets	14,987,088	19,619,867
Decrease in other assets	776,115	3,191,784
Net changes in liabilities relating to operating activities		
Decrease in due to Central Bank and other banks	(15,082,900)	(6,276,313)
Decrease in financial liabilities at fair value through profit or loss	(1,118,854)	(4,217,568)
Increase in payables	4,864,857	1,470,401
Increase in deposits and remittances	25,902,272	48,798,004
Decrease in other financial liabilities	(622,347)	(657,210)
Increase in provisions for employee benefits	44,720	26,329
Increase in other liabilities	175,183	15,046
Cash generated from (used in) operations	(44,709,853)	11,776,577
Interest received	14,397,067	13,938,607
Dividend received	120,088	120,287
Interest paid	(5,133,137)	(5,121,390)
Income tax paid	(442,713)	(474,427)
Net cash (used in) provided by operating activities	(35,768,548)	20,239,654

(Continued)

YUANTA COMMERCIAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31	
	2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of investments under the equity method	\$ -	\$ 61,064
Acquisition of subsidiary	-	1,846,577
Acquisition of property and equipment	(1,115,491)	(396,149)
Proceeds from disposal of property and equipment	326,194	4,871
Acquisition of intangible assets	(36,247)	(3,825)
Proceeds from disposal of intangible assets	-	15
Proceeds from disposal of investment property	-	2,700
Net cash (used in) provided by investing activities	(825,544)	1,515,253
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuance of financial debentures	-	5,000,000
Repayments of bonds	(5,000,000)	-
Increase (decrease) in bills and bonds sold under repurchase agreements	3,454,142	(2,792,040)
Decrease in financial liabilities designated as at fair value through profit or loss on initial recognition	(1,167,590)	-
Decrease in lease payables	(1,289)	(3,138)
Payments of cash dividends	(2,639,071)	(1,002,084)
Net cash provided by financing activities	(5,353,808)	1,202,738
Net effect of foreign exchange rate changes on cash and cash equivalents	(397,042)	(522,027)
Net (decrease) increase in cash and cash equivalents	(42,344,942)	22,435,618
Cash and cash equivalents at beginning of year	99,973,675	77,538,057
Cash and cash equivalents at end of year	<u>\$ 57,628,733</u>	<u>\$ 99,973,675</u>
Components of cash and cash equivalents:		
Cash and cash equivalents as per consolidated balance sheet	\$ 21,605,040	\$ 11,770,628
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	26,843,693	81,953,740
Bills and bonds purchased under resale agreements qualified as cash and cash equivalents as defined by IAS 7	9,180,000	6,249,307
Cash and cash equivalents at end of period	<u>\$ 57,628,733</u>	<u>\$ 99,973,675</u>

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

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. History and organization

- (1) Yuanta Commercial Bank Co., Ltd. (the “Bank”) was incorporated as a public company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The Bank formerly Asia Pacific Commercial Bank, acquired approval for establishment from the Ministry of Finance on January 14, 1992 and launched its operation on February 12, 1992. The Bank is principally engaged in commercial banking activities allowed by the Banking Laws of the Republic of China (R.O.C.) and in business activities authorized by the supervising authority of the central government. In accordance with the Financial Holding Company Act, the Bank joined Fuhwa Financial Holdings on August 1, 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific Commercial Bank was approved to be renamed Fuhwa Commercial Bank.
- (2) On April 2, 2007, Yuanta Core Pacific Securities merged with Fuhwa Financial Holdings through stock transfer and became a wholly-owned subsidiary. Under the approval of shareholders’ meeting in June 2007, Fuhwa Financial Holdings was renamed Yuanta Financial Holdings and the Bank was also renamed Yuanta Commercial Bank on September 23, 2007.
- (3) In order to expand the economic scale, enhance the integration of marketing, reduce operating costs, and develop operating performance, the merger of the Bank, Yuanta Life Insurance Agency Co., Ltd. and Yuanta Property Insurance Agency Co., Ltd. has been resolved at the meeting of the Board of Directors on January 21, 2016. The effective date was set on September 11, 2016. The surviving company in the merger was the Bank and the dissolved companies in the merger were Yuanta Life Insurance Agency Co., Ltd. and Yuanta Property Insurance Agency Co., Ltd.
- (4) The merger with Ta Chong Commercial Bank Co., Ltd. (hereon referred to as “Ta Chong Bank”) has been resolved at the meeting of the Board of Directors on September 14, 2016. The merger was approved by the Financial Supervisory Commission of R.O.C. (Jin-Guan-Yin-Kong-Zi Order No. 10500320920) on January 17, 2017. The effective merger date was set on January 1, 2018.
- (5) The head office directs company-wide operations and opened domestic branches to promote business. As of December 31, 2017, the Bank has a trust department, an international banking department, an insurance agency department, an offshore banking unit, and 88 branches including the business department and 2 overseas representative offices.
- (6) As of December 31, 2017, the number of the Bank's and subsidiaries' (collectively referred herein as the “Consolidated Company”) employees were 2,975.
- (7) Yuanta Financial Holdings Co., Ltd. (the “Yuanta Financial Holdings”) is the parent company and ultimate parent company which holds 100% equity interest in the Consolidated Company.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 22, 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 FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
IFRIC 21, ‘Levies’	January 1, 2014
The above standards and interpretations have no significant impact to the Consolidated Company’s financial condition and financial performance based on the Consolidated Company’s assessment.	

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
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	January 1, 2018

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
28, 'Investments in associates and joint ventures' Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company financial condition and financial performance based on the Consolidated Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the Consolidated Company'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 amortized cost. Equity instruments would be classified as financial asset at the fair value through profit or loss, unless Consolidated Company may irrevocably designate an equity instrument that is not held for trading as measured at fair value through other comprehensive income.
- (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 recognize 12-month expected credit losses ('ECL') or lifetime ECL. The Consolidated Company 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) If the instrument 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).

When adopting the new standards endorsed by the Financial Supervisory Commission effective from 2018, the Consolidated Company will apply International Financial Reporting Standards 9 ("IFRS 9") retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The merger between the Bank and Ta Chong Bank was approved by the Financial Supervisory Commission and officially completed on January 1, 2018. Please refer to Note 1(4) for details on the merger. Therefore the Consolidated Company discloses the effect of applying

IFRS 9 classification rules to the financial statements after the merger. Using the business model and cash flow characteristics test, the Consolidated Company reclassified certain financial assets to financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and debt instruments at amortized cost in the amounts of \$115,037,838, \$154,037,715, and \$169,230,892, respectively. The impairment assessment of credit assets and various debt instrument financial assets were conducted using the expected credit loss approach and considering the Regulations Governing the Preparation of Financial Reports by Public Banks. In summary, as of January 1, 2018, the effects of adopting the new standard on the Consolidated Company was a decrease of retained earnings by \$2,471,314 and an increase of other equity interest by \$1,450,738.

(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>
Annual improvements to IFRSs 2015-2017 cycle	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
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company financial condition and financial performance based on the Consolidated Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16 'Leases'

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

B. IFRIC 23, 'Uncertainty over income tax treatments'

This Interpretation clarifies when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12, 'Income taxes' based on taxable profit (tax loss), tax bases, unused tax losses, unused

tax credits and tax rates determined applying this Interpretation.

4. Summary of significant accounting policies

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

(1) Compliance statement

The consolidated financial statements of the Consolidated Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the 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) Available-for-sale financial assets.
 - (C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Company’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. The Consolidated Company’s analysis of expense is classified based on the nature of expenses.
- D. The Consolidated Company classifies the economic activities as operating activities, investment activities and financing activities based on the judgment of the management. Consolidated statements of cash flows report the changes in cash and cash equivalents in the period based on operating, investing and financing activities. Cash and cash equivalents include highly liquid investments. Components of cash and cash equivalents are disclosed in Note 4(5).

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (A) All subsidiaries are included in the Consolidated Company’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated 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. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
 - (B) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies

adopted by the Consolidated Company.

- (C) 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.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Consolidated Company loses control of a subsidiary, the Consolidated Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Consolidated Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
The Bank	Yuanta International Leasing Co., Ltd. ("Yuanta International Leasing")	Leasing business	100.00	100.00	
"	Yuanta Savings Bank (Philippines) Inc. (Yuanta Savings Bank (Philippines))	Deposits and loans of savings bank	100.00	100.00	Note 1
"	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposits and loans of savings bank	100.00	100.00	Note 2、3

Note 1 : On September 26, 2016, Yuanta Savings Bank (Philippines) was renamed from "Tong Yang Savings Bank (Philippines)" to "Yuanta Savings Bank (Philippines)".

Note 2 : On January 14, 2016, the Board of Directors (on behalf of the interim stockholders' meeting) of the Bank resolved the motion to acquire all shares of Hanshin Savings Bank Inc, the subsidiary of AON BGN Limited Liability Company, in cash. The case has been approved by the Financial Supervisory Commission of R.O.C. (Jin-Guan-Yin-Kong-Zi Order No. 10500026760) on March 17, 2016 and the Financial Services Commission of Korea on April 14, 2016. The acquisition date is April 25, 2016, and the total transaction amount is ₩143,426 million (approximately NT\$4,082 million). After the settlement, Hanshin Savings Bank Inc will become the second 100% owned overseas subsidiary of the Bank.

Note 3 : On February 13, 2017, Yuanta Savings Bank (Korea) was renamed from "Hanshin Savings Bank Inc" to "Yuanta Savings Bank (Korea) Inc.".

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Nature of the restrictions on fund remittance from subsidiaries to the parent company:

None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

B. Translation of foreign operations

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

- (A) All presented assets and liabilities are re-translated by the closing exchange rate prevailing at the date of the consolidated balance sheet.
- (B) The presented gains and losses of Offshore Banking Unit is re-translated by the exchange rate of the trading date, and the presented gains and losses of overseas subsidiaries are re-translated by the average exchange rate of that period.
- (C) All gains and losses arising from translation are recognized in other comprehensive income.

(5) Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents includes cash on hand, demand deposits and short-term highly liquid investments that is readily convertible to known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents includes cash and cash equivalents, due from central bank and call

loans to other banks, investments in notes and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7.

(6) Bills and bonds under repurchase or resale agreements

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

(7) Financial assets and liabilities

All financial assets and liabilities of the Consolidated Company including derivatives are recognized 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 Consolidated Company are classified into the following four categories: “financial assets at fair value through profit and loss”, “loans and receivables”, “available-for-sale financial assets” and “held-to-maturity financial assets”.

(A) Regular way purchase or sale

Financial assets held by the Consolidated Company are all accounted for using trade date accounting.

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

- a. When the financial assets of the Consolidated Company are held to repurchase or resell or when the portfolio belongs to derivative instruments, or are held in a short-term profit seeking model, then they should be classified as financial assets at fair value through profit and loss and measured by fair value at initial recognition.
- b. Criteria to designate financial assets and financial liabilities as at fair value through profit or loss at initial recognition are as follows:
 - (a) The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
 - (b) The performance of financial instruments is assessed by fair value; or
 - (c) Hybrid (combined) instruments include embedded derivatives.
- c. Financial assets at fair value through profit or loss are measured at fair value. Any changes in the fair value of financial assets at fair value through profit are recognized under “gain and loss of financial assets and liabilities at fair value through profit and loss”.

(C) Loans and receivables

- a. Receivables include loans and receivables that are originally generated, which refer to the receivables that are originated directly from money, product or service that the Consolidated Company provides to the debtors, while the latter refers to all the other loans and receivables.
- b. Loans and receivables are measured at initial fair value as the transaction price, and are recognized on the basis of fair value plus significant transaction cost, expense,

significant service fee charged, discount or premium factor. Subsequently, the loans and receivables shall be measured using effective interest rate method. However, according to “Regulations Governing the Preparation of Financial Reports by Public Banks” (7) and (10) of Article 10 stipulates that loans and receivables could be measured at initial amount if the effect of discounting is immaterial.

- c. Bond investments without active market are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

(D) Available-for-sale financial assets

- a. Available-for-sale financial assets are measured by fair value plus the trading cost of acquisition upon initial recognition.
- b. Available-for-sale financial assets are subsequently measured by fair value with changes in fair value recognized as other comprehensive income. The cumulative valuation gain or loss is recognized as gain and loss in the period when it is derecognized from the financial assets.
- c. Because the Consolidated Company had intention and was able to hold the following assets to maturity or foreseeable future, financial assets that were initially classified as available-for-sale financial assets were reclassified to held-to-maturity financial assets and bond investments without active market in accordance with IAS 39.

(E) Held-to-maturity financial assets

- a. Held-to-maturity financial assets are measured by the fair value plus the trading cost of acquisition upon initial recognition.
- b. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost and interest income using the effective interest rate.

B. Financial liabilities

Financial liabilities held by the Consolidated Company include financial liabilities at fair value through profit and loss and financial liabilities carried at amortized cost.

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

- a. Including financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss upon initial recognition.
- b. Such as financial liabilities incurred with a purpose of repurchasing or resale in a short period of time, identifiable portion of financial instruments in the portfolio belonging to the consolidated management upon initial recognition with evidence indicating that its latest operating is in a short-term profit seeking model, are classified as held for trading purpose. Derivative instruments are also classified as held for trading, including the obligation of the financial assets borrowed from short seller.
- c. Criteria to designate financial liabilities as at fair value through profit or loss at initial recognition are as follows:
 - (a) The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
 - (b) The performance of financial instruments is assessed by fair value; or

- (c) Hybrid (combined) instruments include embedded derivatives.
 - d. Financial liabilities at fair value through profit and loss are recognized under financial liabilities at fair value through profit and loss in the consolidated statement of comprehensive income, and any change in fair value is recognized as “gain and loss on financial assets and liabilities at fair value through profit and loss”. Except for the circumstances to avoid inappropriate accounting appropriation or except that lending commitments and financial guarantee contracts must be recognized in profit or loss, fair value movements arising from credit risk for financial liabilities designated as at fair value through profit or loss should be recognized in other comprehensive income.
- (B) Financial liabilities carried at amortized cost
- Financial liabilities carried at amortized 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 Consolidated Company derecognizes 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 Consolidated Company has transferred substantially all risks and rewards of ownership of the financial asset.
 - (C) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Consolidated Company has not retained control of the financial asset.
- D. Derecognition of financial liabilities
- (A) A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.
 - (B) The Consolidated Company 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 derecognized and the consideration paid is recognized in profit or loss.
- (8) Financial instruments offsetting
- Financial assets and liabilities are offset in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.
- (9) Impairment of financial assets
- A. The Consolidated Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
 - B. The criteria that the Consolidated Company uses to determine whether there is objective

evidence of an impairment loss is as follows:

- (A) Significant financial difficulty of the issuer or debtor;
 - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (C) The Consolidated Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (E) The disappearance of an active market for that financial asset because of financial difficulties;
 - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; or
 - (I) Others shall be assessed based on the indicators of the Yuanta Group's internal policies.
- C. When the Consolidated Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (A) Financial assets measured at amortized cost

The Consolidated Company assesses whether objective evidence exists which indicates impairment losses of material individual financial assets and impairment losses generated individually or as a group from immaterial individual financial assets. If the Consolidated Company decides that there is no objective evidence exist for the financial asset individually assessed (no matter it is material or not), the asset should be included in the financial asset portfolios sharing similar credit risk characteristics before the group assessment. Financial assets that are assessed individually with impairment recognized or continually recognized need not be included in the group assessment.

If there is any objective evidence that the financial asset is impaired, the impairment amount is the difference between the financial assets' book value and the estimated future cash flow (exclusive of the inexistent future credit loss) discounted using the original effective interest rate. The asset's book value is decreased by adjusting the account of allowance for bad debt, and loss amount is recognized under "bad debt expense and reserve for guarantee liabilities" or "asset impairment losses" depending on the nature of financial asset. If a financial asset uses floating rate, then the discounting rate used to assess impairment loss shall adopt the current effective interest rate as decided by the contract.

No matter the collateral is provided or not, by calculating the pledged financial assets to estimate the present value of future cash flow, the cash flow that may occur from the collateral can be reflected. However, the acquisition or selling cost regarding the collateral

should be deducted.

Financial assets are categorized on the basis of similar credit risk characteristics in relation to collective assessment for impairment. The credit risk characteristics refer to the capability of a debtor to pay all the amounts at maturities according to the contract term (for example, asset type, overdue status, assessing procedure or rating process of the relevant credit risk may all be put into consideration). The debtor with specific representative characteristics chosen, of whom the capacity to pay amounts due as required by the contract, is closely correlated to the future cash flow estimate of each asset portfolio.

For financial assets assessed collectively, the estimate made on future cash flow is made on the basis of historical losses rate and recovery rate of the assets sharing similar credit risk characteristics within the assessment group. Historical loss experience is adjusted by the current observable information to reflect the effect on the current situation of the period in which the historical loss experience has not been reflected. Also, non-existing historical effects should be excluded.

The estimate of future cash flow movement reflects the movement in observable information of each period (such as change in real estate price, commodity price, payment status or the change in other factors giving rise to losses and loss amounts attributable to one or more events) , and the two move in the same direction. The Consolidated Company regularly reviews the methods and assumptions used to estimate future cash flow to mitigate difference between the losses estimate and actual losses experience.

When a loan to other banks or clients is confirmed to be not recoverable, the book value and related allowance for bad debt should be written off. Once the Consolidated Company completes all the necessary legal procedures and the impairment amount is confirmed, the unrecoverable loans can be written off.

In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized (for example, the upgraded credit rating of the debtor), the previously recognized impairment loss is reversed through the allowance for bad debt to the extent that the carrying amounts do not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior years. The reversal is recognized as current profit and loss.

In addition, in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, the bank shall allocate sufficient loan loss provision and reserves against liability on guarantees. Classification system classifies normal credit assets under the first category, with poorer credit assets assessed based on the securities and the length of time overdue, respectively classified as second category special mention, third category expectation of recovery, forth category difficulty of recovery, and fifth category no hope of recovery.

Pursuant to the aforementioned regulations, the Consolidated Company shall allocate a sufficient loan loss provision as well as reserves against liability on guarantees. The minimum loan loss provision and guarantee reserve shall be the sum of 1% of the outstanding balance of Category One credit asset's claim (excluding assets that represent claims against the central and local government in Taiwan), 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

And, in accordance with Jin-Guan-Yin-Guo-Zi Order No. 10410001840, the provision ratio for Category One credit assets (including short-term trade finance), allowance for doubtful

accounts and guarantee reserve of credits provided to Mainland China should at least reach 1.5%.

In accordance with Jin-Guan-Yin-Guo Zi Order No. 10300329440, the provision ratio for mortgage of Category One loans deducting the policy loans that increasing from January 1, 2011, allowance for doubtful accounts should at least reach 1.5%.

(B) Available-for-sale financial assets

When the reduction of fair value of available-for-sale financial asset has been recognized in other comprehensive income and at the same time with objective evidence indicating that the impairment has incurred, even if the financial asset has not been derecognized, accumulative evaluation losses recognized in other comprehensive income shall be reclassified into gain and loss.

Equity instruments classified as available-for-sale assets, the impairment loss cannot be reversed through gain and loss. Any subsequent increase in fair value should all be recognized in other comprehensive income. Debt instruments that are classified as available-for-sale assets, if the fair value increases in the subsequent periods which can be objectively related to the incidence after the impairment loss has been recognized in gain and loss, can be reversed and recognized as gain and loss in the period.

(10) Derivative financial instruments

- A. Derivative instruments are initially recognized at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price, and evaluation techniques such as cash flow discounting model or option pricing model. All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.
- B. Economic characteristics and risks of the embedded derivatives and the economic characteristics of the main contract should be examined for the embedded derivatives. If the two are not closely correlated and the main contract is not a financial asset or liability at fair value through profit and loss, the main contract and embedded derivatives should be respectively recognized unless the overall hybrid contract is designated as assets or liabilities at fair value through profit and loss. The embedded derivatives are the financial assets or liabilities at fair value through profit and loss.

(11) Property and equipment

- A. Property and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss. Property and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end. Useful life of each asset is as follow:

Buildings and structures	20~55 years
Office equipment	2~5 years
Transportation equipment	3~6 years
Miscellaneous equipment	4~21 years
Leasehold improvements	3~5 years

- B. The cost of repair or maintenance of property and equipment is recorded as current expenses, significant improvements or overhaul costs are classified as capital expenditures.
- C. When property and equipment are sold or disposed, the cost and accumulated depreciation are

reversed from the related account, and any gain or loss on disposal is recognized in “Other non-interest income” in the consolidated statement of comprehensive income.

(12) Lease

- A. In accordance with the IFRSs, the lease contracts are classified as operating lease and financing lease.
- B. The lease contract of the Consolidated Company includes operating lease and finance lease.

(A) Operating lease

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

(B) Finance lease

- a. When the Consolidated Company is the lessee, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortized to finance leasing liabilities and the interest expense is recognized. Interest expense is calculated based on the beginning balance of finance leasing liabilities of each period using the leasing embedded interest rate or incremental borrowing interest rate and recognized as gains and losses. Finance leasing liabilities are recognized under “other financial liabilities”. Property and equipment acquired through finance leasing contract are measured by cost model.
- b. When the Consolidated Company is the lessor, the asset is derecognized when the financing contract is signed and the lessor should record a finance lease as lease receivables at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as unrealized interest income, which is calculated based on remaining lease payment receivable using the embedded interest rate or incremental borrowing interest rate and recognized as current gain and loss at period end.

(13) Investment property

- A. The properties held by the Consolidated Company, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land rented in a form of operating lease.
- B. Part of the property may be held by the Consolidated Company for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Consolidated Company can be sold individually, then the accounting treatment should be made respectively.
- C. When the future economic benefit related to the investment property is highly likely to flow into the Consolidated Company and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized as incurred in the consolidated statement of comprehensive income.
- D. When there is certain replacement occurring onto the investment property, the replacement cost should be recognized in the carrying amount of the investment property given that the criteria

of recognition can be met. The carrying amount of the replaced account should be derecognized.

- E. Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.
- F. The fair value of investment property is disclosed in the financial statements at each consolidated balance sheet date. Each year, the appraisal of fair value is conducted by external appraisal contractor, and managing segments of the Consolidated Company review the characteristics, location and status of the investment property to determine its fair value accordingly. However, the fair value of investment property does not reflect that the future capital expense can be improved or benefited from, nor the future benefit related to future expense is reflected.

(14) Intangible assets

A. Goodwill

Pursuant to IFRS 3, 'Business Combinations' as endorsed by the FSC, the excess of the consideration transferred in business combination over the net identifiable assets acquired and the net fair value of liabilities assumed shall be recognized as goodwill.

The Consolidated Company is required to perform impairment testing on its goodwill on a timely basis. Furthermore, any impairment loss is required to be recognized when impairment occurs and the carrying amount is also needed to be accounted for. Impairment loss of goodwill that has been recognized shall not be reversed.

B. Computer software

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. The cost is amortized over its estimated useful life. The computer software's estimated useful life is three to five years.

(15) Impairment of non-financial assets

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

(16) Financial bonds payable

Financial bonds payable issued by the Consolidated Company is carried at amortized cost using the effective interest method.

(17) Liabilities reserve, contingent liabilities and assets

- A. The Consolidated Company recognizes liabilities when all of the following three conditions are met :
 - (A) present obligation (legal or constructive) has arisen as a result of past event;
 - (B) the outflow of economic benefits is highly probable upon settlement; and
 - (C) the amount is reliably measurable.

- B. The Consolidated Company does not recognize liability reserve for the future operating losses. If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Liability reserve should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.
- C. When the time value may have a significant impact on a currency, the reserve is measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the liabilities.
- D. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Consolidated Company. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Consolidated Company did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.
- E. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Consolidated Company. The Consolidated Company did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(18) Financial guarantee contracts

- A. The Consolidated Company initially recognizes financial guarantee contracts at fair value on the date of issuance. The Consolidated Company 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 recognized in deferred accounts and amortized through straight-line method during the contract term.
- B. Subsequently, the Consolidated Company should measure the financial guarantee contract issued at the higher of:
 - (A) the amount determined in accordance with IAS 37; and
 - (B) the amount initially recognized less, if appropriate, cumulative amortization recognized in accordance with IAS 18, "Revenue".
- C. The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgement combined with historical loss data based on the similar transaction experiences.
- D. The increase in liabilities due to financial guarantee contract is recognized in "bad debt expenses and reserve for guarantee liabilities".
- E. Assessment for above guarantee reserve is assessed and set aside according to "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans".

(19) Employee benefits

- A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

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

(B) Defined benefit plans

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Consolidated Company in current period or prior periods. The liability recognized 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 Consolidated Company uses interest rates of government bonds (at the balance sheet date) instead.
- b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Deposits

The Consolidated Company 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 Consolidated Company'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 Consolidated Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes 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' compensation bonus and directors' and supervisors' remuneration

Employees' compensation are recognized 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' are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

(20) 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 recognized in other comprehensive income or equity, and that related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense and recorded as gain and loss in the period. An additional 10% 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 recognized as deferred income tax. The temporary difference of the Consolidated Company 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 recognized as deferred income tax liabilities.

(C) If the future taxable income is probable to provide unused loss carry forwards or deferred income tax credit which can be realized 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income 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 realize the asset and settle the liability simultaneously. The Consolidated Company does not offset deferred income tax assets against liabilities taxed by different tax authorities.

(21) Interest income and expense

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

(22) Net service fee and commission income

Handling fees and expenses are recognized when cash is received, or the earning process is substantially completed; service fee earned from performing significant items shall be recognized upon the completion of the service, such as syndication loan service fee received from sponsor, handling fees and expenses of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

(23) Business combinations

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

(24) Operating segment report

- A. The Consolidated Company's operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM").
- B. Inter-segmental transactions are arm's length transactions, and gain and loss arising from such transactions are eliminated by the Consolidated Company upon the preparation of consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

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

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

(1) Impairment losses of loans

The Consolidated Company assesses impairment on loans quarterly and decides to recognize impairment loss mainly depending if there is any observable evidence indicating that potential impairment may occur. This evidence may include observable information that indicates worsening of the debtor's payment status. In the analysis of estimated cash flows, management makes its estimate based on the loss experience of assets with similar credit risk characteristics in the past. The Consolidated Company regularly reviews methods and assumptions used on the cash flow amount and the timing to mitigate the difference between the estimated and actual loss amount.

(2) Fair value of unlisted stocks

Unlisted stocks with no active market or quoted price use valuation technique 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 a market, the fair value of unlisted stocks 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 take only observable information as much as possible.

(3) Impairment assessment of goodwill

The assessment process of goodwill impairment relies on the subjective judgment of the Consolidated Company, including identifying cash-generating units, allocating assets and liabilities to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(12) for the information of goodwill impairment.

6. Details of significant accounts

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	\$ 3,546,325	\$ 4,119,370
Due from other banks	16,290,318	6,124,388
Checks for clearing	1,752,942	1,490,562
Futures trading guarantees	15,455	36,308
Total	<u>\$ 21,605,040</u>	<u>\$ 11,770,628</u>

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

	December 31, 2017	December 31, 2016
Reserve for deposits - account A	\$ 18,741,857	\$ 5,677,214
Reserve for deposits - account B	19,162,214	17,269,135
Call loans to banks	4,470,290	7,121,180
Deposits by foreign subsidiary to designated accounts of respective local central banks	1,803,495	4,719,456
Reserve for deposits	2,153,718	1,394,274
Time deposits	-	63,100,000
Total	<u>\$ 46,331,574</u>	<u>\$ 99,281,259</u>

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

(Blank below)

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

	December 31, 2017	December 31, 2016
<u>Financial assets held for trading :</u>		
Corporate bonds	\$ 39,319,978	\$ 43,049,196
Commercial paper	17,092,496	8,092,291
Financial bonds	10,623,044	10,030,912
Government bonds	8,626,631	774,088
Convertible corporate bonds	4,649,201	4,641,783
Stocks of companies listed on TSE or OTC	1,375,670	6,833
Time deposits	530,003	4,284,249
Beneficiary certificates	200,000	-
Derivative financial instruments	1,438,535	2,673,414
Valuation adjustment of financial assets held for trading	487,365	302,989
Subtotal	<u>84,342,923</u>	<u>73,855,755</u>
<u>Financial assets designated as at fair value through profit or loss on initial recognition :</u>		
Interest rate structured products	-	2,000,000
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	-	262
Subtotal	<u>-</u>	<u>2,000,262</u>
Total	<u>\$ 84,342,923</u>	<u>\$ 75,856,017</u>

For the years ended December 31, 2017 and 2016, the net gain (loss) on financial assets and liabilities at fair value through profit or loss are as follows:

	For the years ended December 31,	
	2017	2016
Net gain on financial assets and liabilities held for trading	\$ 1,937,505	\$ 1,717,997
Net loss on financial assets and liabilities designated as at fair value through profit or loss	(76,215)	(17,518)
Total	<u>\$ 1,861,290</u>	<u>\$ 1,700,479</u>

- A. 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.
- B. As of December 31, 2017 and 2016, the Consolidated Company has no financial assets held for trading undertaken for repurchase agreements or pledged as collaterals.

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

	December 31, 2017	December 31, 2016
Bills and bonds purchased under resale agreement	\$ 9,180,000	\$ 6,249,307
Interest rate range	0.31%~0.42%	0.38%~2.40%
Contract resale amount	\$ 9,182,469	\$ 6,255,232
Bills and bonds payable under repurchase agreement	\$ 11,240,704	\$ 7,786,562
Interest rate range	1.30%~1.81%	0.10%~2.15%
Contract repurchase amount	\$ 11,310,017	\$ 7,802,956

(5) Receivables- net

	December 31, 2017	December 31, 2016
Credit card receivables	\$ 5,693,431	\$ 5,130,931
Factoring receivables	3,857,288	2,043,560
Interest receivables	2,034,651	2,004,236
Spot exchange receivables	1,945,560	6,254,828
Acceptances receivables	1,140,712	1,650,748
Accounts receivable	1,015,376	1,561,248
Other receivables	140,618	278,095
Subtotal	15,827,636	18,923,646
Less: allowance for doubtful accounts	(201,940)	(155,512)
Total	\$ 15,625,696	\$ 18,768,134

(6) Bills discounted and loans- net

	December 31, 2017	December 31, 2016
Bills discounted	\$ 106,867	\$ 95,021
Overdrafts	165,750	265,950
Short-term loans	40,013,049	56,263,237
Short-term loans secured	62,295,709	53,281,139
Medium-term loans	91,491,602	97,068,212
Medium-term loans secured	114,737,927	109,658,592
Long-term loans	6,577,315	6,258,784
Long-term loans secured	177,129,606	173,721,815
Import- export negotiations	49,253	33,710
Accounts receivable factoring	718,491	261,421
Loans transferred to non-accrual loans	1,064,494	854,023
Subtotal	494,350,063	497,761,904
Less: allowance for credit losses	(6,484,425)	(6,785,565)
Less: adjustment for discount	(7,966)	(130,385)
Total	\$ 487,857,672	\$ 490,845,954

The Consolidated Company recognized appropriate allowance for bad debts for the bills discounted, loans and receivables and other financial assets. As of December 31, 2017 and 2016, details and changes in allowance for bad debts in relation to bills discounted and loans are as follows:

Bills discounted and Loans	For the years ended December 31,	
	2017	2016
Beginning balance	\$ 6,785,565	\$ 6,448,936
Add: Acquisition through business combination	-	65,918
Provision	676,415	956,683
Less: Reversal of allowance for bad debts	-	(60,897)
Write-off of loans and advances	(869,796)	(600,730)
Foreign exchange translation adjustment	(107,759)	(24,345)
Ending balance	<u>\$ 6,484,425</u>	<u>\$ 6,785,565</u>

Receivables and other financial assets	For the years ended December 31,	
	2017	2016
Beginning balance	\$ 368,075	\$ 564,744
Add: Acquisition through business combination	-	590
Provision	102,963	602,980
Less: Write-off of loans and advances	(76,832)	(788,655)
Foreign exchange translation adjustment	(17,128)	(11,584)
Ending balance	<u>\$ 377,078</u>	<u>\$ 368,075</u>

Please refer to Note 12(4) for the impairment assessment made on bills discounted, loans and receivables and other financial assets of the Consolidated Company.

(7) Available-for-sale financial assets- net

	December 31, 2017	December 31, 2016
Bonds (including government bonds, financial bonds and corporate bonds)	\$ 70,264,920	\$ 81,301,046
Short-term Transactions Instruments	68,296,960	645,580
Listed (TSE and OTC) stocks	2,028,935	1,818,295
Unlisted stocks	362,446	362,575
Valuation adjustments of available-for-sale financial assets	775,739	294,355
Subtotal	<u>141,729,000</u>	<u>84,421,851</u>
Less: accumulated impairment	(1,231)	(1,335)
Total	<u>\$ 141,727,769</u>	<u>\$ 84,420,516</u>

A. Reclassifications

(A) Because the Consolidated Company 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:

At September 30, 2013	Available-for-sale financial assets	Held-to-maturity financial assets	Bond investments without active market
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>

	December 31, 2016	
	Book Value	Fair Value
Held-to-maturity financial assets	\$ 5,018,716	\$ 5,175,183
Bond investments without active market	23,036,975	23,681,639
	<u>\$ 28,055,691</u>	<u>\$ 28,856,822</u>

(C) If the above government bonds had not been 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 recognized in other comprehensive income would be gain \$526,541 and loss \$243,821 for the years ended December 31, 2017 and 2016, respectively.

B. The Consolidated Company recognized interest income of \$1,615,245 and \$872,963 on debt instrument held for the years ended December 31, 2017 and 2016, respectively.

C. As of December 31, 2017 and 2016, for the above available-for-sale financial assets pledged as collaterals, please refer to Note 8.

(8) Held-to-maturity financial assets— net

	December 31, 2017	December 31, 2016
Government bonds	\$ 26,713,342	\$ 14,674,155
Corporate bonds	30,387	67,501
Total	<u>\$ 26,743,729</u>	<u>\$ 14,741,656</u>

A. The Consolidated Company recognized interest income on held-to-maturity financial assets amounting to \$277,644 and \$243,402 in profit or loss for the years ended December 31, 2017 and 2016, respectively.

B. As of December 31, 2017 and 2016, the Consolidated Company has no held-to-maturity financial assets pledged to others as collaterals.

C. Because the Consolidated Company changed its intent to hold the following assets, a portion of the government bonds were reclassified from available-for-sale financial assets to held-to-maturity financial assets on September 30, 2013. Details of the reclassification are provided in Note 6(7).

(9) Other financial assets- net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bond investments without active market	\$ 34,525,143	\$ 49,541,169
Advance	29,329	14,465
Non-loans reclassified to non-performing loans	169,938	209,175
Others	<u>122,704</u>	<u>17,956</u>
Subtotal	34,847,114	49,782,765
Less: provision for credit losses	(175,138)	(212,563)
Total	<u>\$ 34,671,976</u>	<u>\$ 49,570,202</u>

A. The Consolidated Company recognized interest income on bond investments without active market amounting to \$912,781 and \$1,335,404 in profit or loss for the years ended December 31, 2017 and 2016, respectively.

B. As of December 31, 2017 and 2016, details of the Consolidated Company's bond investments without active market pledged to others as collateral are provided in Note 8.

C. Because the Consolidated Company changed its intent to hold the following assets, a portion of the government bonds were reclassified from available-for-sale financial assets to bond investments without active market on September 30, 2013. Details of the reclassification are provided in Note 6(7).

(Blank below)

(10) Property and equipment- net

Change in property and equipment of the Consolidated Company:

Cost	Land	Buildings and structures	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2017	\$ 4,368,224	\$ 1,291,881	\$ 374,671	\$ 75,351	\$ 137,469	\$ 336,779	\$ 115,543	\$ 6,699,918
Additions	-	251	22,804	5,500	19,460	26,207	1,041,269	1,115,491
Disposals	(161,442)	(6,789)	(17,725)	(6,810)	(69,705)	(84,722)	-	(347,193)
Reclassifications	832,257	122,638	75,508	-	183	8,280	1,065,737	26,871
Translation difference	641	(8,260)	(3,090)	(351)	765	(193)	-	(10,488)
At December 31, 2017	5,039,680	1,399,721	452,168	73,690	88,172	286,351	91,075	7,430,857
Accumulated depreciation								
At January 1, 2017	-	(207,308)	(112,382)	(30,353)	(96,179)	(173,736)	-	(619,958)
Depreciation	-	(36,116)	(87,294)	(10,800)	(16,100)	(60,370)	-	(210,680)
Disposals	-	3,191	17,725	3,121	69,483	83,448	-	176,968
Reclassifications	-	(3,492)	-	-	-	-	-	(3,492)
Translation difference	-	2,751	1,752	312	(446)	192	-	4,561
At December 31, 2017	-	(240,974)	(180,199)	(37,720)	(43,422)	(150,466)	-	(652,601)
Net carrying amount	\$ 5,039,680	\$ 1,158,747	\$ 271,969	\$ 35,970	\$ 44,930	\$ 135,885	\$ 91,075	\$ 6,778,256
Cost	Land	Buildings and structures	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2016	\$ 3,550,459	\$ 1,157,382	\$ 228,328	\$ 62,086	\$ 76,946	\$ 421,517	\$ 95,596	\$ 5,592,314
Acquisition through business combination	170,760	7,180	-	1,785	69,813	-	-	249,538
Additions	-	7,770	146,370	20,310	15,198	26,311	180,190	396,149
Disposals	-	-	(52,202)	(8,642)	(21,229)	(125,913)	-	(207,986)
Reclassifications	656,965	127,058	53,768	189	1,172	15,042	160,243	693,951
Translation difference	(9,960)	(7,509)	(1,593)	(377)	(4,431)	178	-	(24,048)
At December 31, 2016	4,368,224	1,291,881	374,671	75,351	137,469	336,779	115,543	6,699,918
Accumulated depreciation								
At January 1, 2016	-	(173,958)	(110,437)	(24,554)	(46,535)	(221,497)	-	(576,981)
Acquisition through business combination	-	(3,076)	-	(1,785)	(58,020)	-	-	(62,881)
Depreciation	-	(31,119)	(55,087)	(9,476)	(16,604)	(78,205)	-	(190,491)
Disposals	-	-	51,545	5,192	21,189	125,474	-	203,400
Reclassifications	-	(1,818)	-	(67)	-	320	-	(1,565)
Translation difference	-	2,663	1,597	337	3,791	172	-	8,560
At December 31, 2016	-	(207,308)	(112,382)	(30,353)	(96,179)	(173,736)	-	(619,958)
Net carrying amount	\$ 4,368,224	\$ 1,084,573	\$ 262,289	\$ 44,998	\$ 41,290	\$ 163,043	\$ 115,543	\$ 6,079,960

(11) Investment property- net

Change in investment property of the Consolidated Company:

Cost	Land and land improvements	Buildings	Total
At January 1, 2017	\$ 961,119	\$ 263,003	\$ 1,224,122
Reclassifications	(8,277)	(12,346)	(20,623)
At December 31, 2017	952,842	250,657	1,203,499
<u>Accumulated depreciation</u>			
At January 1, 2017	-	(35,457)	(35,457)
Depreciation	-	(6,996)	(6,996)
Reclassifications	-	3,492	3,492
At December 31, 2017	-	(38,961)	(38,961)
<u>Accumulated impairment</u>			
At January 1, 2017	(105,388)	-	(105,388)
Reversal of impairment loss	45	-	45
At December 31, 2017	(105,343)	-	(105,343)
Net carrying amount	\$ 847,499	\$ 211,696	\$ 1,059,195

Cost	Land and land improvements	Buildings	Total
At January 1, 2016	\$ 1,620,723	\$ 390,028	\$ 2,010,751
Disposals	(2,639)	-	(2,639)
Reclassifications	(656,965)	(127,025)	(783,990)
At December 31, 2016	961,119	263,003	1,224,122
<u>Accumulated depreciation</u>			
At January 1, 2016	-	(28,365)	(28,365)
Depreciation	-	(8,889)	(8,889)
Reclassifications	-	1,797	1,797
At December 31, 2016	-	(35,457)	(35,457)
<u>Accumulated impairment</u>			
At January 1, 2016	(105,425)	-	(105,425)
Reversal of impairment loss	37	-	37
At December 31, 2016	(105,388)	-	(105,388)
Net carrying amount	\$ 855,731	\$ 227,546	\$ 1,083,277

- A. The fair value of the investment property held by the Consolidated Company as of December 31, 2017 and 2016 was \$1,136,179 and \$1,154,712, respectively. The investment property were determined by the valuation results of independent valuation experts who used the direct capitalization method of the income approach, market comparison approach, cost approach, land development analysis approach and other valuation approaches. These fair values are classified as Level 2 within the fair value hierarchy.
- B. For the years ended December 31, 2017 and 2016, rental income from the investment property was \$30,497 and \$38,038, respectively. For the years ended December 31, 2017 and 2016, direct operating expenses arising from the investment property amounted to \$2,855 and \$2,744, respectively. And direct operating expenses arising from the investment property that did not generate rental income amounted to \$503 and \$499, respectively.

(12) Intangible assets- net

Change in intangible assets of the Consolidated Company:

Cost	Goodwill	Computer software	Others	Total
At January 1, 2017	\$ 2,334,641	\$ 322,092	\$ 4,756	\$ 2,661,489
Additions	-	36,247	-	36,247
Disposals	-	(21,246)	-	(21,246)
Reclassifications	-	54,763	-	54,763
Translation difference	16,838	520	195	17,553
At December 31, 2017	2,351,479	392,376	4,951	2,748,806
<u>Accumulated amortization</u>				
At January 1, 2017	-	(116,182)	(216)	(116,398)
Amortization	-	(68,119)	(319)	(68,438)
Disposals	-	21,246	-	21,246
Reclassifications	-	(10,152)	-	(10,152)
Translation difference	-	(332)	(20)	(352)
At December 31, 2017	-	(173,539)	(555)	(174,094)
Net carrying amount	\$ 2,351,479	\$ 218,837	\$ 4,396	\$ 2,574,712

Cost	Goodwill	Computer software	Others	Total
At January 1, 2016	\$ 1,924,395	\$ 297,962	\$ -	\$ 2,222,357
Acquisition through business combination	435,597	4,437	5,051	445,085
Additions	-	3,825	-	3,825
Disposals	-	(34,067)	-	(34,067)
Reclassifications	-	50,375	-	50,375
Translation difference	(25,351)	(440)	(295)	(26,086)
At December 31, 2016	2,334,641	322,092	4,756	2,661,489
<u>Accumulated amortization</u>				
At January 1, 2016	-	(89,086)	-	(89,086)
Amortization	-	(61,311)	(225)	(61,536)
Disposals	-	34,052	-	34,052
Translation difference	-	163	9	172
At December 31, 2016	-	(116,182)	(216)	(116,398)
Net carrying amount	\$ 2,334,641	\$ 205,910	\$ 4,540	\$ 2,545,091

A. Test of impairment for goodwill of the Bank:

(A) The basis of determining the recoverable amount of cash generating unit:

Recoverable amount of cash generating unit as identified by the operating segments is assessed by the value-in-use, which is calculated by pre-tax cash flow of the one-year financial budget as granted by the management.

(B) The key assumptions used in calculating value-in-use are as follows:

1. Discount rate : Calculations are based on the weighted average cost of capital (WACC), taking into account risks that are specific to the cash generating units tested for impairment.

2. Growth rate : Calculations are based on the conservatively estimated future cash flow over 10 years.
- B. Test of impairment for goodwill of Yuanta Savings Bank (Korea):
- (A) The basis of determining the recoverable amount of cash generating unit:
- Recoverable amount of cash generating unit as identified by the operating segments is assessed by the value-in-use, which is calculated by pre-tax cash flow of the five-year financial budget as granted by the management.
- (B) The key assumptions used in calculating value-in-use are as follows:
1. Discount rate : Calculations are based on the weighted average cost of capital (WACC), taking into account risks that are specific to the cash generating units tested for impairment.
 2. Growth rate : Calculations are based on OECD Korea GDP growth rate for the past three years.
- C. Goodwill of the Consolidated Company is tested annually for impairment. The reasonableness of key assumptions used in calculating the recoverable amount of cash generating unit are assessed to ensure that the recoverable amounts of the Consolidated Company calculated through value-in-use did not exceed the carrying amount. As a result, no impairment on goodwill was determined. For the years ended December 31, 2017 and 2016, the discount rate and growth rate of key assumptions used in calculating value-in-use of the Bank were 10.32%, 0.00% and 8.81%, 0.00%, respectively. For the year ended December 31, 2017 and 2016, the discount rate and growth rate of key assumptions used in calculating value-in-use of Yuanta Savings Bank (Korea) were 10.90%, 3.70% and 11.30%, 3.90%, respectively.
- D. On April 25, 2016, the Consolidated Company acquired Yuanta Savings Bank (Korea) in cash. In accordance with accounting practices of the acquisition method for business combinations, the net excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired was recognized as goodwill amounting to \$435,597, please refer to Note 6(37).

(13) Other assets- net

	December 31, 2017	December 31, 2016
Refundable deposits-out	\$ 1,130,307	\$ 1,979,288
Prepaid expenses	87,535	89,434
Other deferred expenses	78,764	85,736
Indemnification assets	112,283	107,856
Others	187,552	147,201
Total	<u>\$ 1,596,441</u>	<u>\$ 2,409,515</u>

The details of indemnification assets are provided in Note 6(37)D(A).

(14) Due to Central Bank and other banks

	December 31, 2017	December 31, 2016
Due to other banks	\$ 54	\$ 2,289
Overdrafts from other banks	129,327	1,018,133
Call loans from other banks	5,593,217	19,735,710
Redeposit from the directorate general of postal remittance	4,819,369	4,868,735
Total	<u>\$ 10,541,967</u>	<u>\$ 25,624,867</u>

(15) Financial liabilities at fair value through profit or loss

	December 31, 2017	December 31, 2016
Financial liabilities held for trading :		
Derivative financial instruments	\$ 1,832,213	\$ 2,994,670
Financial liabilities designated as at fair value through profit or loss on initial recognition :		
Financial bonds	1,144,750	2,380,330
Valuation adjustment of financial liabilities designated as at fair value through profit or loss on initial recognition	1,590 (	42,015)
Subtotal	<u>1,146,340</u>	<u>2,338,315</u>
Total	<u>\$ 2,978,553</u>	<u>\$ 5,332,985</u>

A. Financial derivative instruments are used as an economic hedge against fixed-rate debt instruments issued by the Consolidated Company to achieve the Consolidated Group's risk management strategy. Financial derivative instruments are measured at fair value through profit or loss. In order to eliminate accounting inconsistency, upon initial recognition, the Consolidated Company also designated the above-mentioned financial bonds as financial liabilities measured at fair value through profit or loss. The main terms of issuance of the financial liabilities as of December 31, 2017 are as follows:

First series of unsecured financial debentures in 2015

Par value	CNY\$250,000
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

B. For the years ended December 31, 2017 and 2016, the accumulated movement of fair value attributable to the movement of credit risk of financial liabilities measured at fair value through profit or loss was loss \$2 and \$46,917, respectively.

(16) Payables

	December 31, 2017	December 31, 2016
Demand remittance payables	\$ 1,946,099	\$ 6,257,362
Bonus payable	1,807,499	1,282,427
Checks for clearing	1,753,770	1,490,562
Bankers' acceptances payables	1,140,712	1,650,748
Interest payable	1,080,848	996,395
Accounts payable	466,265	350,777
Factoring payables	457,394	357,251
Accrued expenses	431,453	313,924
Collections payable for customers	214,024	192,130
Other payables	8,930,142	386,297
Total	<u>\$ 18,228,206</u>	<u>\$ 13,277,873</u>

(17) Deposits and remittances

	December 31, 2017	December 31, 2016
Checking deposits	\$ 3,716,662	\$ 3,432,215
Demand deposits	103,683,237	108,174,279
Time deposits	198,367,651	204,203,401
Negotiable certificates of deposit	42,669,000	32,932,500
Savings deposits	390,486,038	364,022,417
Remittances	285,927	265,128
Total	<u>\$ 739,208,515</u>	<u>\$ 713,029,940</u>

(18) Financial debentures payable

	December 31, 2017	December 31, 2016
Subordinate financial debentures	<u>\$ 33,000,000</u>	<u>\$ 38,000,000</u>

The details of financial debentures as of December 31, 2017 were as follows:

First series of subordinate financial debentures in 2011

Par value	\$2,450,000
Stated interest rate	Fixed interest rate at 1.75%
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 series of subordinate financial debentures in 2011

Par value	\$2,350,000
Stated interest rate	Fixed interest rate at 1.85%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

Third series of subordinate financial debentures in 2011(debenture 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 series of subordinate financial debentures in 2011(debenture 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 series of subordinate financial debentures in 2014(debenture A)	
Par value	\$1,600,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
First series of subordinate financial debentures in 2014(debenture B)	
Par value	\$4,700,000
Stated interest rate	Fixed interest rate at 2.00%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
Second series of subordinate financial debentures in 2014	
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
Third series of perpetual non-cumulative subordinate financial debentures in 2015	
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

Fourth series of subordinate financial debentures in 2015

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

Fifth series of perpetual non-cumulative subordinate financial debentures in 2015

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

First series of subordinate financial debentures in 2016

Par value	\$5,000,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

(19) Other financial liabilities

	December 31, 2017	December 31, 2016
Principal of structured products	\$ 1,557,133	\$ 2,110,711
Appropriated loan fund	53,402	122,171
Lease payables	524	1,813
Total	<u>\$ 1,611,059</u>	<u>\$ 2,234,695</u>

(20) Provisions

	December 31, 2017	December 31, 2016
Provisions for employee benefits	\$ 815,691	\$ 758,862
Provisions for guarantee liabilities	177,571	326,273
Provisions for litigation losses	112,283	107,856
Other provision	28,452	4,347
Total	<u>\$ 1,133,997</u>	<u>\$ 1,197,338</u>

The details of provisions for litigation losses are provided in Note 6(37)D(A).

Change in provisions for guarantee liabilities of the Consolidated Company is as follows:

	For the years ended December 31,	
	2017	2016
Beginning balance	\$ 326,273	\$ 401,251
Less: Reversal	(148,300)	(74,850)
Foreign exchange rate changes and others	(402)	(128)
Ending balance	<u>\$ 177,571</u>	<u>\$ 326,273</u>

(21) Provisions for employee benefits

A. Defined benefit plans of the Bank

(A) The Bank has 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 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 Bank 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 Bank and its domestic subsidiaries 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 Bank and its domestic subsidiaries will make contributions to cover the deficit by next March.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 1,176,426	\$ 1,174,207
Fair value of plan assets	(371,715)	(423,904)
Net defined benefit liability	<u>\$ 804,711</u>	<u>\$ 750,303</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2017</u>			
Balance at January 1	\$ 1,174,207	(\$ 423,904)	\$ 750,303
Current service cost	23,424	-	23,424
Interest expense (income)	17,613	(6,359)	11,254
	<u>1,215,244</u>	<u>(430,263)</u>	<u>784,981</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,984	1,984
Change in financial assumptions	28,168	-	28,168
Experience adjustments	9,119	-	9,119
	<u>37,287</u>	<u>1,984</u>	<u>39,271</u>
Pension fund contribution	-	(8,923)	(8,923)
Pension paid	(76,105)	65,487	(10,618)
Balance at December 31	<u>\$ 1,176,426</u>	<u>(\$ 371,715)</u>	<u>\$ 804,711</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2016</u>			
Balance at January 1	\$ 1,256,913	(\$ 408,549)	\$ 848,364
Current service cost	27,306	-	27,306
Interest expense (income)	21,367	(6,945)	14,422
	<u>1,305,586</u>	<u>(415,494)</u>	<u>890,092</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,167	3,167
Change in financial assumptions	(38,581)	-	(38,581)
Experience adjustments	(87,697)	-	(87,697)
	<u>(126,278)</u>	<u>3,167</u>	<u>(123,111)</u>
Liabilities assumed from business combination	869	(869)	-
Pension fund contribution	-	(10,708)	(10,708)
Pension paid	(5,970)	-	(5,970)
Balance at December 31	<u>\$ 1,174,207</u>	<u>(\$ 423,904)</u>	<u>\$ 750,303</u>

(D) The Bank recognized pension costs amounting to \$34,678 and \$41,728 in comprehensive income for the years ended December 31, 2017 and 2016, respectively.

(E) The Bank of Taiwan was commissioned to manage the Fund of the Bank and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Bank and its domestic subsidiaries has no right to participate in managing and operating that fund and hence the Bank and its domestic subsidiaries is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the years ended December 31,	
	2017	2016
Discount rate	1.30%	1.50%
Future salary increase rate	2.50%	2.50%

For the years ended December 31, 2017 and 2016, assumptions regarding future mortality rate are set based on the 5th Chart of Life Span Estimate, used by the Taiwan Life Insurance Enterprises.

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

	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 35,074)	\$ 36,473	\$ 32,656	(\$ 31,629)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 36,887)	\$ 38,423	\$ 34,592	(\$ 33,446)

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

- (G) Expected contributions to the defined benefit pension plans of the Bank and its domestic subsidiaries for the year ending December 31, 2018 amounts to \$9,838.
- (H) As of December 31, 2017, the weighted average duration of that retirement plan is 13 years.

B. Pension plans of foreign subsidiaries:

- (A) The pension plan for Yuanta Savings Bank (Philippines) is in compliance with above-mentioned pension plan. As of December 31, 2017 and 2016 the pension liability was \$6,235 and \$4,762, respectively, while pension expenses recognized in comprehensive income for the years ended December 31, 2017 and 2016 was \$1,862 and \$1,664, respectively.
- (B) The pension plan for Yuanta Savings Bank (Korea) is in compliance with above-mentioned pension plan. As of December 31, 2017 and 2016, the pension liability was \$4,745 and \$3,797, respectively, while pension expenses recognized in comprehensive income for the years ended December 31, 2017 and 2016 was \$5,922 and \$5,020, respectively.

C. The Bank and its domestic subsidiaries Defined contribution plans:

- (A) Effective July 1, 2005, the Bank 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 Bank 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) The pension costs under defined contribution pension plans of the Consolidated Company for the years ended December 31, 2017 and 2016 were \$111,903 and \$109,471, respectively

(22) Other liabilities

	December 31, 2017	December 31, 2016
Collections in advance	\$ 950,066	\$ 889,302
Refundable deposits- in	219,766	130,358
Others	66,627	40,463
Total	<u>\$ 1,236,459</u>	<u>\$ 1,060,123</u>

(23) Share capital

A. As of December 31, 2017, authorized capital and paid-in capital were \$80,000,000 and \$42,652,845 respectively, equivalent to 8,000,000 thousand and 4,265,285 thousand shares, respectively, with a par value of \$10 dollars per share. As of December 31, 2016, authorized capital and paid-in capital were \$80,000,000 and \$41,521,815, respectively, equivalent to 8,000,000 thousand and 4,152,182 thousand shares, respectively, with a par value of \$10 dollars per share.

B. The Board of Directors resolved on May 25, 2017 on behalf of stockholders to transfer undistributed earnings amounting to \$1,131,030 to increase its capital by 113,103 thousand shares with a par value of \$10 dollars per share. The Board has set the effective date of stock distribution for capital increase and earnings transferred to new stocks issuance on August 14, 2017. The registration for capital change has been completed.

C. The Board of Directors resolved on May 26, 2016 on behalf of stockholders to transfer undistributed earnings amounting to \$2,338,197 to increase its capital by 233,820 thousand shares with a par value of \$10 dollars per share. The Board has set the effective date of stock distribution for capital increase and earnings transferred to new stocks issuance on June 27, 2016. The registration for capital change has been completed.

(24) Capital surplus

As of December 31, 2017 and 2016, additional paid-in capital is composed of the following:

Share premium	Employee stock options	Change in equity of investee company accounted for under equity method	Total
\$ 5,990,975	\$ 47,783	\$ 124	\$ 6,038,882

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.

(25) Unappropriated earnings

A. Legal reserve

The Bank's Articles of Incorporation states that 30% of current year's earnings after paying all taxes and offsetting any accumulated deficit, should be set aside as the legal reserve. Until the legal reserve balance equals the total amount of capital, the maximum cash earnings distribution shall not exceed 15% of total amount of capital. Provided that the legal reserve equals the total amount of capital or the criteria of sound financial structure outlined by the competent authorities is met, the above rule may be exemptible. 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 shareholder in proportion to their share ownership when the reserve has exceeded capital by 25%.

B. Special reserve

- (A) Upon the first-time adoption of IFRSs, Financial-Supervisory-Securities-Corporate No. 1010012865 dated April 6, 2012 requires the Bank to reverse special earnings reserve in the proportion of the original recognition when the Bank subsequently uses, disposes or reclassifies related assets and the reversed portion may be distributed thereon. After adopting IFRSs, upon the distribution of earnings, the bank shall set aside the equal amount of special reserve based on the profit of current year and undistributed earnings, for the decrease in other stockholders' equity of this year. If there is any reversal of the decrease in other stockholders' equity, the earnings may be distributed based on the reversal proportion.
- (B) Because of the "trading loss reserve" and "default loss reserve" have been abolished in "Regulations Governing Securities Firms". The "trading loss reserve" and "default loss reserve" set aside before the end of December 2010 should be transferred to "special earnings reserve" according to Financial-Supervisory-Banking-Corporate No. 10010000440 dated March 23, 2011. The special reserve, after the transfer, shall not be used for purposes other than covering the losses of the company or, when the special reserve reaches 50 percent of the amount of paid-in capital, half of it may be used for capitalization.
- (C) In accordance with Jin-Guan-Yin-Fa-Zi Letter No. 10510001510, the Bank shall, upon appropriating the earnings of 2016 to 2018, provide provision 0.5% to 1% of income after taxes as special reserve. Starting from 2017 accounting year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee transfer or arrangement expenditures resulting from the developments in financial technology.

C. Unappropriated earnings distribution and dividend policy

- (A) According to the Bank's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes, to offset prior years' operating losses, and then to set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the Ordinary Stockholders' Meeting for approval.

In order to continuously expand operation scale and enhance the profitability and capital adequacy ratio, the Bank adopts a dividend surplus policy which regulates that retained earning distribution in cash dividends shall not be less than 30% of the annual earnings to be distributed. Additionally, cash dividends distribution shall be resolved at stockholders' meeting where as share dividends distribution shall be approved by the Financial Supervisory Commission. Furthermore, any matter regarding to distribution policy shall be raised at the Board of Directors' meeting and resolved at the stockholders' meeting.

- (B) After the Bank became a subsidiary of Yuanta Financial Holding Company, the rights of the stockholders were exercised by the Board of Directors.
- (C) The Board of Directors has approved the distribution of earnings for the year 2016 and the retained earnings transferred to capital for the year 2017 on May 25, 2017 and the distribution of earnings for the year 2015 and the retained earnings transferred to capital

for the year 2016 on May 26, 2016. Details are shown as follows :

	2016 earnings		2015 earnings	
	Amount	Stock dividends per Share (in dollars)	Amount	Stock dividends per Share (in dollars)
Legal reserve	\$ 1,678,487		\$ 1,443,671	
Special reserve	251,124		28,282	
Cash dividends	2,639,071	\$ 0.6356	1,002,084	\$ 0.2557
Stock dividends	1,131,030	0.2724	2,338,197	0.5967
Total	<u>\$ 5,699,712</u>		<u>\$ 4,812,234</u>	

(D) Earnings distribution for the year 2017 with the approval of the Board of Directors on March 22, 2018 are as follows:

	2017 earnings	
	Amount	Stock dividends per share (dollar)
Legal reserve	\$ 2,012,687	
Special reserve	(446,244)	
Cash dividends	5,142,514	\$ 0.6955
Total	<u>\$ 6,708,957</u>	

The appropriation of the Bank's 2017 earnings has been approved by the Board of Directors on March 22, 2018 and is pending until the confirmation from the Board of Directors on behalf of stockholders.

(E) Information about appropriation of earnings and issuance of new shares through capitalization of earnings as resolved by the Board of Directors (on behalf of the stockholders' meeting) will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Other equity items

	Translation gain and loss on the financial statements of foreign operating entities	Available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk of the liability	Total
Balance, January 1, 2017	₹ \$ 122,691)	(\$ 357,100)	\$ 2	(\$ 479,789)
Available-for-sale financial assets				
-Evaluation adjustment in the period	-	872,258	-	872,258
- Realized gain and loss in the period	- (	269,942 )	- (	269,942)
Changes in translation difference of foreign operating entities	(104,391 )	-	- (	104,391)
Evaluation of credit risk	-	- (	2)	(2)
Effects on income tax	- (	8,531 )	- (	8,531)
Balance, December 31, 2017	<u>₹ \$ 227,082)</u>	<u>\$ 236,685</u>	<u>\$ -</u>	<u>\$ 9,603</u>

	Translation gain and loss on the financial statements of foreign operating entities	Available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk of the liability	Total
Balance, January 1, 2016	\$ 193,449	(\$ 497,007)	\$ 46,919	(\$ 256,639)
Available-for-sale financial assets				
-Evaluation adjustment in the period	-	289,827	-	289,827
- Realized gain and loss in the period	- (	144,380 )	- (	144,380)
Changes in translation difference of foreign operating entities	(316,140 )	-	- (	316,140)
Evaluation of credit risk	-	- (	46,917)	(46,917)
Effects on income tax	- (	5,540 )	- (	5,540)
Balance, December 31, 2016	(\$ 122,691)	(\$ 357,100)	\$ 2	(\$ 479,789)

(27) Net interest income

	For the years ended December 31,	
	2017	2016
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 11,198,450	\$ 10,557,301
Interest income on securities investment	2,839,288	2,497,150
Interest income from placement and call loan to other banks	236,348	599,464
Recurring interest income from credit card	80,198	64,376
Interest income of factoring acceptances receivable	40,785	20,797
Other interest income	31,792	38,636
Subtotal	<u>14,426,861</u>	<u>13,777,724</u>
<u>Interest expense</u>		
Interest expense of deposit	(4,087,896)	(4,047,512)
Coupon rate of bank debenture	(831,325)	(883,689)
Interest expense of Central Bank and other banks' deposit	(138,153)	(155,785)
Interest expense on bills and bonds sold under repurchase agreements	(89,234)	(33,682)
Interest expense of structured instruments	(59,470)	(56,082)
Other interest expense	(8,453)	(3,375)
Subtotal	<u>(5,214,531)</u>	<u>(5,180,125)</u>
Total	<u>\$ 9,212,330</u>	<u>\$ 8,597,599</u>

(28) Net service income

	For the years ended December 31,	
	2017	2016
Service fee and commission income		
Service fee income on credit cards	\$ 1,282,417	\$ 1,011,342
Service fee income on trust business	1,166,139	771,839
Service fee income on insurance brokerage	980,925	1,291,965
Service fee income on credit extension	848,381	785,812
Service fee income on foreign exchange	75,137	75,092
Deposits and remittance and other service fee income (NOTE)	136,268	112,080
Subtotal	4,489,267	4,048,130
Service fee expenses and commission expense		
Service fee expense on credit cards	(1,139,409)	(907,515)
Service fee expense on trust business	(7,800)	(6,699)
Service fee expense on insurance brokerage	-	(53,500)
Service fee expense on credit extension	(14,767)	(17,540)
Service fee expense on foreign exchange	(30,313)	(31,813)
Deposits and remittance and other service fee expense	(201,705)	(198,200)
Subtotal	(1,393,994)	(1,215,267)
Total	\$ 3,095,273	\$ 2,832,863

Note 1: The Consolidated Company accrued service fee income amounting to \$2,680 and \$663 from electronic payment business for the years ended December 31, 2017 and 2016, respectively.

Note 2: For the years ended December 31, 2017 and 2016, the Consolidated Company accrued interest income amounting to \$8 and \$6 from utilising fund under the electronic payment business pursuant to Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions.

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

	For the years ended December 31,	
	2017	2016
Realized gain or loss on financial assets and liabilities at fair value through profit or loss		
Bonds	\$ 1,317,559	\$ 956,494
Commercial papers	107,079	36,427
Time deposits	103,009	11,405
Stocks	1,354	(15,454)
Beneficiary certificates	51	3,727
Financial debentures payable	(63,756)	(112,141)
Exchange rate-linked instrument	349,338	2,032,496
Equity linked products	8,055	(23,394)
Interest rate-linked instrument	(262,187)	347,048
Other derivative instruments	-	1,706
Subtotal	1,560,502	3,238,314
Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss		
Bonds	191,300	269,245
Commercial papers	(2,067)	160
Time deposits	(2,929)	9,099
Stocks	14,451	(673)
Beneficiary certificates	6	(3,575)
Financial debentures payable	(43,603)	67,397
Exchange rate-linked instrument	140,938	(1,462,577)
Equity linked products	(124)	(731)
Interest rate-linked instrument	2,816	(414,730)
Other derivative instruments	-	(1,450)
Subtotal	300,788	(1,537,835)
Total	\$ 1,861,290	\$ 1,700,479

- A. The realized gains (losses) on the financial assets and liabilities at fair value through profit and loss of the Consolidated Company for the years ended December 31, 2017 and 2016, including net interest income, the gain (loss) on disposal and dividend income, are as follows:

	For the years ended December 31,	
	2017	2016
Net interest income	\$ 1,099,551	\$ 1,156,354
Gain on disposal	457,628	2,078,207
Dividend income	3,323	3,753
Total	\$ 1,560,502	\$ 3,238,314

- B. Exchange rate-linked instruments include forward exchange contracts, foreign exchange swap contracts, cross currency swap contracts, non-delivery forwards contracts, exchange rate options and other exchange rate related instruments.
- C. Interest-linked instruments include interest rate swap contracts, structured interest rate products and interest linked-options futures and other interest related instruments.
- D. Equity linked products include equity futures and embedded structural equity products.
- E. Any changes in fair value of the derivatives together managed with the financial instruments designated at fair value through profit or loss are listed under “gain and loss of financial assets at fair value through profit or loss”.

(30) Realized gain on available-for-sale financial assets

	For the years ended December 31,	
	2017	2016
Stock dividend income	\$ 116,765	\$ 116,534
Gains on disposal		
Bonds (Government bonds, Corporate bonds and Financial bonds)	262,964	197,226
Listed (TSE and OTC) stocks	13,688	79,321
Subtotal	276,652	276,547
Loss on disposal		
Bonds (Government bonds, Corporate bonds and Financial bonds)	(6,268)	(2,596)
Listed (TSE and OTC) stocks	(442)	(129,038)
Unlisted stocks	-	(533)
Subtotal	(6,710)	(132,167)
Total	\$ 386,707	\$ 260,914

(31) Other non-interest income

	For the years ended December 31,	
	2017	2016
Rental income on investment property	\$ 32,517	\$ 39,484
Gains on default fine of loans	26,127	28,338
Gain on disposal of investment property	-	61
Gain on trade/disposal of property	156,296	285
Other net gains or losses	13,591	5,514
Total	\$ 228,531	\$ 73,682

(32) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Wages and salaries	\$ 3,887,815	\$ 3,325,049
Labor and health insurance fees	225,986	214,757
Pension costs	154,365	157,883
Other personnel expenses	212,101	211,387
Total	\$ 4,480,267	\$ 3,909,076

A. According to the Articles of Incorporation of the Bank, if the Bank has earnings upon the year-end, after covering accumulated deficits with current year earnings (that is income before taxes less income before appropriation of employees' compensation), the remainder, if any, shall provision 0.01% to 5% as employees' compensation.

B. For the years ended December 31, 2017 and 2016, employees' compensation (bonus) was accrued at \$28,400 and \$27,600, respectively. The amounts were recognized in salary expenses. For the year ended December 31, 2017, after considering accumulated deficits, the most appropriate estimate was accrued based on the period-end (the current year) earnings and the multiplier interval stipulated in the Articles of Incorporation; subsequently, where the accrued amounts are different from the actual distributed amounts as resolved by the Board of Directors on behalf of the stockholders' meeting, the differences are accounted for as changes in accounting estimates.

C. Employees' compensation of 2016 as resolved at the meeting of the Board of Directors was in agreement with the amount recognized in the 2016 financial statements amounting to \$27,600.

(33) Depreciation and amortization

	For the years ended December 31,	
	2017	2016
Property and equipment depreciation	\$ 210,680	\$ 190,491
Investment property depreciation	6,996	8,889
Intangible asset amortization	68,438	61,536
Deferred assets amortization	43,378	31,916
Total	<u>\$ 329,492</u>	<u>\$ 292,832</u>

(34) Other general and administrative expenses

	For the years ended December 31,	
	2017	2016
Tax	\$ 645,315	\$ 680,933
Rental expense	521,123	535,355
Repairs and maintenance	210,604	208,640
Insurance expense	221,284	190,222
Professional expense	147,062	111,197
Others	802,643	714,696
Total	<u>\$ 2,548,031</u>	<u>\$ 2,441,043</u>

(35) Income tax

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current tax:		
Income tax from current income	\$ 820,837	\$ 773,642
Prior year income tax (overestimation) underestimation	(195,262)	1,827
Total current tax	<u>625,575</u>	<u>775,469</u>
Deferred tax:		
Origination and reversal of temporary differences	91,963	(18,417)
Income tax expense	<u>\$ 717,538</u>	<u>\$ 757,052</u>

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

	For the years ended December 31,	
	2017	2016
Fair value gains/losses on available-for-sale financial assets	\$ 8,531	\$ 5,540
Remeasurement of defined benefit obligations	(6,781)	21,090

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2017	2016
Income tax from pretax income calculated at regulated tax rate	\$ 1,307,568	\$ 1,081,468
Temporary differences not recognized as deferred tax assets	(33,205)	-
Taxable loss not recognized as deferred tax assets	24,040	-
Change in assessment of realization of deferred tax assets	202	-
Prior year income tax (overestimation) underestimation	(195,262)	1,827
Net operating loss carryforwards deducted from the current year's use	(21,189)	-
Alternative Minimum Tax effects	268,635	196,389
Effects of items not recognized under relevant regulations, adjusted effects on income tax exemption and other income	(633,251)	(522,632)
Income tax expense	<u>\$ 717,538</u>	<u>\$ 757,052</u>

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C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2017				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Others	December 31
Temporary differences:					
Allowance for credit losses in excess of tax limitation	\$ 209,032	(\$ 61,039)	\$ -	(\$ 1,522)	\$ 146,471
Employee benefit liabilities reserve	128,980	2,560	6,781	(121)	138,200
Unrealized exchange gain or loss	37,394	41,383	-	14	78,791
Valuation on Financial assets at fair value through profit or loss	36,915	(58,875)	-	-	(21,960)
Net operating loss carryforward	11,735	(9,963)	-	(836)	936
Deferred revenue of credit cards	4,065	(782)	-	-	3,283
Valuation gain or loss on foreign taxable products	2,874	(2,788)	-	-	86
Amortization of goodwill	(139,117)	(20,610)	-	56,677	(103,050)
Unrealized valuation gain or loss on available-for-sale financial assets	(22,037)	-	(8,531)	(11)	(30,579)
Reserve for land revaluation increment tax	(20,956)	-	-	-	(20,956)
Land revaluation surplus	(11,853)	11,900	-	(47)	-
Other	6,487	6,251	-	-	12,738
Net deferred tax asset (liability)	<u>\$ 243,519</u>	<u>(\$ 91,963)</u>	<u>(\$ 1,750)</u>	<u>\$ 54,154</u>	<u>\$ 203,960</u>

Information expressed on the
balance sheet are as follow:

Deferred tax asset	\$ 437,751	\$ 383,565
Deferred tax liability	(194,232)	(179,605)
Total	<u>\$ 243,519</u>	<u>\$ 203,960</u>

	2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Others	December 31
Temporary differences:					
Allowance for credit losses in excess of tax limitation	\$ 260,627	(\$ 51,595)	\$ -	\$ -	\$ 209,032
Unrealized exchange gain or loss	191,347	(153,953)	-	-	37,394
Employee benefit liabilities reserve	144,222	5,848	(21,090)	-	128,980
Net operating loss carryforward	11,079	657	-	(1)	11,735
Deferred revenue of credit cards	5,361	(1,296)	-	-	4,065
Valuation on Financial assets at fair value through profit or loss	(199,914)	236,829	-	-	36,915
Amortization of goodwill	(118,507)	(20,610)	-	-	(139,117)
Unrealized valuation gain or loss on available-for-sale financial assets	(22,095)	5,597	(5,540)	1	(22,037)
Reserve for land revaluation increment tax	(20,999)	-	-	43	(20,956)
Valuation gain or loss on foreign taxable products	(3,190)	6,064	-	-	2,874
Land revaluation surplus	-	(12,308)	-	455	(11,853)
Other	3,303	3,184	-	-	6,487
Net deferred tax asset (liability)	<u>\$ 251,234</u>	<u>\$ 18,417</u>	<u>(\$ 26,630)</u>	<u>\$ 498</u>	<u>\$ 243,519</u>

Information expressed on the
balance sheet are as follow:

Deferred tax asset	\$ 615,950	\$ 437,751
Deferred tax liability	(364,716)	(194,232)
Total	<u>\$ 251,234</u>	<u>\$ 243,519</u>

- D. As of December 31, 2017, the Yuanta Savings Bank (Philippines)'s unused loss deduction was \$89,827. The validity period for the loss deduction pursuant to local regulations was before 2020.
- E. As of December 31, 2017, Yuanta Savings Bank (Korea)'s unused loss carry forward was \$572,966. The validity period for the loss carry forward pursuant to local regulations was before 2026.
- F. As of December 31, 2017, the assessment information on the Consolidated Company's income tax returns are as follows:

	Assessment Information
Yuanta Bank	Assessed through 2013
Yuanta Savings Bank (Philippines)	Assessed through 2014
Yuanta Savings Bank (Korea)	Assessed through 2011
Yuanta International Leasing	Assessed through 2015

- G. The Bank's annual income tax returns for 2010 to 2013 were assessed by the Tax Authority and received assessment reports. The Tax Authority disallowed the amortization of goodwill. In accordance with the law, the Bank has claimed for administrative remedy to recognize the income tax expense relating to the additional income tax payable
- H. Shareholders living in ROC have imputation tax credit for the distribution of earnings after (in) 1998 based on the creditable tax rate on the dividend declaration day.

- I. As of December 31, 2017 and 2016, cumulative unappropriated retained earnings recorded in the books were all earnings generated in and after 1998.
- J. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed. As of December 31, 2016, the balance of the imputation tax credit account was \$42,625. The creditable tax rate of actual earnings distributed for 2016 was 0.75% (cash dividend) and 2.23% (stock dividend).
- K. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 2018, the applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Bank's deferred tax assets and deferred tax liabilities by \$64,212 and \$27,912, respectively, which will be adjusted in the first quarter of 2018.

(36) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

For the year ended December 31, 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 the parent	\$ 6,743,007	4,265,285	\$ 1.58
For the year ended December 31, 2016			
	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 the parent	\$ 5,594,955	4,265,285	\$ 1.31

- B. The above weighted-average outstanding stocks have been adjusted retrospectively according to the ratio of capital increase from retained earnings on May 25, 2017. Basic earnings per share before the adjustment were both \$1.35 for the year ended December 31, 2016.

(37) Business combinations

- A. The Bank's investment in Yuanta Savings Bank (Korea) by paying cash in exchange for shares was approved by the Financial Supervisory Commission of R.O.C. (Jin-Guan-Yin-Kong-Zi Order No. 10500026760) on March 17, 2016 and the Financial Services Commission of Korea on April 14, 2016, resulting in Yuanta Savings Bank (Korea) becoming a 100% owned subsidiary of the Bank. The transfer of shares was completed on April 25, 2016.
- B. Information on the fair value of paid consideration, obtained assets and assumed liabilities for acquiring Yuanta Savings Bank (Korea) on the acquisition date is as follows:

	April 25, 2016
Acquisition consideration	\$ 4,081,856
Fair value of the identifiable assets acquired and liabilities assumed	
Assets of the acquired company	6,930,199
Liabilities of the acquired company	(3,283,940)
Total identifiable net assets	3,646,259
Goodwill	\$ 435,597

- C. The merger of the Bank and Yuanta Savings Bank (Korea) is on April 25, 2016. If Yuanta Savings Bank (Korea) had been consolidated as of January 1, 2016, the Consolidated Company's net revenue and profit before income tax for the year ended December 31, 2016 would have been \$14,075,477 and \$6,428,233, respectively.
- D. The 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 the Bank was free from any losses resulting from or related to Yuanta Savings Bank (Korea)'s litigations. As of April 25, 2016 (the acquisition date), the Bank recognized compensatory assets and contingent liabilities resulting from the litigation of ₩4,090,869 thousand:
- (A) 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 in 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), the Bank had reached an agreement with AON BGN Limited Liability Company that required AON BGN Limited Liability Company to pledge ₩5 billion to the Bank as a guarantee for losses related to the litigation. As of December 31, 2017, recognized compensatory assets or contingent liabilities resulting from the litigation were ₩4,024,469 thousand, accounted for respectively under "Other assets-net" and "Provisions". On June 16, 2017, the aforementioned case was adjudicated in favor of the plaintiff, Yuanta Savings Bank (Korea), by the Seoul District Court, Korea; the defendant, Trust Investment, has submitted the pleadings to the Seoul High Court, Korea. As of December 31, 2017, the aforementioned litigation is still under the judicial proceedings of the Seoul High Court. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of the Bank.

(B) After the loans of a borrower of Yuanta Savings Bank (Korea) was in arrears, the real estate pledge by the managing director of the borrower was foreclosed by Yuanta Savings Bank (Korea). Subsequently, the borrower announced bankruptcy and Korea Deposit Insurance Company (“KDIC”), one of the creditors of the borrower, claimed that the collateral should have been included in the liquidation proceedings. As a result, KDIC brought forth a litigation against Yuanta Savings Bank (Korea), claiming fraudulent infringement on creditor’s rights. Upon the acquisition date of Yuanta Savings Bank (Korea), the Bank has recognized ₩66,400 thousand in compensatory assets and contingent liabilities in accordance with litigation amounts. The case was adjudicated in favor of KDIC in the second instance of the district court. Yuanta Savings Bank (Korea) has elected not to appeal the verdict and has paid the compensation of ₩66,400 thousand (equivalent to NT\$1,848 thousand). However, in accordance with Yuanta Savings Bank (Korea)’s equity transfer contract, the seller (AON BGN Limited Liability Company) shall indemnify the Bank for the above-mentioned compensation amount.

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7. Related party transactions

(1) Parent and ultimate controlling party

Yuanta Financial Holdings is parent company and ultimate controlling party of the Consolidated Company.

(2) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Bank</u>
Yuanta Securities Finance Co., Ltd. (“Yuanta Securities Finance”)	Affiliated company in the same group
Yuanta Securities Investment Consulting Co., Ltd. (“Yuanta Securities Investment Consulting”)	Affiliated company in the same group
Yuanta Securities Co., Ltd. (“Yuanta Securities”)	Affiliated company in the same group
Yuanta Securities Investment Trust Co., Ltd. (“YSIT”)	Affiliated company in the same group
Yuanta Futures Co., Ltd. (“Yuanta Future”)	Affiliated company in the same group
Yuanta Life Insurance Co., Ltd.	Affiliated company in the same group
Yuanta Venture Capital, Ltd. (“Yuanta Venture”)	Affiliated company in the same group
Yuanta Asset Management, Ltd. (“Yuanta Asset Management”)	Affiliated company in the same group
Yuanta Asia Investment Limited	Affiliated company in the same group
Ta Chong Commercial Bank (“Ta Chong Bank”)	Affiliated company in the same group
Yuanta Securities Korea Co., Ltd. (“Yuanta Securities(Korea)”)	Affiliated company in the same group
Funds managed by Yuanta Securities Investment Trust	Funds managed by the same group
Yuan Kun Construction Co., Ltd. (“Yuan Kun Construction”)	A director of Yuanta Group holds a key managing position
Yung Chin International Investment Company Limited (“Yung Chin International Investment”)	A director of Yuanta Group holds a key managing position
M-Venture Investment, .Inc. (“M-Venture”)	A director of Yuanta Group holds a key managing position
Yuanta Cultural & Education Foundation (“Yuanta Foundation”)	A director of Yuanta Group holds a key managing position
Polaris Research Institute (“Polaris Research”)	Related party in substance
He’s Education Foundation	A director of Yuanta Group holds a key managing position
Others	The Consolidated Company's affiliated companies and directors, supervisors and managers, and their relatives

(3) Significant transactions and balances with related parties

A. Deposits

December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 38,859,035	5.26	0.00~6.50

December 31, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 41,877,535	5.87	0.00~9.50

Apart from an interest rate limit on staff demand savings deposits of 6.065% and 6.065%~6.25%, for both the years ended December 31, 2017 and 2016, the range of interest rate on other related parties' demand savings deposits were 0.00%~6.5% and 0.00%~9.5%, respectively. The interest rates and other terms provided to the above related parties were the same as the respectively offered to the general public.

For the years ended December 31, 2017 and 2016, interest expense on the above deposits was \$203,496 and \$271,345, respectively.

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B. Loans

December 31, 2017

Unit: Thousands of New Taiwan 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	268	\$ 42,620	\$ 23,472	\$ 23,472	-	Credit loans, movables and deposits	None
Home mortgage loans	410	3,670,707	2,934,122	2,934,122	-	Real estate	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
Other loans	Yung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,187,423	3,187,423	-		

December 31, 2016

Unit: Thousands of New Taiwan 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	240	\$ 35,093	\$ 23,690	\$ 23,690	-	Credit loans and movables	None
Home mortgage loans	409	4,050,763	3,155,232	3,155,232	-	Real estate	None
	Yuan Kun Construction	573,000	573,000	573,000	-	Real estate	None
Other loans	Yung Chin International Investment	57,850	37,692	37,692	-	Real estate	None
	Yuantia Securities	18,629	-	-	-	Real estate	None
	68	256,511	124,636	124,636	-	Stock, deposits, policy and real estate	None
Total			3,914,250	3,914,250	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.80% to 2.05% and 1.80% to 2.18%, the interest rates on the remaining loans are ranging from 0.00% to 5.88% and 0.00% to 4.99% for the years ended December 31, 2017 and 2016, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2017 and 2016, interest income resulting from the above loans amounted to \$51,496 and \$61,889, respectively.

C. Service fee and commission

Names of related parties	For the years ended December 31,	
	2017	2016
Fellow subsidiary		
Yuanta Life Insurance	\$ 339,618	\$ 308,133
Yuanta Securities Investment Trust	13,172	10,805
Yuanta Futures	157	9
Yuanta Asia Investment Limited	136	125
Yuanta Securities	122	148
Yuanta Securities Investment Consulting	1	-
Total	<u>\$ 353,206</u>	<u>\$ 319,220</u>

The following income was mainly from commissions from sales of mutual funds and insurance and fiduciary affiliated services, the related receivables were as follows:

Names of related parties	December 31, 2017	December 31, 2016
Fellow subsidiary		
Yuanta Life Insurance	\$ 23,197	\$ 13,042
Yuanta Securities Investment Trust	400	550
Total	<u>\$ 23,597</u>	<u>\$ 13,592</u>

D. Rental revenue

Names of related parties	Purpose	For the years ended December 31,	
		2017	2016
Parent company			
Yuanta Financial Holdings	Office rental/ Parking lot rental	\$ 4,054	\$ 3,422
Fellow subsidiary			
Ta Chong Bank	Office rental	8,398	2,911
Yuanta Securities	Office rental/ Venue rental	7,146	7,668
Yuanta Futures	Venue rental	1,734	1,748
Yuanta Life Insurance	Office rental/ Parking lot rental	130	4,438
Yuanta Securities Investment Trust	Office rental/ Parking lot rental	-	11,552
Yuanta Securities Finance	Parking lot rental	-	176
Yuanta Venture	Parking lot rental	-	93
Total		<u>\$ 21,642</u>	<u>\$ 32,008</u>

Above-mentioned terms are settled according to the contracts signed between parties, the related refundable deposits-in were as follows:

	December 31, 2017	December 31, 2016
<u>Names of related parties</u>		
Parent company		
Yuanta Financial Holdings	\$ 675	\$ 675
Fellow subsidiary		
Yuanta Securities	1,477	1,799
Ta Chong Bank	1,452	1,452
Yuanta Futures	420	420
Yuanta Life Insurance	23	18
Total	<u>\$ 4,047</u>	<u>\$ 4,364</u>

E. Rent expense

<u>Names of related parties</u>	<u>Purpose</u>	For the years ended December 31,	
		2017	2016
Fellow subsidiary			
Yuanta Securities	Office rental/ Venue rental	\$ 105,254	\$ 98,329
Yuanta Securities Finance	Office rental	2,537	2,538
Total		<u>\$ 107,791</u>	<u>\$ 100,867</u>

Above-mentioned terms are settled according to the contracts signed between parties, the related refundable deposits-out were as follows:

	December 31, 2017	December 31, 2016
<u>Names of related parties</u>		
Yuanta Securities	\$ 5,807	\$ 3,961
Yuanta Securities Finance	633	633
Total	<u>\$ 6,440</u>	<u>\$ 4,594</u>

F. Donations

<u>Names of related parties</u>	For the years ended December 31,	
	2017	2016
Other related parties:		
Yuanta Foundation	\$ 16,000	\$ 16,000
Polaris Research Institute	7,200	6,720
Total	<u>\$ 23,200</u>	<u>\$ 22,720</u>

G. Consulting fee

<u>Names of related parties</u>	For the years ended December 31,	
	2017	2016
Fellow subsidiary		
Yuanta Securities Investment Consulting	\$ 9,780	\$ 9,780
Yuanta Securities	-	225
Other related parties:		
M-Venture	-	4,910
Total	<u>\$ 9,780</u>	<u>\$ 14,915</u>

H. Commission expense

Names of related parties	For the years ended December 31,	
	2017	2016
Fellow subsidiary		
Yuanta Securities	\$ 18,485	\$ 17,409
Yuanta Securities(Korea)	437	-
Yuanta Asset Management	-	2
Total	<u>\$ 18,922</u>	<u>\$ 17,411</u>

I. Current income tax assets/liabilities

Names of related parties	December 31, 2017	December 31, 2016
Parent company		
Yuanta Financial Holdings		
Consolidated income tax receivables	<u>\$ 2,230,339</u>	<u>\$ 2,608,784</u>
Consolidated income tax payables	<u>\$ 477,017</u>	<u>\$ 538,630</u>

J. Property transactions

- (A) The details of the Consolidated Company's outright purchase and sale transactions with affiliates in the open market were as follows:

For the year ended December 31, 2017			
	Type	Purchase Price	Selling Price
Fellow subsidiary			
Yuanta Securities	Bonds	<u>\$ 508,141</u>	<u>\$ 50,109</u>
For the year ended December 31, 2016			
	Type	Purchase Price	Selling Price
Fellow subsidiary			
Yuanta Securities	Bonds	<u>\$ 113,350</u>	<u>\$ 553,629</u>

- (B) The details of the Consolidated Company's futures transactions with affiliates in the open market were as follows:

	December 31, 2017	December 31, 2016
Fellow subsidiary:		
Yuanta Future		
Futures trading guarantees	<u>\$ 17,179</u>	<u>\$ 36,308</u>

Service charges for trading of future are as follows:

Fellow subsidiary:	For the years ended December 31,	
	2017	2016
Yuanta Future		
Interest income	<u>\$ 9</u>	<u>\$ 27</u>
Service income	<u>\$ 50</u>	<u>\$ 247</u>

- (C) As of December 31, 2017, the Consolidated Company sold transportation equipment to Yuanta Life Insurance, The disposal price was \$1,650 and the loss on disposal was \$29.
- (D) As of December 31, 2017, the Consolidated Company sold transportation equipment to Yuanta Venture, The disposal price was \$1,300 and the gain on disposal was \$70.
- (E) As of December 31, 2017, the Consolidated Company purchased property and equipment from Yuanta Life Insurance amounting to \$11,230, except amounting to \$1,550 was recorded as transportation equipment, others were recorded as office equipment, miscellaneous

equipment, leasehold improvements, and computer software.

(F) As of December 31, 2016, the Consolidated Company sold transportation equipment to Yuanta Venture, The disposal price was \$2,500 and the loss on disposal was \$279.

(G) As of December 31, 2016, the Consolidated Company purchased property and equipment from Yuanta Life Insurance amounting to \$820 and recorded the purchases as transportation equipment; purchased equipment from Yuanta Securities amounting to \$2,570 and was recorded as transportation equipment.

K. Others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Receivables-Yuanta Securities	\$ 19	\$ 19
Other assets-M-Venture	-	14,729
Payables-Ta Chong Bank	8,546,018	-
Payables-Yuanta Securities	7,416	6,297
Payables-Yuanta Financial Holdings	2,927	287
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Miscellaneous revenues -Yuanta Life Insurance	\$ 5,101	\$ -
Miscellaneous revenues -Yuanta Securities	164	164
Miscellaneous revenues -Yuanta Futures	164	164
Operating expenses-Yuanta Life Insurance	610	-
Operating expenses-Yuanta Securities	120	120

(4) Information on remunerations to the key management

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 702,703	\$ 615,701
Post-employment benefit	14,485	24,016
Total	<u>\$ 717,188</u>	<u>\$ 639,717</u>

8. Pledged assets

As of December 31, 2017 and 2016, the Consolidated Company's assets pledged as collateral are as follows:

Items	December 31, 2017	December 31, 2016	Purpose of pledge
Investment of debt instruments without active market			
- Government bonds	\$ 9,805,852	\$ 9,756,212	Foreign currency clearing overdraft guarantee
- Government bonds	339,891	212,029	Collateral for provisional seizure
- Time deposits	320,530	924,400	Foreign currency clearing overdraft guarantee
- Government bonds	98,109	97,698	OTC EBTS for bond settlement reserves
- Government bonds	88,298	87,928	Trust fund reserve
- Government bonds	49,576	49,424	Deposit guarantees of bills merchants
- Government bonds	39,661	39,539	Operating guarantee deposits for securities underwriting
- Government bonds	9,915	9,885	Operating guarantee deposits for securities dealing
- Government bonds	4,452	4,340	VISA International card payment reserves
Available-for-sale financial assets			
- Government bonds	280,256	-	Operating guarantee deposits

9. Significant contingent liabilities and unrecognized contract commitments

(1) Commitments

A. For details on operating leases, please refer to Note 12(4)C(C).

B. As of December 31, 2017 and 2016, capital expenditures contracted for at the balance sheet date but not yet incurred was \$134,956 and \$112,464, respectively.

(2) For details of lawsuits, please refer to Note 6(37)D(A).

(3) Others

	December 31, 2017	December 31, 2016
Irrevocable loan commitments	\$ 27,594,788	\$ 29,284,082
Unused credit commitments on credit cards	65,790,040	56,082,399
Unused L/C balance	4,413,112	3,033,076
Other guarantees	17,018,912	24,908,493
Consignment collection for others	13,984,791	14,213,492
Trust assets	126,214,752	124,446,204
Items under custody	37,197,302	30,478,952
Commitment of securities under a repurchase agreement	11,310,017	7,802,956
Commitment of securities under a resale agreement	9,182,469	6,255,232

10. Significant losses from disasters

None.

11. Significant subsequent events

For details of the merge of Ta Chong Bank on January 1, 2018, please refer to Note 1(4).

12. Others

(1) Fair value information of financial instruments

A. Outline

Fair value is the amount for which an asset could be exchanged or a liability can be settled between market participants in an orderly transaction.

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

(A) Level 1

Inputs that are quoted prices in active markets for identical financial instruments. An active market has to satisfy all the following conditions: A 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 Consolidated Company, 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

Inputs other than quoted prices in active markets, are those observable price, either directly (that is, as prices) or indirectly (that is, derived from prices) in active market. Investment of the Consolidated Company such as non-popular government bonds, corporate bonds, financial bonds, convertible corporate bonds and most derivatives are all classified within Level 2.

(C) Level 3

Inputs used to measure fair values that are not data obtainable in the market or counterparty quotes. A portion of the Consolidated Company's investments in negotiable time deposits, derivatives, available-for-sale financial assets, as well as the Consolidated Company's financial liabilities measured at fair value through profit or loss are considered as such.

(2) Financial instruments measured at fair value

A. Hierarchy of fair value estimation of financial instruments:

Recurring fair value measurements	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Stock investments	\$ 1,387,898	\$ 1,387,898	\$ -	\$ -
Bond investments	63,690,024	16,275,724	47,414,300	-
Others	17,826,466	434,385	17,392,081	-
Available-for-sale financial assets				
Stock investments	2,880,727	1,733,342	-	1,147,385
Bond investments	70,558,062	21,655,271	48,428,972	473,819
Short-term notes and bills	68,288,980	-	68,288,980	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss on initial recognition	\$ 1,146,340	\$ -	\$ -	\$ 1,146,340
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 1,438,535	\$ 1,724	\$ 1,148,468	\$ 288,343
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 1,832,213	\$ -	\$ 1,544,527	\$ 287,686

Recurring fair value measurements	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Stock investments	\$ 4,610	\$ 4,610	\$ -	\$ -
Bond investments	58,791,359	15,166,712	43,624,647	-
Others	12,386,372	232,116	9,916,731	2,237,525
Financial assets designated as at fair value through profit or loss on initial recognition	2,000,262	-	2,000,262	-
Available-for-sale financial assets				
Stock investments	2,504,290	1,476,811	-	1,027,479
Bond investments	81,270,988	24,702,000	55,550,165	1,018,823
Short-term notes and bills	645,238	-	645,238	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss on initial recognition	\$ 2,338,315	\$ -	\$ -	\$ 2,338,315
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 2,673,414	\$ -	\$ 2,097,186	\$ 576,228
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 2,994,670	\$ -	\$ 2,419,739	\$ 574,931

B. Valuation technique of fair value

- (A) If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value. Market prices bulletined by major SEC and OTC, where high volume of central government bonds are traded, are the foundation of debt instruments' fair value of quoted market price in an active market and listed equity instruments.
- (B) If the market quotation from Stock Exchange Corporation, Reuters, Bloomberg information, commission merchants, or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If the above condition cannot be met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price, significantly increasing price variance or extremely low trading volume are all indicators of an inactive market.
- (C) If the financial instruments held by the Consolidated Company has an active market, the fair values by classification and nature are as follows:
- NTD Central Government Bond: the yield rates across different contract length bulletined by Over-The-Counter (hereinafter OTC) are used.
 - NTD government bonds, corporate bonds, financial bonds and beneficiary securities: the yield rates across different contract length bulletined by OTC are adopted.
 - Foreign government bonds, financial bonds, corporate bonds, securitized instruments: the quotations from Bloomberg information or Reuters are adopted.

- d. Listed stocks (TSE and OTC), ETF : The closing price on the date that the stock or ETF being listed in TSE or OTC for the first-time or the prior transaction price is adopted.
 - e. Domestic convertible corporate bonds: reference prices for the next day bulletined by the TSE are adopted as valuation standard.
 - f. Domestic and overseas funds: the net fund values announced by the investment trust are adopted.
 - g. Overseas convertible bond: quotations from Bloomberg are adopted.
- (D) If the financial instruments held by the Consolidated Company have no active market, the fair values by classification and nature are as follows:
- a. NTD Central Government Bond: Bonds with lower trading volume adopt the theory price of fair value bulletined by OTC.
 - b. NTD local government bonds, corporate bonds, financial debentures, beneficiary securities: For bonds with lower trading volume, theoretical price retrieved from referencing interest rate bulletined by OTC using the linear interpolation method is adopted.
 - c. Negotiable certificates of deposit, short-term commercial papers and treasury bills: Reuters is referenced to discount future cash flow and calculate the present value of valuation.
 - d. Foreign financial debentures, corporate bonds, negotiable certificates of deposit and securitized instruments: When public quotes are not obtainable through the market, appropriate interest models are elected to measure value or quotes provided by counterparties are adopted as the valuation basis.
 - e. Interest rate structured products: Reuters is referenced to discount future cash flow and calculate the present value of valuation.
 - f. Equity Structured products: Interest valuation techniques elect valuation models for options to obtain reasonable theoretical prices.
 - g. Derivatives trading:
 - (a) Foreign exchange forward contract, currency swaps, interest rate swaps and cross currency swaps: quoted priced of Reuters is referenced and used to discount future cash flow.
 - (b) Options: Black-Scholes model is mainly adopted for valuation, and the quoted priced of Reuters is referenced.
 - (c) Certain foreign structured instruments use the quoted price from counterparties.
 - h. Unlisted stocks: The fair values of the company's held unlisted stocks without an active market are measured by electing the market approach, income approach or replacement cost method.

C. Fair value adjustment

(A) Valuation model limit and uncertain inputs

The outputs of the valuation model are estimates and the valuation techniques may not reflect all relevant factors of the Consolidated Company's financial instruments. Thus, the estimates of the valuation model are adjusted in accordance with extra inputs, i.e. model risk or liquidity risks. Under management policy for fair value valuation model and related control procedures, management believes valuation adjustment is necessary in order to

present the fair value of financial instruments in the consolidated balance sheets fairly. The price information and inputs used in the valuation are carefully assessed and adjusted based on current market conditions.

(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 Consolidated Company's credit quality.

D. Transfer between Level 1 and Level 2

Certain NTD Central Government bonds held by the Consolidated Company are determined to be debt instrument investments that are not in an active market according to OTC's on-the-run securities. For the year ended December 31, 2017, there were \$1,093,452, has been transferred from Level 1 to Level 2. For the year ended December 31, 2016, there were no transfers from Level 1 to Level 2.

(Blank below)

E. Movements of financial instruments classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2017									
Items	Gain and loss on valuation			Addition		Reduction			Ending balance
	Beginning balance	Gain and loss	Other comprehensive income	Purchased or issued	Business combination	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial assets at fair value through profit or loss	\$ 2,813,753	(\$ 465,723)	\$ -	\$ 740,414	\$ -	\$ -	\$ 2,800,173	(\$ 72)	\$ 288,343
Available-for-sale financial assets	2,046,302	(61,479)	144,922	-	-	-	394,680	113,861	1,621,204
Total	<u>\$ 4,860,055</u>	<u>(\$ 527,202)</u>	<u>\$ 144,922</u>	<u>\$ 740,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,194,853</u>	<u>\$ 113,789</u>	<u>\$ 1,909,547</u>

For the year ended December 31, 2016									
Items	Gain and loss on valuation			Addition		Reduction			Ending balance
	Beginning balance	Gain and loss	Other comprehensive income	Purchased or issued	Business combination	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial assets at fair value through profit or loss	\$ 785,926	(\$ 145,930)	\$ -	\$ 2,229,266	\$ -	\$ -	\$ 56,188	(\$ 679)	\$ 2,813,753
Available-for-sale financial assets	1,908,602	(18,530)	44,644	113,371	207,178	-	208,963	-	2,046,302
Total	<u>\$ 2,694,528</u>	<u>(\$ 164,460)</u>	<u>\$ 44,644</u>	<u>\$ 2,342,637</u>	<u>\$ 207,178</u>	<u>\$ -</u>	<u>\$ 265,151</u>	<u>(\$ 679)</u>	<u>\$ 4,860,055</u>

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of December 31, 2017 and 2016, the gains and losses on assets were loss of \$280,649 and \$108,138, respectively.

In relation to the above, valuation gains and losses are recognized in other comprehensive income. As of December 31, 2017 and 2016, the gains and losses on assets were gain of \$131,931 and \$44,644, respectively.

Note: Transferred out /in of Level 3 due to obtained/lack of observable market data and offsetting of Level 3 financial assets and financial liabilities.

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

		For the year ended December 31, 2017							
Items		Gain and loss on valuation		Addition		Reduction			
		Beginning balance	Other comprehensive income	Purchased or issued	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)		
								Ending balance	
Financial liabilities at fair value through profit or loss	\$	2,913,246	(\$ 322,112)	\$ 2	\$ -	\$ -	\$ 1,157,182	(\$ 72)	\$ 1,434,026
		For the year ended December 31, 2016							
Items		Gain and loss on valuation		Addition		Reduction			
		Beginning balance	Other comprehensive income	Purchased or issued	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)		
								Ending balance	
Financial liabilities at fair value through profit or loss	\$	3,353,973	(\$ 452,595)	\$ 46,917	\$ 4,656	\$ -	\$ 40,384	(\$ 679)	\$ 2,913,246

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of December 31, 2017 and 2016, the gains and losses on liabilities were gain of \$250,522 and \$410,084, respectively.

In relation to the above, valuation gains and losses are recognized in other comprehensive income. As of December 31, 2017 and 2016, the gains and losses on liabilities were loss of \$2 and \$46,917, respectively.

Note: Transferred out /in of Level 3 due to obtained/lack of observable market data and offsetting of Level 3 financial assets and financial liabilities.

- 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 the Consolidated Company made onto the financial instruments is deemed reasonable; however, different valuation model or input could result in different valuation result. Specifically, if the valuation input of financial instrument classified in Level 3 moves upward or downward by 10%, the effects on gain and loss in the period or the effects on other comprehensive income are as follows:

	Change in fair value recognized in current profit and loss		Change in fair value recognized in other comprehensive income	
	Favorable movements	Unfavorable movements	Favorable movements	Unfavorable movements
December 31, 2017				
<u>Assets</u>				
Available-for-sale financial assets	\$ -	\$ -	\$ 114,687	(\$ 114,687)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	114,644	(114,644)	10	(10)
December 31, 2016				
<u>Assets</u>				
Available-for-sale financial assets	\$ -	\$ -	\$ 102,698	(\$ 102,698)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	281,300	(281,300)	47,468	(47,468)

Favorable and unfavorable movements of the Consolidated Company refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the non-observable inputs to different extent.

- G. Quantitative information on the fair value measurement of significant unobservable inputs (Level 3)

The Consolidated Company's fair value measurements that are classified as Level 3 primarily include financial instruments measured at fair value—derivatives, financial liabilities measured at fair value through profit or loss upon initial recognition and available-for-sale financial assets—stock investments and bond investments.

Most of the Consolidated Company's fair values that are classified as Level 3 have recurring significant unobservable inputs.

Other than financial instruments that are measured by electing counterparty quotes, quantitative information on significant unobservable inputs is as follows:

Recurring fair value measurements	Fair value on December 31, 2017	Valuation technique	Significant unobservable input	Range (Weight average)
Available-for-sale financial assets				
Stock investments	\$ 1,146,866	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	11.97~30.33 0.75~2.81 0%~35%
Financial liabilities at fair value through profit or loss				
Financial bonds	\$ 1,146,340	Hybrid Model	Discount for marketability Credit Spread	0%~1% 0%~1%
Recurring fair value measurements	Fair value on December 31, 2016	Valuation technique	Significant unobservable input	Range (Weight average)
Available-for-sale financial assets				
Stock investments	\$ 1,026,980	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	12.26~29.59 0.74~2.69 0%~35%
Financial liabilities at fair value through profit or loss				
financial bonds	\$ 2,338,315	Hybrid Model	Discount for marketability Credit Spread	0%~1% 0%~1%

H. Valuation procedure of financial instruments classified into Level 3

Other than quotes provided by counterparties, the parent company's risk management department is responsible for verifying the fair value of financial instruments that are classified as Level 3. The risk management department assesses the independency, reliability, consistency and representativeness of sources and periodically inspects valuation models and valuation inputs for verification to ensure that valuation procedure and results adhere to IAS requirements.

(3) Financial instruments not measured at fair value

A. Fair value information :

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

Items	December 31, 2017	
	Book value	Fair value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 26,743,729	\$ 27,818,664
Other financial assets (Note)	34,204,613	35,250,456
<u>Financial liabilities</u>		
Bonds payable	33,000,000	34,549,743

Items	December 31, 2016	
	Book value	Fair value
<u>Financial assets</u>		
Held-to-maturity financial assets	\$ 14,741,656	\$ 15,366,841
Other financial assets (Note)	48,616,769	49,561,255
<u>Financial liabilities</u>		
Bonds payable	38,000,000	39,135,941

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

B. Hierarchy of fair value estimation of financial instruments:

Items	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 27,818,664	\$ 4,320,721	\$ 23,497,943	\$ -
Other financial assets (Note)	35,250,456	9,288,667	25,167,381	794,408
<u>Financial liabilities</u>				
Bonds payable	34,549,743	-	21,701,065	12,848,678

Items	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 15,366,841	\$ -	\$ 15,366,841	\$ -
Other financial assets (Note)	49,561,255	15,357,249	34,059,406	144,600
<u>Financial liabilities</u>				
Bonds payable	39,135,941	-	26,793,266	12,342,675

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

C. 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: 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) 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 offer by the counterparties will be adopted to measure the fair value.
- (D) Other financial assets: NTD Central Government bonds that are considered bond investments without an active market elect bond yields or theoretical prices bulletined by the Taipei Exchange; government bonds, corporate bonds and financial debentures primarily elect quotes from Bloomberg. If there are no market prices available for reference, then estimates from valuation methods are elected. For the remainder of financial instruments where their future payments and receipts are approximate to their carrying amount, their carrying amount on the consolidated balance sheet date is used to estimate fair value.
- (E) Deposits and remittances: Considering the nature of the banking industry, the fair value is determined by the market rate (market price) while the deposit transactions usually mature within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. Fair values of the long-term fixed rate deposits shall be estimated using discounted expected future cash flows. Additionally, as the maturities are less than three years to date, it is reasonable to use the carrying amount to estimate the fair value.
- (F) Bonds payable: Theoretical price retrieved from referencing interest rate bulletined by OTC using the linear interpolation method is adopted.

(4) Management objective and policy for financial risk

The Bank engages in risk management under the principles of not only serving customers but also conforming to the Bank operational goal, overall risk tolerance limits, and legal compliance to achieve risk diversification, risk transfer, and risk avoidance, and to create a trilateral win for all customers, shareholders, and employees. The Bank is mainly exposed to credit risk, market risk (including the interest rate, foreign exchange rate, equity securities, and commodity risks), operational risk, and liquidity risk on or off balance sheets.

The Bank established written risk management policies and guidelines which have been approved by the Board of Directors or senior managements in order to identify, measure, monitor and control credit risk, market risk, and liquidity risk.

A. Risk Management Framework:

Ultimate responsibility for the effective management of risk rests with the Board. In order to achieve the Bank's overall risk management goals, the Board of Directors is in charge of reviewing risk management policies and relating procedures, and monitoring the effectiveness of risk management systems. The Board delegates authority for monitoring the control of risks to the Audit Committee. Risk Management Committee is responsible for risk management reporting, issues discussing and policies integrate and execute. The chief executive officer delegates authority to the Credit Evaluation Committee, the Human Resource Evaluation Committee, the Assets and Liabilities Management Committee, the Risk Management Committee, the Non-Performing Loan Management Committee, the Financial Product Evaluation Committee, and the New Product Evaluation Committee. The President holds regular or ad hoc meetings with relating committees to discuss issues regarding risk management; moreover, an emergency response team is set, when faced with crises or extraordinary events, to take timely and effective actions to prevent further damage, to mitigate risks, and to stay functional.

B. Credit risk

(A) Source and definition of credit risk

Credit risk is the potential loss due to a failure of counterparty to meet its obligations to pay the Consolidated Company in accordance with the agreed terms. Credit risk may happen due to accounts on and off the balance sheet. For accounts on the balance sheet, credit risk exposure of the Consolidated Company mainly comprises of bills discounted, loans, credit card business, debt instruments, derivatives and call loans from banks, etc. Off balance sheet accounts include financial guarantees, acceptance bills, letters of credit and loan commitments that could give rise to credit risk exposure to the Consolidated Company.

(B) Principle of credit risk management

The Bank has stipulated credit risk management guidelines where the framework of credit risk management is set out, and through the building and implementation of the management system, potential credit risk relating to businesses can be carefully assessed and signaled. The Bank divided its services into consumer finance services and corporate finance services by the nature of services. With an emphasis on segregation of duties whereby the credit investigation performed independently from the credit review, risk management is effective. Detailed risk management information of corporate finance services, personal finance services, and cross-services integration is set out as follows:

- a. Credit Risk Management for Corporate Finance Services: The Bank develops a credit rating model and a risk grading mechanism for loan applications, strengthens quantitative mechanisms for credit risk management, and effectively assesses the quality of credit assets and its fluctuation to secure credit assets. A credit client early warning system is established aimed at credit risk exposures from significantly unusual cases. And an information integration and communication mechanism is set to monitor the financial and operational positions of these clients, providing a timely knowledge of these clients' operations and credit status.
- b. Credit Risk Management for Consumer Finance Services: The Bank controls the credit risks through credit grading mechanisms, credit investigation, credit review and overdue management systems. With these systems in place, the Bank manages to strengthen controls over consumer finance, to raise the bar on credit reviewing, to strengthen controls over credit limits, to enhance the quality of credit assets, and to cut losses arising from credit risk.
- c. Cross-Services Integration of Risk Management: The bank-wide and cross-services credit risk early warning system serves as a platform for operating units to check on the financial and operational positions of clients with lower credit ratings, and it is used as a reference for loan management. To effectively manage concentration risk, a bank-wide large risk exposures guideline is set up.

(C) Credit Risk Mitigation Policies

To limit the credit risk to lie within tolerable range, the Bank sets out a rule in its credit risk management guideline that for the products provided and businesses conducted which includes all transactions arising from both banking and trading books, either on-balance or off-balance sheet, a detailed analysis should be carried out to identify any existing and potential credit risk; Before the introduction of new products or businesses, accompanying credit risk should be identified and examined in accordance

with relating guidelines. As for the more complex credit services, e.g. factoring, credit-linked derivatives, etc., tailored risk management mechanisms are incorporated into relating operating guidelines.

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

a. Credit business (including loan commitment and guarantees)

Details of credit assets classification and credit quality rating are set out as follows:

(a) Credit Assets Classification

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 those are doubtful. Category Five for assets those are not recoverable.

(b) Credit Quality Rating

In response to the characteristics and scale of business, the Consolidated Company 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 Consolidated Company, mainly by the statistic and professional judgment 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 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 categorized by client superiority, client profession and the rating of collateral threshold.

The credit quality of borrowers can be divided into three grades as follows:

	Corporate finance	Consumer finance
Credit risk rating	Internal/External credit rating level	Credit risk rating
Excellent	Level 1~6	Excellent
Acceptable	Level 7~8	Acceptable
Weak	Level 9~10	Weak

The Bank reassesses ratings for each client at least once a year. Moreover, to ensure the reasonableness of the design and the process of credit rating system, and that of the estimates of relating risk factors, the Bank takes actual defaults into account and performs inspections and back testings on the credit rating model annually.

b. Due from and call loans to other banks

The Bank assesses the credit status of each counterparty before any transaction, and ratings assigned by domestic and foreign external ratings agencies are used in determining internal credit grades on which various credit risk exposure limits are set and then granted to different counterparties.

c. Debt instruments investment and derivatives

The risk management of the Bank's debt instruments is based on credit rating of external institutions, credit quality of bonds, condition by geographical location and counterparty risk to identify the credit risk. Financial institutions with which the Bank conducts derivative transactions are mostly above investment grade and each year counterparty credit risk limits at different levels are submitted to the Board for approval. The limits are the basis for credit risk control. If the counterparties are general clients, controlling is implemented through risk limits and conditions of derivatives approved by general credit procedures to manage credit exposure of counterparties.

The Consolidated Company divides the credit quality of debt instruments investment and derivatives into three grades as follows:

- (a) Excellent: Exposure to instrument with a result of internal/external credit rating level in between 1 to 6.
- (b) Acceptable: Exposure to instrument with a result of internal/external credit rating level in between 7 to 8.
- (c) Weak: Exposure to instrument with a result of internal/external credit rating level in between 9 to 10.

(D) Hedging and mitigation of credit risk

a. Collateral

The Consolidated Company 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 Consolidated Company 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. Besides, 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.

Collateral for other non-credit extension business depends on the nature of financial asset.

b. Credit risk limit and credit risk concentration control

In avoidance of high risk concentration, the Bank has 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, industry, ultimate risk and various credit risk concentration can be monitored.

c. Net-settled general agreement

The transactions of the Consolidated Company 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.

(E) Management process of subsidiaries

Plan and establish all credit risk management processes of overseas subsidiaries, including formulating credit authorization procedures, establishing appropriate credit management, and periodically examining, reporting and improving asset quality etc., as well as establishing credit risk limits and managing the status of credit risk concentration in accordance with requirements of local governing authorities, operating scale, business characteristics etc., in order to establish a credit risk management culture for overseas subsidiaries and to facilitate the improvement of asset quality to adhere to the Bank's management requirements.

(F) Maximum risk exposure of the Consolidated Company

The maximum risk exposure of assets in the consolidated balance sheet, without consideration of the collateral or other credit strengthening instruments, is equivalent to the carrying amount. Please see Note 9(2) for the maximum credit risk exposure of the consolidated balance sheet.

The management of the Consolidated Company believes that through a series of stringent evaluation procedures and follow-up reviews afterwards, credit risk exposure off the balance sheet of the Consolidated Company can be minimized and continuously controlled.

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

December 31, 2017	Collateral (note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 298,124	\$ -	\$ 298,124
Bills discounted and loans	372,176,706	-	372,176,706
Financial assets at fair value through profit or loss	215,236	882,834	1,098,070
<u>For accounts off the balance sheet</u>			
Irrevocable loan commitments	8,674,365	-	8,674,365
Unused letters of credit balance	89,422	-	89,422
Guarantees (including for non-performing loans)	3,601,155	-	3,601,155

December 31, 2016	Collateral (note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 228,386	\$ -	\$ 228,386
Bills discounted and loans	352,421,367	-	352,421,367
Financial assets at fair value through profit or loss	921,583	1,131,853	2,053,436
<u>For accounts off the balance sheet</u>			
Irrevocable loan commitments	2,936,737	-	2,936,737
Unused letters of credit balance	122,074	-	122,074
Guarantees (including for non-performing loans)	4,214,594	-	4,214,594

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 Consolidated Company concentrate on accounts 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 Consolidated Company does not significantly carry out transactions with single client or single counterparty and the gross amount does not exceed 5% of balance of each component item. Information regarding bills discounted, loans and overdue accounts, and the credit risk concentration by industry, location and collateral are shown as follows:

a. Industry

Industry	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Privately owned businesses	\$ 239,412,455	48.43	\$ 249,913,506	50.21
Government-owned businesses	1,074,660	0.21	7,108,020	1.43
Non-profit organizations	1,868,744	0.38	607,430	0.12
Private individuals	249,535,098	50.48	238,759,144	47.97
Financial institutions	988,265	0.20	512,666	0.10
Others	1,470,841	0.30	861,138	0.17
Total	\$ 494,350,063	100.00	\$ 497,761,904	100.00

b. Geography location

Geography location	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Republic of China	\$ 431,468,870	87.28	\$ 441,742,850	88.75
Asia	37,019,291	7.49	24,130,959	4.84
Europe	21,875,177	4.42	28,219,715	5.67
Others	3,986,725	0.81	3,668,380	0.74
Total	\$ 494,350,063	100.00	\$ 497,761,904	100.00

c. Collateral

Collateral	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Non-guaranteed	\$ 122,173,357	24.71	\$ 145,340,537	29.20
Guaranteed				
-Stock collateral	16,779,166	3.39	16,457,078	3.31
-Bonds collateral	7,453,087	1.51	6,439,706	1.29
-Real estate collateral	302,715,888	61.24	294,288,189	59.12
-Moveable collateral	40,809,159	8.26	33,578,923	6.75
-Guarantee	3,334,879	0.67	1,657,471	0.33
-Others	1,084,527	0.22	-	-
Total	<u>\$ 494,350,063</u>	<u>100.00</u>	<u>\$ 497,761,904</u>	<u>100.00</u>

(H) Analysis on credit quality and overdue impairment of financial assets held by the Consolidated Company

Certain financial assets held by the Consolidated Company such as cash and cash equivalents, due from Central Bank and call loans to banks, financial assets at fair value through profit and loss, bills and bonds purchased under resale agreements and refundable deposits-out and so on, while the counterparties have good credit rating, the credit risks are deemed extremely low.

The credit quality analyses for the rest of financial assets are as follows:

(Blank below)

a. Credit quality analysis on bills discounted, loans, receivables and other financial assets investments

Items	December 31, 2017										December 31, 2016			
	Positions that are neither past due nor impaired					Positions that are past due but not impaired (B)					Positions that are neither past due nor impaired			
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)	Impaired (B)	Impaired amount (C)	(A)+(B)+(C)	With individual objective evidence of impairment	Without individual objective evidence of impairment	Total	Recognized losses (D)	Net	
Bills discounted and loans(Note)	\$ 360,405,676	\$ 76,850,314	\$ 10,263,096	\$ 39,241,368	\$ 486,760,454	\$ 2,601,360	\$ 5,604,737	\$ 494,966,551	\$ 2,881,389	\$ 3,605,401	\$ 488,479,761			
Receivables and other financial asset														
- Credit card service	4,921,411	110,796	520,975	115,422	5,668,604	39,732	14,070	5,722,406	13,706	47,959	5,660,741			
- Investment of debt instruments without active market	34,458,902	66,241	-	-	34,525,143	-	-	34,525,143	-	-	34,525,143			
- Other	6,916,730	169,540	-	2,147,896	9,234,166	-	583,521	9,817,687	300,847	12,201	9,504,639			
Available-for-sale financial assets														
- bonds investment	70,528,332	29,730	-	-	70,558,062	-	-	70,558,062	-	-	70,558,062			
Held-to-maturity financial assets														
- bonds investment	26,713,342	30,387	-	-	26,743,729	-	-	26,743,729	-	-	26,743,729			
December 31, 2016														
Items	Positions that are neither past due nor impaired					Positions that are past due but not impaired (B)					Positions that are neither past due nor impaired			
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)	Impaired (B)	Impaired amount (C)	(A)+(B)+(C)	With individual objective evidence of impairment	Without individual objective evidence of impairment	Total	Recognized losses (D)	Net	
	\$ 355,985,623	\$ 72,690,004	\$ 11,010,029	\$ 49,723,953	\$ 489,409,609	\$ 3,025,799	\$ 5,879,646	\$ 498,315,054	\$ 3,212,363	\$ 3,575,670	\$ 491,527,021			
Bills discounted and loans(Note)														
Receivables and other financial asset														
- Credit card service	4,296,068	104,910	473,127	161,467	5,035,572	98,818	16,745	5,151,135	16,278	46,005	5,088,852			
- Investment of debt instruments without active market	49,541,169	-	-	-	49,541,169	-	-	49,541,169	-	-	49,541,169			
- Other	9,636,217	295,891	-	2,889,901	12,822,009	-	651,485	13,473,494	292,336	10,988	13,170,170			
Available-for-sale financial assets														
- bonds investment	81,270,988	-	-	-	81,270,988	-	-	81,270,988	-	-	81,270,988			
Held-to-maturity financial assets														
- bonds investment	14,741,656	-	-	-	14,741,656	-	-	14,741,656	-	-	14,741,656			

Note: Total bills discounted and loans include interest receivable. As of December 31, 2017 and 2016, the interest receivable on bills discounted and loans were \$616,488 and \$553,150, respectively. In addition, allowances for doubtful interest receivable were \$2,365 and \$2,468, respectively.

- b. In relation to bills discounted and loans of the Consolidated Company 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					
By client	Excellent	Acceptable	Weak	Unrated (Note)	Total
Corporate finance					
- Guaranteed	\$ 87,109,126	\$ 37,338,220	\$ 3,172,361	\$ 19,592,992	\$ 147,212,699
- Non-guaranteed	95,952,841	15,105,130	843,981	19,448,456	131,350,408
- Government-owned enterprise	1,075,650	-	-	-	1,075,650
- Others	570,519	69,680	-	110,011	750,210
Subtotal	184,708,136	52,513,030	4,016,342	39,151,459	280,388,967
Consumer finance					
- Mortgage loan	151,195,654	18,091,968	575,217	3,426	169,866,265
- Credit loan	877,922	61,858	183,502	31,290	1,154,572
- Automobile loan	18,390,029	6,108,633	5,353,462	3,847	29,855,971
- Others	5,233,935	74,825	134,573	51,346	5,494,679
Subtotal	175,697,540	24,337,284	6,246,754	89,909	206,371,487
Total	\$ 360,405,676	\$ 76,850,314	\$ 10,263,096	\$ 39,241,368	\$ 486,760,454

December 31, 2016					
Positions that are neither past due nor impaired					
By client	Excellent	Acceptable	Weak	Unrated (Note)	Total
Corporate finance					
- Guaranteed	\$ 71,932,740	\$ 38,432,738	\$ 3,970,591	\$ 26,974,143	\$ 141,310,212
- Non-guaranteed	110,495,411	12,533,342	796,907	22,458,148	146,283,808
- Government-owned enterprise	7,119,457	-	-	-	7,119,457
- Others	53,085	11,649	-	224,378	289,112
Subtotal	189,600,693	50,977,729	4,767,498	49,656,669	295,002,589
Consumer finance					
- Mortgage loan	147,784,884	16,015,392	637,633	3,664	164,441,573
- Credit loan	953,370	73,173	253,879	-	1,280,422
- Automobile loan	16,118,548	5,546,704	4,748,003	3,411	26,416,666
- Others	1,528,128	77,006	603,016	60,209	2,268,359
Subtotal	166,384,930	21,712,275	6,242,531	67,284	194,407,020
Total	\$ 355,985,623	\$ 72,690,004	\$ 11,010,029	\$ 49,723,953	\$ 489,409,609

Note : The above table are classified as "Credit rating model". Those loans that classified as "Unrated" in above table are those special objects have no applicable rating model due to lack of rating information or special business models, so they are given unrated.

- (I) Aging analysis of overdue financial assets with no impairment of the Consolidated Company:

The delayed processing of the borrower and other administrative reasons may give rise to an overdue financial asset with no impairment. According to the internal risk management policy of the Consolidated Company, financial assets overdue for less than 90 days are usually not deemed impaired unless other evidence indicates otherwise.

Aging analysis of the overdue financial assets with no impairment of the Consolidated

Company:

Items	December 31, 2017		
	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables			
- Credit card business	\$ 38,306	\$ 1,426	\$ 39,732
Bills discounted and loans			
Corporate finance			
- Guaranteed	409,174	103,327	512,501
- Non-guaranteed	52,023	7,672	59,695
- Other	-	-	-
Consumer finance			
- Mortgage loans	982,667	88,902	1,071,569
- Credit loans	13,018	2,399	15,417
- Automobile loan	931,511	10,643	942,154
- Others	23	1	24
Subtotal	2,388,416	212,944	2,601,360
Total	\$ 2,426,722	\$ 214,370	\$ 2,641,092

Items	December 31, 2016		
	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables			
- Credit card business	\$ 97,384	\$ 1,434	\$ 98,818
Bills discounted and loans			
Corporate finance			
- Guaranteed	54,857	281,198	336,055
- Non-guaranteed	73,153	2,300	75,453
- Other	3,514	-	3,514
Consumer finance			
- Mortgage loans	1,341,128	84,218	1,425,346
- Credit loans	15,368	2,336	17,704
- Automobile loan	1,147,959	19,196	1,167,155
- Others	547	25	572
Subtotal	2,636,526	389,273	3,025,799
Total	\$ 2,733,910	\$ 390,707	\$ 3,124,617

(J) Analysis of impaired financial assets of the Consolidated Company

Impairment on bills discounted, loans and receivables of the Consolidated Company are analyzed by client below:

Items		Bills discounted and loans (Note)		Allowance for doubtful accounts (Note)	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		\$	\$	\$	\$
With individual objective evidence of impairment	Individual assessment	4,732,064	4,930,682	2,661,674	2,918,033
	Corporate loan	221,369	81,452	9,732	716
	Mortgage loan	88,382	159,356	34,833	61,859
	Corporate loan	377,524	457,918	66,058	112,895
	Mortgage loan	152,183	230,747	92,591	110,940
Without individual objective evidence of impairment	Collective assessment	20,838	18,596	10,326	7,025
	Credit loan	12,377	895	6,175	895
	Automobile loan	279,726,103	288,081,566	1,846,756	1,854,141
	Corporate loan	1,075,650	7,119,457	-	-
	Government-owned enterprises	170,937,834	165,866,921	1,626,006	1,580,462
Total	Mortgage loan	1,169,989	1,298,127	12,453	14,590
	Credit loan	30,798,124	27,583,821	35,766	31,913
	Automobile loan	5,654,114	2,485,516	84,420	94,564
	Others				

Items		Receivable (Note)		Allowance for doubtful accounts (Note)	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		\$	\$	\$	\$
With individual objective evidence of impairment	Individual assessment	583,279	651,485	300,640	292,336
	Others	14,070	16,745	13,706	16,278
	Credit card business	242	-	207	-
Without individual objective evidence of impairment	Collective assessment	5,708,336	5,134,390	47,959	46,005
	Credit card business	998,454,923	163,617,618	12,201	10,988
	Others				
Total		\$ 104,760,850	\$ 169,420,238	\$ 374,713	\$ 365,607

Note: As of December 31, 2017 and 2016, the total receivables are the original amount (including due from Central Bank and call loans to banks, bills and bonds purchased under resale agreements, receivables (not including spot exchange receivables, revenue receivables and income tax refundable amounting to \$1,939,293 and \$6,242,877, respectively), other financial assets and refundable deposits-out) not excluding allowance for doubtful accounts and not excluding (including) discount (premium) adjustment; the amounts not including interest receivables were \$616,488 and \$553,150, respectively. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans were \$2,365 and \$2,468, respectively.

(K) Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public banks
a. Non-performing loans and non-performing loan asset quality

Month / Year		December 31, 2017					December 31, 2016				
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	620,393	149,167,651	0.42%	1,026,468	165.45%	397,458	142,795,020	0.28%	933,047	234.75%
	Unsecured loans	161,938	136,017,084	0.12%	3,576,755	2,208.72%	349,295	157,099,760	0.22%	3,962,302	1,134.37%
Consumer banking	Residential mortgage loans	239,176	114,500,188	0.21%	1,718,631	718.56%	162,130	113,078,039	0.14%	1,691,461	1,043.27%
	Cash card services	-	-	-	-	-	-	-	-	-	-
	Small amount of credit loans	61,829	1,319,234	4.69%	106,242	171.83%	70,375	1,525,470	4.61%	137,795	195.80%
	Guaranteed	69,252	91,426,919	0.08%	53,671	77.50%	39,393	81,555,103	0.05%	57,039	144.79%
Gross loan business	Others	552	1,918,987	0.03%	2,658	481.52%	2,058	1,708,512	0.12%	3,921	190.52%
	Non-guaranteed	1,153,140	494,350,063	0.23%	6,484,425	562.33%	1,020,709	497,761,904	0.21%	6,785,565	664.79%
		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		4,159	5,714,039	0.07%	61,665	1,482.75%	6,020	5,142,926	0.12%	62,283	1,034.60%
Without recourse factoring		-	3,857,288	-	-	-	-	2,043,560	-	-	-

Note 1: The amount recognized as non-performing loans is in compliance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in compliance with the Banking Bureau (4) Letter No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouses) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

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

	December 31, 2017		December 31, 2016	
	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)	101,556	29,126	139,863	37,124
Perform in accordance with debt liquidation program and restructuring program (Note 2)	82,542	62,407	106,904	65,624
	184,098	91,533	246,767	102,748

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory the Banking Bureau (1) Letter No. 09510001270 of FSC dated April 25, 2006.

Note 2: The additional disclosure requirement pertaining to the way and information disclosure of loan in the process of debt liquidation and restructuring program is in accordance with the Explanatory the Banking Bureau (1) Letter No. 09700318940 of FSC dated September 15, 2008 and Banking Bureau (Fa) Letter No. 10500134790 of FSC dated September 20, 2016.

(Blank below)

b. Contract amounts of significant credit risk concentration are as follows:

(Expressed in Thousands of New Taiwan Dollars, %)

December 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Total Stockholders' Equity
1	Company A –Integrated Circuit Manufacturing	\$ 5,000,000	7.96
2	Group B –Real Estate Development	3,740,533	5.96
3	Group C –Ocean Water Transportation	2,746,245	4.37
4	Group D –Real Estate Development	2,647,143	4.21
5	Company E –Real Estate Development	2,448,000	3.90
6	Company F –Non-official financing business	2,395,654	3.81
7	Company G –Other Electrical Equipment and Component Manufacturing	2,125,178	3.38
8	Group H –Metal Cutting Tools and Hand Tools Manufacturing	2,117,000	3.37
9	Company I –Game Industry	2,089,360	3.33
10	Company J –Other Non-classified Financial Service	2,089,360	3.33

(Expressed in Thousands of New Taiwan Dollars, %)

December 31, 2016			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Total Stockholders' Equity
1	Company A –Integrated Circuit Manufacturing	\$ 5,000,000	8.58
2	Group B –Real Estate Development	3,929,693	6.75
3	Group C –Real Estate Development	3,414,786	5.86
4	Group D –Metal Cutting Tools and Hand Tools Manufacturing	3,377,293	5.80
5	Group E –Ocean Water Transportation	3,085,892	5.30
6	Group F –Integrated Circuit Manufacturing	2,600,000	4.46
7	Company G –Sporting Manufacturing	2,582,320	4.43
8	Company H –Other Electrical Equipment and Component Manufacturing	2,582,320	4.43
9	Company I – Real Estate Leasing	2,496,000	4.28
10	Company J –Game Industry	2,376,751	4.08

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.

C. Liquidity risk

Liquidity risks include fund liquidity risk and market liquidity risk. Fund liquidity risk happens when the fund supply cannot be sufficiently obtained in an expected period of time leading to a failure of fulfilling the capital need as maturity comes due. Market liquidity risk arises due to the insufficiency in market depth or the disorder which lead to the disposed or written off position held cannot be traded in a reasonable period of time and reasonable price resulting in a significant bid price or significantly discounted put price.

(A) Risk management principle, procedure and assessment

a. Principle

- (a) In accordance with cost benefit analysis, the Bank achieves effective liquidity management through appropriate allocation of assets and liabilities on and off the balance sheet.
- (b) As to large deposits, large loans, and block trading position of financial instruments, the Bank shall avoid excessive transaction with single client and have appropriate control over such deposits, loans, and block trading position.
- (c) The Bank shall maintain smooth financing channels and consider diversity and dispersion of funding resource to ensure the disposal of various assets. For the use of limit, the Bank shall maintain appropriate available balance.

b. Procedure

- (a) Liquidity risk management unit includes decision-making unit, supervisory unit (asset and liability committee), and executive unit (departments in charge of deposit and loan products and fund management unit under finance department in the Bank) for liquidity risk management. Supervisory unit appoints institution of general affairs and risk management unit, regularly supervises implementation process of executive unit, and timely monitors supervision of liquidity management indicators. Risk monitoring unit submits quarterly report to the Board of Directors and asset and liability committee to facilitate review and supervision of the state of liquidity management.
- (b) Finance department works with risk management segment to establish applicable ratios and limits on liquidity risk indicators, which will be reported to the asset and liability committee and then assessed by the Director with authorization of the Board of Directors.
- (c) When liquidity risk exposure exceeds the ratio supervised by liquidity risk indicators, risk management unit draws up a response plan, which will be delivered to the relevant unit for implementation upon reporting to the asset and liability committee for resolution. The asset and liability committee will keep track of enforcement of the plan regularly.

c. Assessment

- (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) Use information about the Bank's non-performing credit assets and changes in external ratings addressing asset quality and external indicators as leading indicators for liquidity management to identify the Bank's liquidity risk management.

(c) Assessments are regularly made to the assets and liabilities denominated in major currencies in the balance sheet and the cash inflow, cash outflow and liquidity gap off the balance sheet by different time period.

d. Management process of subsidiaries

Plan and establish capital liquidity risk measurements and its precautionary indicators for overseas subsidiaries in order to control adverse factors against liquidity, decrease the degree of influence of adverse factors, and implement cascading reporting procedures in accordance with requirements. Timely establish an emergency response mechanism to act as a guideline for the Bank when liquidity emergencies occur.

(B) 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 fulfill 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 Consolidated Company, 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, available-for-sale financial assets, held-to-maturity financial assets and investment of debt instruments without active market, 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 Consolidated Company 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

(a) Derivative financial instruments settled on a net basis

Derivative financial instruments of the Consolidated Company settled on a net basis include: non-delivery forward, interest rate swap, commodity options, hybrid embedded derivative instruments and other futures contract.

(b) Derivative financial instruments settled on a gross basis.

Derivative financial instruments of the Consolidated Company settled on a gross basis include: FX options, foreign exchange forward contract, cross currency swaps, foreign exchange swaps, asset swap, fixed-rate commercial paper contracts and equity options.

The following table illustrates the maturity analysis on derivative financial instruments settled on a gross and net amount basis of the Consolidated Company by the remaining maturity from the consolidated balance sheet date to the contract expiration date. According to the assessment, the maturities on the contract are the most fundamental element to understand all the derivatives on the consolidated balance sheet. The amounts disclosed in the table are made on the basis of contractual cash flow, therefore, certain disclosed amounts may not be consistent with the corresponding accounts in the consolidated balance sheet.

(Blank below)

December 31, 2017

Financial assets	0~30 days	31~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Non-derivative financial instruments						
Cash and cash equivalents	\$ 21,345,327	\$ 24,556	\$ 46,694	\$ 107,874	\$ 80,589	\$ 21,605,040
Due from Central Bank and call loans to other banks	29,510,008	3,141,968	2,492,954	4,109,683	7,076,961	46,331,574
Financial assets at fair value through profit or loss	82,904,388	-	-	-	-	82,904,388
Bills and bonds purchased under resale agreements	9,180,000	-	-	-	-	9,180,000
Receivables	9,811,732	3,132,868	1,576,867	806,246	506,897	15,834,610
Bills discounted and loans	37,973,427	48,056,560	39,724,922	63,911,334	304,683,820	494,350,063
Available-for-sale financial assets	64,933,797	818,962	4,518,594	1,523,186	69,933,230	141,727,769
Held-to-maturity financial assets	-	-	88,859	-	26,654,870	26,743,729
Other financial assets	123,202	10,974	829,911	1,051,288	32,831,739	34,847,114
Other capital inflow upon maturity	774,781	1,681	-	1,200	352,645	1,130,307
Derivative financial instruments						
Financial assets at fair value through profit or loss						
Gross settlement						
Cash inflow	11,290,845	4,950,483	2,018,241	917,561	-	19,177,130
Cash outflow	(10,893,328)	(4,637,257)	(1,737,345)	(764,284)	-	(18,032,214)
Net settlement	3,188	1,635	4,902	484	288,307	298,516
Total	\$ 256,957,367	\$ 55,502,430	\$ 49,564,599	\$ 71,664,572	\$ 442,409,058	\$ 876,098,026
Financial liabilities						
Non-derivative financial instruments						
Due to Central Bank and other banks	\$ 6,355,843	\$ 1,276,501	\$ 2,815,177	\$ 94,446	\$ -	\$ 10,541,967
Financial liabilities at fair value through profit or loss	-	1,146,340	-	-	-	1,146,340
Bills and bonds payable under repurchase agreements	5,671,592	3,901,910	-	1,667,202	-	11,240,704
Payables	14,774,477	2,371,436	406,298	417,185	258,810	18,228,206
Deposits and remittances	149,237,460	124,756,582	95,737,894	149,185,976	220,290,603	739,208,515
Bonds payable	-	-	2,450,000	3,050,000	27,500,000	33,000,000
Other financial liabilities	19,190	6,880	8,387	15,397	1,561,205	1,611,059
Other capital outflow upon maturity	209,529	19	-	-	10,218	219,766
Derivative financial instruments						
Financial liabilities at fair value through profit or loss						
Gross settlement						
Cash inflow	(10,543,305)	(7,973,484)	(2,982,211)	(2,162,226)	(603,317)	(24,264,543)
Cash outflow	11,164,340	8,338,681	3,282,405	2,327,572	623,914	25,736,912
Net settlement	2,494	3,936	6,145	3,503	289,051	305,129
Total	\$ 176,891,620	\$ 133,828,801	\$ 101,724,095	\$ 154,599,055	\$ 249,930,484	\$ 816,974,055

December 31, 2016

Financial assets	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Non-derivative financial instruments						
Cash and cash equivalents	\$ 11,474,356	\$ 296,272	\$ -	\$ -	\$ -	\$ 11,770,628
Due from Central Bank and call loans to other banks	75,488,507	9,299,087	1,927,221	3,767,907	8,798,537	99,281,259
Financial assets at fair value through profit or loss	73,182,603	-	-	-	-	73,182,603
Bills and bonds purchased under resale agreements	5,826,944	422,363	-	-	-	6,249,307
Receivables	13,782,002	2,469,395	1,219,005	876,950	588,831	18,936,183
Bills discounted and loans	52,163,916	46,010,216	33,989,274	67,845,343	297,753,155	497,761,904
Available-for-sale financial assets	1,876,960	700,839	1,936,529	2,200,859	77,705,329	84,420,516
Held-to-maturity financial assets	-	-	-	-	14,741,656	14,741,656
Other financial assets	20,350	754,104	987,588	2,150,782	45,869,941	49,782,765
Other capital inflow upon maturity	1,656,476	33,875	-	2,412	286,525	1,979,288
Derivative financial instruments						
Financial assets at fair value through profit or loss						
Gross settlement						
Cash inflow	13,519,885	6,718,689	2,433,896	1,020,295	-	23,692,765
Cash outflow	(12,881,897)	(6,349,952)	(2,102,158)	(380,631)	-	(21,714,638)
Net settlement	5,972	33,352	26,496	9,360	578,263	653,443
Total	\$ 236,116,074	\$ 60,388,240	\$ 40,417,851	\$ 77,493,277	\$ 446,322,237	\$ 860,737,679
Financial liabilities						
Non-derivative financial instruments						
Due to Central Bank and other banks	\$ 21,385,057	\$ 1,262,444	\$ 2,825,068	\$ 152,298	\$ -	\$ 25,624,867
Financial liabilities at fair value through profit or loss	-	1,211,205	-	-	1,127,110	2,338,315
Bills and bonds payable under repurchase agreements	5,693,739	2,092,823	-	-	-	7,786,562
Payables	11,339,474	1,055,055	359,063	346,131	178,150	13,277,873
Deposits and remittances	135,632,074	113,107,307	78,299,011	117,876,746	268,114,802	713,029,940
Bonds payable	-	-	-	5,000,000	33,000,000	38,000,000
Other financial liabilities	44,059	96,490	110,492	242,204	1,741,450	2,234,695
Other capital outflow upon maturity	109,249	-	-	1,977	19,132	130,358
Derivative financial instruments						
Financial liabilities at fair value through profit or loss						
Gross settlement						
Cash inflow	(13,026,375)	4,425,571	(1,805,650)	(1,127,894)	(1,510,377)	(21,895,867)
Cash outflow	13,582,555	4,837,769	2,189,353	1,782,812	1,631,440	24,023,929
Net settlement	7,239	35,285	30,889	13,177	587,587	674,177
Total	\$ 174,767,071	\$ 119,272,807	\$ 82,008,226	\$ 124,287,451	\$ 304,889,294	\$ 805,224,849

Maturity analysis for above deposits and remittances are amortized to each period based on historical experience. Given that all the deposits and remittances have to be paid in the shortest possible time, As of December 31, 2017 and 2016, expenses during the period of 0-30 days will increase by \$303,092,747 and \$288,299,929, respectively.

(C) 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 Consolidated Company include operating lease and finance lease.

Operating lease commitment is the total minimum lease payments that the Consolidated Company 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 Consolidated Company 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 lessor according to the financial lease term.

Capital expenditure commitment of the Consolidated Company 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 Consolidated Company:

(Blank below)

	December 31, 2017			
	Less than 1 year	1 ~ 5 years	More than 5 years	Total
Off balance sheet				
Irrevocable loan commitments	\$ 27,594,788	\$ -	\$ -	27,594,788
Unused letters of credit	4,413,112	-	-	4,413,112
Guarantees	17,018,912	-	-	17,018,912
Lease contract commitment				
Operating lease expense (lessee)	352,008	653,585	34,345	1,039,938
Operating income (lessor)	15,957	17,109	-	33,066
Total financial lease expense (lessee)	472	79	-	551
The present value of finance lease expense (lessee)	472	52	-	524
Total financial lease income (lessor)	34,918	42,312	-	77,230
The present value of finance lease income (lessor)	32,653	37,063	-	70,256
Capital expenditure commitment	132,256	2,700	-	134,956
December 31, 2016				
	Less than 1 year	1 ~ 5 years	More than 5 years	Total
Off balance sheet				
Irrevocable loan commitments	\$ 29,284,082	\$ -	\$ -	29,284,082
Unused letters of credit	3,033,076	-	-	3,033,076
Guarantees	24,908,493	-	-	24,908,493
Lease contract commitment				
Operating lease expense (lessee)	334,362	670,284	59,613	1,064,259
Operating income (lessor)	25,888	18,958	-	44,846
Total financial lease expense (lessee)	1,313	601	-	1,914
The present value of finance lease expense (lessee)	1,243	570	-	1,813
Total financial lease income (lessor)	44,664	69,106	-	113,770
The present value of finance lease income (lessor)	40,231	62,135	-	102,366
Capital expenditure commitment	106,267	6,197	-	112,464

- (D) Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public banks
- a. Structure analysis of time to maturity (NTD)

December 31, 2017

(Expressed in Thousands of New Taiwan Dollars)							
	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	737,265,040	137,012,897	74,578,610	41,907,392	41,623,009	65,150,225	376,992,907
Primary funds outflow upon maturity	903,967,735	38,783,797	73,136,767	132,378,180	122,772,728	200,465,802	336,430,461
Gap	(166,702,695)	98,229,100	1,441,843	(90,470,788)	(81,149,719)	(135,315,577)	40,562,446

December 31, 2016

(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	705,870,911	107,083,093	78,216,430	45,095,072	34,900,480	66,865,309	373,710,527
Primary funds outflow upon maturity	910,398,915	34,852,809	65,834,513	121,978,419	121,644,265	174,684,781	391,404,128
Gap	(204,528,004)	72,230,284	12,381,917	(76,883,347)	(86,743,785)	(107,819,472)	(17,693,601)

Note: The above amounts include only New Taiwan Dollars amounts held by the Bank.

b. Structure analysis of time to maturity (USD)

December 31, 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	3,903,625	997,632	457,761	172,393	101,299	2,174,540
Primary funds outflow upon maturity	5,187,520	1,278,980	1,322,059	923,476	835,112	827,893
Gap	(1,283,895)	(281,348)	(864,298)	(751,083)	(733,813)	1,346,647

December 31, 2016

(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	4,353,470	1,286,000	351,856	152,465	257,563	2,305,586
Primary funds outflow upon maturity	6,014,854	1,524,839	1,135,278	721,108	1,280,190	1,353,439
Gap	(1,661,384)	(238,839)	(783,422)	(568,643)	(1,022,627)	952,147

Note: The above amounts include only US Dollars amounts held by the Bank.

D. Market 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 commodity 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.

(A) Risk management principle

a. Principle

- (a) In order to establish a well-functioning risk management system and sound business development, promote an appropriate risk management-oriented business model, achieve business objectives and enhance shareholder value, the Bank takes the Board-approved risk management policy to completely carry out risk management system and further create stable and high-quality earnings for shareholders.
- (b) The Bank has gradually implemented market risk quantification based on the criteria laid down in the established risk management policy and standards. The Bank has also set up mechanisms to evaluate and manage value at risk to optimize capital allocation.
- (c) Market risk management is implemented in accordance with “Market Risk Management Standards” and other relevant regulations of the Bank in order to meet operational targets and maintain sound capital adequacy ratio.
- (d) The Bank established market risk information system to effectively monitor different limit control, profit and loss assessment, analysis of sensitivity factors, implementation of stress testing and calculation of value at risk in respect of positions of financial instruments held by the Bank. The relevant information will be presented at risk control meeting and the Board meeting for the senior management’s reference in determination of strategic decision.

b. Policies and procedures

- (a) The Bank has already established an explicit market risk management system based on the risk management policies of the parent Yuanta Financial Holdings. This system includes risk management guidelines, risk management procedures and reasonable risk measurement methods. By implementing market risk management mechanism, the Bank can accurately identify, measure and monitor market risk changes and trends.
- (b) Business domain and scope of financial instruments: the Bank established market risk management standards and defined scope of market risk management covering business domain such as foreign exchange trading, money market trading, capital market trading and derivative financial instrument transactions.
- (c) The Bank established risk management procedures and took advantage of measurement methods (such as sensitivity analysis, VaR calculation, scenario simulation and stress testing) to require relevant units to set not only trading limits on various financial instruments including position limit, nominal principal limit, and stop-loss limit but also limits of authorization and limit exceeding handling procedures applicable to various limits. To increase transparency of market risk information, risk management unit reviews and submits statement of risk management on a daily basis and performs continuous monitoring and tracking in

case of abnormal transactions.

(B) Procedure of market risk management

a. Recognition and measurement

- (a) By establishing value at risk (VaR) measurement systems that are tailored to each financial product, the Bank continually strengthens potential loss estimation models and methods, gradually integrates them into a comprehensive risk management system that thoroughly discloses information, effectively strengthens early warning capabilities, and meets the requirements of the New Basel Capital Accord with regard to risk management quality.
- (b) Both business unit and risk management unit have market risk factors for identifying exposed positions so that market risk can be measured accordingly. For interest rate instruments, except for measurement of VaR above, the impact of an interest rate shift on profit and loss is measured using price value of a basis point (DV01). Risk of holding equity securities is monitored by limits on market value and liquidity. The impact of options on the Bank is measured using Delta and Gamma. The Bank also arranges scenario and performs regular stress testing for market risk.

b. Supervision and reporting

According to different business characteristics, the Bank sets up policies governing risks of various financial instruments to cover procedures of identification, measurement, supervision and reporting. Risk management segment is assigned to keep track of the business unit's compliance.

- (a) Daily transactions: the Bank's front office business and risk control of middle office belong to different units and are independent from each other. The risk management segment supervises trading positions of business unit on a daily basis to produce supervision report recording utilization of limits, market value assessment and income statement, exposed positions, and utilization of risk limit for approval of the senior management. The Bank's risk management unit also submits monthly/quarterly reports recording information about enforcement of risk management objectives, control over positions and profit or loss, sensitivity analysis, and state of VaR to audit committee and the Board of Directors for their sufficient knowledge of market risk control.
- (b) Exceptional management: the Bank established explicit early-warning and limit exceeding handling procedures, which has been set to stop loss if transactions overrun market risk limit or individual limit due to market changes. Applicants filing exceptional management due to business reasons shall state reasons and handling plans clearly and report to the senior management for approval.

(C) Risk management policies for trading book

The so-called trading book refers to financial instruments and physical instruments held for trading or for hedging trading book position. The so-called positions held for trading mainly refer to positions are held with an intention to earn profit from actual or expected price variance between the purchase price and selling price. Positions not classified as trading book above are banking book positions.

a. Strategy

Various assessments and controls are implemented to effectively control market risk and ensure the mobility and adaptability of the trading strategy implemented by business unit. In addition, risk limits on each portfolio of trading book are set up according to the trading strategy, types of trading instruments and annual profit objective for better management.

b. Policies and procedures

The Bank established “Market Risk Management Standards” as a significant control regulation to be followed when holding trading book positions.

c. Evaluation policy

If valuations on various financial instruments of trading book have market values, assessment shall be performed based on independent sources and accessible information at least once a day. For those evaluated by models, the Bank shall carefully adopt mathematical models to perform valuation and regularly review assumptions and inputs used in the evaluation models.

d. Measurement methods

(a) Please refer to Note 12(4)D(E) for assumptions and calculation methods for VaR.

(b) The Bank performs stress testing quarterly on the assumptions of the change in interest rate, equity securities, and foreign exchange rate and reports to the senior management.

(D) Risk management for foreign exchange, equity securities, and interest rate is set out below:

a. Interest rate risk management of trading book

(a) Definition of interest rate risk

“Interest rate risk” refers to risk of loss on earnings or change in fair value of trading book position as a result of interest rate movement. Major instruments include interest-rate securities and derivatives.

The Bank’s interest rate risk mainly arises from interest rate swaps, cross currency swap, foreign exchange swap, fixed income transactions, and interest rate futures.

(b) Interest rate risk management procedures for trading book

The Bank carefully chooses underlying investment target through studies of issuer’s credit rating and financial position, state of country risk, and interest rate trends. According to business strategy and market conditions, the Bank sets up trading limit and stop-loss limit on trading book (including limits on trading room, trading representatives, and trading instruments), and reports to the senior management or the Board of Directors for approval.

(c) Measurement methods

a) Please refer to Note 12(4)D(E) for assumptions and calculation methods for VaR.

b) The Bank measures the impact of interest rate risk on investment portfolio by DV01 on a daily basis.

b. Interest rate risk management of banking book

“Interest rate risk of banking book” refers to interest rate risk from banking book position and interest rate risk faced by off-balance sheet transactions which are not classified into trading book.

(a) Strategy

The Bank’s interest rate risk management strategy of banking book is used to reduce the negative impact of interest rate movement on future net interest income and net economic value of balance sheet accounts in banking book.

(b) Management process

a) Recognition and measurement

Recognition and measurement of interest rate risk in the banking book shall take account of sources of repricing risk, yield curve risk, basis risk, and characteristics of options, and measure possible impact of interest rate movement on the Bank’s earnings and economic value.

b) Supervision and reporting

Risk management segment is responsible for supervision and presenting reports on various interest rate risk management objectives set by the Bank, including relevant risk data in view of earnings, economic value, stability, and concentration at monthly Asset and Liability Management Committee. In case of exceeding risk management objectives or other special circumstances that may significantly affect the Bank’s earnings or economic value, the Bank will report to the senior management in advance, adopt appropriate interest rate risk mitigation method, and track effects of improvement.

c) Measurement methods

The Bank estimates the effects on profit or loss/equity on the assumption that the interest rates have parallel shift of +/-200 bps.

(c) Interest-rate-sensitive analysis

	Variation of Interest- rate	December 31, 2017	December 31, 2016
		Effects on other comprehensive Income	Effects on other comprehensive Income
Available-for-sale financial assets-Bond	Major yield- curve rises one basis point	(\$ 18,830)	(\$ 18,042)

c. Foreign exchange risk management

Foreign exchange risk refers to profit or loss resulted from conversion between two different currencies at different periods. The Bank’s foreign exchange risk mainly arises from foreign exchange spot, forward, foreign exchange options and other derivatives business.

(a) Policies, procedures, and measurement methods of foreign exchange risk management

To control foreign exchange risk, the Bank sets operating limit and stop-loss limit on trading room and trading representatives. The Bank also established annual maximum loss limit to control the loss within bearable level.

(b) Measurement methods

- a) Please refer to Note 12(4)D(E) for assumptions and calculation methods for VaR.
- b) Delta and Vega are used to measure the effect of foreign exchange risk on investment portfolio on a daily basis.

For the Bank's foreign exchange risk, the Bank performs a stress testing on the assumptions of change in exchange rate of major currency on a quarterly basis at least, and reports to the senior management.

d. Price risk management of equity securities

The Bank's market risk of holding equity securities includes unique risk arising from market price change of unique equity security and general market risk arising from overall market price change.

The Bank's equity security risk mainly arises from stocks, ETF, funds, and convertible corporate bonds transactions.

(a) The purpose of price risk management of equity securities

The purpose of price risk management of equity securities are to avoid material fluctuation that may worsen the Bank's financial position or cause loss on earnings and to expect sound business operation and improved effectiveness of capital utilization.

(b) Procedures for price risk management of equity securities

Procedures are used to control equity security risk and set annual maximum loss limit in order to control the loss within bearable level. Besides, for the stop-loss point set for individual share, the Bank is required to handle individual share that has met the stop-loss point in accordance with limit exceeding handling procedures for market risk.

(c) Measurement methods

- a) Price risk of equity security is mainly controlled based on VaR.
- b) Delta is used to measure the impact of equity security risk on investment portfolio on a daily basis.

(E) Management process of subsidiaries

When planning and establishing all financial transactions, transactions should be classified as Banking Book positions or Trading Book positions according to their held purpose. Appropriate and effective market risk limits should be elected for each business according to their product portfolio, strategy attributes, and trading purpose and risk attributes.

(F) Valuation techniques of market risk

a. Value at Risk (VaR)

VaR model is used to measure the possible maximum potential losses in investment portfolio as a result of movement in market risk factor in a specified period and confidence level. In terms of trading positions, VaR model is used as a major tool to control the market risk. The Bank currently uses 'confidence level of 99%' for estimating maximum possible losses on trading position of one day (that is VaR (99%,

one day)) as a standard to measure market risk.

The Bank performs back testing of VaR model on an ongoing basis to ensure the model can continuously, reasonably, effectively measure maximum potential losses that may arise from investment portfolio.

	December 31, 2017			December 31, 2016		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange	11,664	25,332	5,057	16,315	34,952	7,445
Interest rate	49,390	64,865	26,818	35,357	68,720	24,628
Equity securities	1,362	2,891	191	4,305	16,306	225
Total VaR	50,018	66,644	29,528	38,879	75,421	23,498

b. Stress testing

Except for VaR model, the Bank regularly measures stress loss the Bank may assume in extremely abnormal stress scenario. For setting of stress scenario, the Bank comprehensively considers rationality and possibility of standard scenario, historical scenario and hypothetical scenario to completely assess possible stress loss on positions.

When stress testing exceeds risk tolerance, the Bank shall peruse market risk analysis and risk warning, then execute counter strategy to contain risk within reasonable scope.

- (G) As of December 31, 2017 and 2016, the Consolidated Company's foreign currency denominated financial instruments whose balances are greater than 5% of the balance of total assets or liabilities are presented based on foreign exchange risk concentration by the carrying amount.

	December 31, 2017		December 31, 2016	
	USD position	Carrying amount (NTD)	USD position	Carrying amount (NTD)
Foreign currency denominated financial assets				
Bills discounted and loans	\$ 1,702,050	\$ 50,802,786	\$ 1,677,105	\$ 54,135,259
Foreign currency denominated financial liabilities				
Deposits and remittances	\$ 3,187,556	\$ 95,142,175	\$ 3,337,850	\$ 107,742,458

Note: As of December 31, 2017 and 2016, USD to TWD exchange rates were 29.848 and 32.279, respectively.

(Blank below)

(H) Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public banks

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

December 31, 2017

Item	(Expressed in Thousands of New Taiwan Dollars, %)				
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	480,785,682	25,096,528	9,386,240	156,961,788	672,230,238
Interest-rate-sensitive liabilities	210,331,331	351,696,907	50,766,852	31,065,933	643,861,023
Interest-rate-sensitive gap	270,454,351	(326,600,379)	(41,380,612)	125,895,855	28,369,215
Total equity					59,805,723
Ratio of interest-rate-sensitive assets to liabilities (%)					104.41
Ratio of interest-rate-sensitive gap to equity (%)					47.44

December 31, 2016

Item	(Expressed in Thousands of New Taiwan Dollars, %)				
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	484,153,891	20,998,733	7,847,423	145,179,754	658,179,801
Interest-rate-sensitive liabilities	189,921,324	342,349,433	57,317,021	38,597,176	628,184,954
Interest-rate-sensitive gap	294,232,567	(321,350,700)	(49,469,598)	106,582,578	29,994,847
Total equity					55,779,377
Ratio of interest-rate-sensitive assets to liabilities (%)					104.77
Ratio of interest-rate-sensitive gap to equity (%)					53.77

Note 1: The above amount include only New Taiwan Dollars held by the Bank, excluding contingent assets and contingent liabilities.

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

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

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

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

December 31, 2017

Item	(Expressed in Thousands of US Dollars, %)				Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	
Interest-rate-sensitive assets	2,489,819	102,125	29,136	1,024,824	3,645,904
Interest-rate-sensitive liabilities	2,844,545	419,785	439,248	-	3,703,578
Interest-rate-sensitive gap	(354,726)	(317,660)	(410,112)	1,024,824	(57,674)
Total equity					100,574
Ratio of interest-rate-sensitive assets to liabilities (%)					98.44
Ratio of interest-rate-sensitive gap to equity (%)					(57.34)

December 31, 2016

Item	(Expressed in Thousands of US Dollars, %)				Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	
Interest-rate-sensitive assets	2,745,971	236,546	168,957	931,042	4,082,516
Interest-rate-sensitive liabilities	2,951,711	367,867	559,632	-	3,879,210
Interest-rate-sensitive gap	(205,740)	(131,321)	(390,675)	931,042	203,306
Total equity					76,880
Ratio of interest-rate-sensitive assets to liabilities (%)					105.24
Ratio of interest-rate-sensitive gap to equity (%)					264.45

Note 1: The above amounts include only US Dollars amounts held by the Bank, 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).

(I) Transfer of financial assets

Transferred financial assets that did not meet the requirements of derecognition in their entirety conducted in the Consolidated Company's ordinary course of business were primary incident to repurchase agreements of debt instruments. Because such transactions in respect to the agreements, 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 derecognized in its entirety.

The information in the table below analyzes financial assets and its relevant financial liabilities that do not meet the requirements of derecognition in their entirety:

Financial assets category	December 31, 2017	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Bond sold under repurchase agreements	\$ 7,350,032	\$ 6,834,588
Available-for-sale financial assets		
Bond sold under repurchase agreements	3,784,863	3,545,829
Bond investments without active market		
Bond sold under repurchase agreements	906,941	860,287
Financial assets category	December 31, 2016	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Bond sold under repurchase agreements	\$ 2,977,358	\$ 2,723,831
Available-for-sale financial assets		
Bond sold under repurchase agreements	3,294,912	2,954,436
Bond investments without active market		
Bond sold under repurchase agreements	2,346,562	2,108,295

(J) Offsetting financial assets and financial liabilities

The Consolidated Company has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. For example: global master repurchase agreements or similar agreements that are repurchase transactions or reverse repurchase transactions. 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 below:

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 recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not offset in the balance sheet(d)(Note 1)		
				Financial instruments (Note 2)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 1,428,624	\$ -	\$ 1,428,624	\$ 882,834	\$ 147,549	\$ 398,241
Bonds purchased under resale agreements	9,180,000	-	9,180,000	9,180,000	-	-

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

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not offset in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 1,832,213	\$ -	\$ 1,832,213	\$ 882,834	\$ 450,766	\$ 498,613
Bonds sold under repurchase agreements	11,240,704	-	11,240,704	11,240,704	-	-

December 31, 2016

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not offset in the balance sheet(d)(Note 1)		
				Financial instruments (Note 2)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 2,662,318	\$ -	\$ 2,662,318	\$ 1,140,412	\$ 161,038	\$ 1,360,868
Bonds purchased under resale agreements	6,249,307	-	6,249,307	6,249,307	-	-

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

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not offset in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 2,994,670	\$ -	\$ 2,994,670	\$ 1,131,853	\$ 1,552,147	\$ 310,670
Bonds sold under repurchase agreements	7,786,562	-	7,786,562	7,786,562	-	-

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

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

Note 3: Including net settled master netting arrangements.

(5) Capital risk management

A. The objectives of capital management of the Consolidated Company:

- (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 Consolidated 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 Consolidated Company assesses the required capital with consideration of the risk portfolio it faces and the risk characteristic, and manages risk through capital allocation to realize utilization of capital allocation.
- (C) Stress testing is performed on a regular basis in compliance with regulations of competent authorities to ensure that the Consolidated Company's capital is sufficient to cover the potential loss from significant adverse events.

B. Capital management procedure:

- (A) The Consolidated Company maintains the overall capital adequacy ratio and reports to the competent authorities quarterly in compliance with the regulations from competent authorities' requirements.
- (B) Each risk responsible segment, accordingly by using the Consolidated Company's risk management framework in the areas of credit risk, market risk, operational risk, interest rate risk of the banking book, liquidity risk, legal compliance risk and the regulations of competent authorities, to identify, measure, monitor and report the discovery of major risks. In this way, the capital plan of the Consolidated Company indicates the current financial status, and its capital profile shall be applicable to its services and the scope of business.
- (C) The objective of capital management of the Bank 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 Consolidated Company is assessed and calculated by month. The risk management analyses changes in risky assets when necessary to evaluate if the Consolidated Company has sufficient capital for various risk and if it meets the objectives of capital management.
- (D) In accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", the Regulatory Capital of the Consolidated Company are classified as Tier 1 Capital and the Tier 2 Capital:
 - a. The Tier 1 Capital includes common equity Tier 1 and additional Tier 1 capital.
 - (a) The common equity Tier 1 capital consists of the common equity that reduces intangible assets, the deferred tax assets due to losses from the previous year, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods.

- (b) The additional Tier 1 capital consists of the total amount of the non-cumulative perpetual preferred stock and its capital stock premium, non-cumulative perpetual subordinated debts and the non-cumulative perpetual preferred stock and its capital stock premium, and the non-cumulative perpetual subordinated debts which are issued by subsidiaries, and are not directly or indirectly held by the Bank less the total amount of the deductible items in accordance with the rules for calculation guideline.
- b. The range of Tier 2 capital shall include the total amount of the following items less the total amount of the deductible items in accordance with the rules for calculation guideline:
 - (a) The total amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts and non-perpetual preferred stock and its capital stock premium.
 - (b) When the real estate was recognized under International Financial Reporting Standards for the first time and used the fair value or the re-estimated value as the deemed cost, the difference in amount between the deemed cost and the book value was recognized in retained earnings, the 45% of unrealized gain on available-for-sale financial assets, as well as operational reserves and loan-loss provisions.
 - (c) The cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, and the non-perpetual preferred stock and its capital stock premiums, which are issued by subsidiaries, and are not directly or indirectly held by the Bank.

The loan-loss provisions included in Tier 2 capital means the amount of the provisions that the bank provided in excess of the expected loss assessed according to historical loss experience.

(Blank below)

C. Capital adequacy ratio

			December 31	
			2017	2016
Eligible Capital	Common Equity Tier 1		58,769,676	54,546,613
	Additional Tier 1 Capital		6,913,076	6,912,792
	Tier 2 Capital		20,594,951	22,651,404
	Eligible Capital		86,277,703	84,110,809
Total risk-weighted assets	Credit risk	Standardized Approach	502,593,162	552,690,922
		Internal Ratings- Based Approach	-	-
		Securitization	-	-
	Operational risk	Basic Indicator Approach	-	-
		Standardized Approach / Alternative Standardized Approach	24,185,623	22,704,950
		Advanced Measurement Approach	-	-
	Market risk	Standardized Approach	50,058,350	37,699,975
		Internal Models Approach	-	-
	Total risk-weighted assets		576,837,135	613,095,847
Capital adequacy ratio			14.96%	13.72%
Common Equity Tier 1 Ratio			10.19%	8.90%
Tier 1 Risk-based Capital Ratio			11.39%	10.02%
Leverage Ratio			7.08%	6.60%

Note 1: The eligible capital, risk-weighted assets and Exposure Measurement in the table above should be filled in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks” and “calculation method and table of self-owned capital and risk-weighted assets”.

Note 2: The relevant formulas are as follows:

1. Eligible capital = Common Equity + Additional Tier 1 Capital + Tier 2 Capital
2. Total risk-weighted assets = credit risk-weighted assets + (operational risk + market risk) * 12.5
3. Capital adequacy ratio = Eligible capital / Total risk-weighted assets
4. Common Equity Tier 1 Ratio = Common Equity Tier 1 / Total risk-weighted assets
5. Tier 1 Risk-based Capital Ratio = (Common Equity Tier 1 + additional Tier 1 Capital) / Total risk-weighted assets
6. Leverage Ratio = Tier 1 Capital / Exposure Measurement

(6) Content and amount of investment trust business in accordance with Trust Enterprise Act

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

December 31, 2017			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 4,327,748	Payable - Customers' securities under custody	\$ 28,251,052
Stocks	10,867,199	Pecuniary trust	74,225,332
Funds (Note)	51,946,329	Securities trust	5,238,734
Bonds	9,044,380	Real estate trust	11,086,038
Structured product	4,262,500	Movables trust	6,750,000
Real estate	10,765,544	Money market mutual fund	-
Movables	6,750,000	Net income	324,744
Customers' securities under custody	28,251,052	Accumulated deficit	338,852
Total trust assets	<u>\$ 126,214,752</u>	Total trust liabilities	<u>\$ 126,214,752</u>

December 31, 2016			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 4,492,403	Payable - Customers' securities under custody	\$ 33,245,696
Stocks	11,063,824	Pecuniary trust	67,944,002
Funds (Note)	48,186,918	Securities trust	5,292,434
Bonds	6,993,230	Real estate trust	10,249,108
Structured product	3,766,607	Movables trust	6,750,000
Real estate	9,947,526	Money market mutual fund	258,055
Movables	6,750,000	Net income	70,709
Customers' securities under custody	33,245,696	Accumulated deficit	636,200
Total trust assets	<u>\$ 124,446,204</u>	Total trust liabilities	<u>\$ 124,446,204</u>

Note: Includes mutual funds in money market.

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Trust Income Statement

	For the years ended December 31,	
	2017	2016
Trust revenue		
Interest income	\$ 10,615	\$ 13,197
Investment income (stock)	306,200	2,728
Investment income (fund)	3,858	1,355
Dividend revenue	54,738	99,583
Rental income	189	385
	<u>375,600</u>	<u>117,248</u>
Trust expenses		
Management fees	(19,795)	(16,387)
Tax expenses	(25,398)	(27,881)
Insurance	(383)	(511)
Loss on investment	(5,223)	(1,625)
	<u>(50,799)</u>	<u>(46,404)</u>
Loss before income tax	324,801	70,844
Income tax expense	(57)	(135)
Net loss	<u>\$ 324,744</u>	<u>\$ 70,709</u>

Schedule of Trust Property

Invested items	December 31, 2017	December 31, 2016
	Book value	Book value
Bank deposits	\$ 4,327,748	\$ 4,492,403
Stocks	10,867,199	11,063,824
Funds	51,946,329	48,186,918
Bonds	9,044,380	6,993,230
Structured product	4,262,500	3,766,607
Real estate- land	10,765,544	9,947,526
Movables	6,750,000	6,750,000
Customers' securities under custody	28,251,052	33,245,696
	<u>\$ 126,214,752</u>	<u>\$ 124,446,204</u>

The trust balance sheet and trust schedule of property as at December 31, 2017 and 2016 include foreign currency non-discretionary money trusts and foreign currency money trusts operated by the offshore banking unit of the Bank.

(7) Cross-selling marketing strategies implemented between the Consolidated Company, the Yuanta Financial Holding Co. and its subsidiaries

- A. In order to achieve the integrated benefit for financial holding company, the Group adopts the cross-selling marketing approach to take advantage of the operation channels, branches and staff to satisfy various needs of the clients, to increase the Group's sales performance and to enhance cost-saving efficiency. The cross-selling marketing approach was conducted in conformance with "Yuanta Financial Holdings Company Group Cross-selling Marketing Rules" to regulate the Consolidated Company, the Yuanta Financial Holdings Co. and its subsidiaries, to ensure clients' rights.

B. Information exchange

Article 11 of “Yuanta Financial Holdings Company Group Cross-selling Marketing Rules” allows the Consolidated Company, the Yuanta Financial Holding Co. and its subsidiaries (excluding foreign subsidiaries) to share clients’ information internally, yet other than clients’ name and address, information should be restricted in accordance with the “Personal Information Protection Act” for any gathering, processing and using purposes.

C. Mutual use of operation facilities or place

As the Consolidated Company, the Yuanta Financial Holdings Co. and its subsidiaries or other third parties adopted cross-selling marketing approach, such entities should comply with Article 3 of “Yuanta Financial Holdings Company Group Cross-selling Marketing Rules” to apply for approval from the Financial Supervisory Commission of the Executive Yuan and should comply with Articles 6 and 8 of the Rules for the scope and method in adopting cross-selling business.

There was no major cross-selling marketing business and information exchanged as of December 31, 2017.

(8) Profitability

Items		For the years ended December 31	
		2017	2016
Return on total assets (%)	Before tax	0.85	0.75
	After tax	0.77	0.66
Return on equity (%)	Before tax	12.32	11.34
	After tax	11.14	9.99
Net profit margin ratio (%)		44.57	39.96

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.

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 Bank'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 Bank's paid-in capital:

Expressed in Thousands of New Taiwan Dollars													
Real estate acquired by	Real estate acquired	Date of event	Transaction amount	Status of payment	Counterparty	Relationship with counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below				Basis or reference used in setting the price of the real estate	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of original transaction	Amount			
The company	Real estate	May 3, 2017	\$ 933,700	All payments have been made	Shan-Chih Assets Development Co., Ltd	Non-related parties	-	-	-	Appraisal report issued by real estate appraiser	Business property	None.	

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

Expressed in Thousands of New Taiwan Dollars												
The company	Name and nature of the subject matter	Date of the occurrence of the event	Date of acquisition	Book value	Total transaction price	Balance due	Gain (loss) on disposal	Counterparty	Relationship	Concrete purpose of disposal:	Basis used in setting the price	Other commitments
Yuanta Savings Bank (Korea)	Real estate	2017/11/24	1998/06/23	\$ 82,687	322,255	All payments have been received.	239,568	Korean Federation of community credit cooperatives	Non-related party.	Asset activation	Appraisal report issued by real estate appraiser.	None.

Note: The book value and sales price of the real estate transaction were KRW\$3,073,086 thousand and KRW\$11,976,641 thousand. The currency exchange rate of the Consolidated Company was 1:0.026907.

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 exceeding \$300 million or 10% of the Bank's paid-in capital:

The company listed Current income tax assets	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2017	Turnover rate	Expressed in Thousands of New Taiwan Dollars		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Bank	Yuanta Financial Holding	Parent Company	\$ 2,230,339(Note)	-	-	-	-	-

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

F. Information regarding selling non-performing loans:

(A) Summary of selling non-performing loans:

Transaction date	Counterparty	Contents of right of claim	Carrying value	Sale price	Gain or loss from disposal	Expressed in Thousands of New Taiwan Dollars		
						Attached conditions	Relationship with the Bank	Note
2017/12/8	J&P Investment Loan Inc.	Loans	-	1,418	1,418	None	None	Note

Note: The loan was sold at KRW 52,705 thousand, using the exchange rate of 1 KRW to 0.026907 NTD.

(B) Sale of non-performing loans for which the amount exceeding NT \$1 billion (excluding sale to related parties) : None.

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. Significant transactions between parent company and subsidiaries

Information for the year ended December 31, 2017:

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets
0	Yuanta Bank	Yuanta International Leasing	1	Accounts payable	4	No significant difference from general customers.	0.00%
0	Yuanta Bank	Yuanta International Leasing	1	Deposits and remittances	245,796	No significant difference from general customers.	0.03%
0	Yuanta Bank	Yuanta International Leasing	1	Other liabilities	7	No significant difference from general customers.	0.00%
0	Yuanta Bank	Yuanta International Leasing	1	Service fee and commission income	7	No significant difference from general customers.	0.00%
0	Yuanta Bank	Yuanta International Leasing	1	Interest expense	99	No significant difference from general customers.	0.00%
1	Yuanta International Leasing	Yuanta Bank	2	Bank deposits	245,796	No significant difference from general customers.	0.03%
1	Yuanta International Leasing	Yuanta Bank	2	Accounts receivable	4	No significant difference from general customers.	0.00%
1	Yuanta International Leasing	Yuanta Bank	2	Interest income	99	No significant difference from general customers.	0.00%
1	Yuanta International Leasing	Yuanta Bank	2	Other assets	7	No significant difference from general customers.	0.00%
1	Yuanta International Leasing	Yuanta Bank	2	Other general and administrative expenses	7	No significant difference from general customers.	0.00%

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.
- I. Other significant transactions that may affect the decisions made by financial statement users: None.

- (2) Information on the subsidiaries regarding fund lent to others, endorsement or guarantee provided, securities held at the end of the period, accumulative transaction amount on the same securities for more than \$300 million, a transaction or engagement in derivative instrument which is equivalent to 10% of paid-in capital:

A. Funds lent to other:

(Expressed in Thousands of New Taiwan Dollars)										
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
1	Yuanta International Leasing	Cai Di Co., Ltd	Notes receivable-Capital lending	No	197,944	197,944	197,944	4.17% ~ 5.60%	Short-term loans	-
									Reason for short-term loans	Provision for credit loss
									Acquisition of assets and operation financing	19,794
									Real estate	570,000
									Limit of individual lending	242,736
									Total limit of funds lent to others	242,736

B. Endorsements and guarantees provided for others:None

C. Securities held at the end of period: None

D. Information regarding stocks of equity investment for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Bank's paid-in capital: None.

E. Information of derivative instrument transactions: None.

(3) Information regarding reinvested business and consolidated stock holdings

Expressed in Thousands of New Taiwan Dollars										
Name of the Investee	Investee Location	Investee's main operations	Percentage of ownership (%) at the end of current period	Carrying value of investments	Investment income recognized by the Bank for current period	The combined ownership of the investee company's common shares held by the Bank and its related parties				Note
						Number of ready shares	Number of pro-forma shares	Number of shares	Percentage of ownership (%)	
Name of the Investee Yuanta International Leasing	7F., No.69, Baoqing Rd., Taipei, Taiwan	Leasing business	100 %	\$ 574,090	\$ 29,863	60,000	-	60,000	100	
Yuanta Savings Bank (Philippines)	G/F Chatham House, 116 Valero Cor. V.A.Rufino (former Herrera) Sts., Salcedo Village Makati City, Philippines	Deposits and loans of saving bank	100 %	\$ 549,347	(40,671)	1,000,000	-	1,000,000	100	
Yuanta Savings Bank (Korea)	542,Gangnam-daero,Gangnam-gu,Seoul, Korea	Deposits and loans of saving bank	100 %	\$ 4,056,573	166,956	13,516	-	13,516	100	

(4) Investments in People's Republic of China: None.

14. Segment information:

(1) General information

In accordance with IFRS 8 as endorsed by the FSC, the overall performance of the operating segments is reviewed by the Board of Directors on a regular basis to determine the distribution of resources and to assess the results. All reportable segments determined by the Consolidated Company meet the disclosure requirements of IFRS 8 as endorsed by the FSC.

The Consolidated Company has a global market, comprising four major business segments; there was no change in the reporting segments during the period.

- A. Corporate finance: General corporate loans, policy finance, guarantees and acceptances, receivables finance and small and medium enterprise loans, etc.
- B. Consumer finance: Mortgage loans, auto loans, consumer loans, credit cards, etc.
- C. Wealth management: The segment consolidates deposits, wealth management, trust business and various financial products, and provides clients with tailor-made recommendations and advice according to their asset portfolio and financial position.
- D. Financial trading: Investing in and handling of foreign exchange and fixed income product, securities and other derivatives.

(2) The income sources and service types of each reporting segment

A. Measurement of the profit and loss of operating segments

The Consolidated Company's measurement principles of profit and loss of operating segments are consistent with significant accounting policies stated in Note 4, and the measurement of profit and loss performance is based on pre-tax profit and loss.

In order to create a fair and reasonable evaluation system, the funding among segments is regarded as a lending to the third party and interest incomes and expenses should be calculated according to internal funding rates which refer to market conditions. Incomes and expenses among internal segments shall be offset in the financial reports published.

Incomes and expenses attributable to each operating segments shall be classified as profits or losses of the segment; the indirect expenses that are not attributable to any segment and back office expenses should be reasonably allocated to operating segments. Expenses that cannot be reasonably allocated should be listed under "other segments".

B. Recognition element for reporting segment

The performance appraisal for the Consolidated Company's reporting segments based on specific performance indicators which are reviewed and evaluated by the management on a regular basis is a reference for resource allocation.

(3) Information about segment profit or loss

	For the year ended December 31, 2017				
	Segment Information				
	Corporate finance	Consumer finance	Wealth management	Financial trading	Other segments
					Consolidated
Net interest income (loss)	\$ 4,145,653	\$ 2,219,284	\$ 2,281,484	\$ 1,038,453	\$ 9,212,330
Net service fee and commission income (loss)	773,954	188,307	2,157,277	(33,829)	3,095,273
Other operating income (Note)	8,296	34,068	170,036	2,389,408	2,822,128
Operating expenses	1,596,451	1,622,889	3,770,129	643,350	7,357,790
Other significant non-cash accounts					
Net Reversal of Impairment Losses on Assets	-	-	-	-	(166)
Provision for bad debt expenses and guarantee reserve	379,173	153,701	-	-	(311,230)
Segmental profit before tax	<u>\$ 2,952,279</u>	<u>\$ 972,471</u>	<u>\$ 838,668</u>	<u>\$ 2,750,682</u>	<u>\$ 7,460,545</u>

	For the year ended December 31, 2016				
	Segment Information				
	Corporate finance	Consumer finance	Wealth management	Financial trading	Other segments
					Consolidated
Net interest income (loss)	\$ 3,873,702	\$ 2,092,768	\$ 1,903,555	\$ 1,561,286	\$ 8,597,599
Net service fee and commission income (loss)	715,720	125,421	1,918,167	(38,434)	2,832,863
Other operating income (Note)	56,382	30,607	145,651	2,242,622	2,572,509
Operating expenses	1,619,133	1,568,113	3,437,721	577,885	6,642,951
Other significant non-cash accounts					
Net Reversal of Impairment Losses on Assets	-	-	-	-	(763)
Provision for bad debt expenses and guarantee reserve	614,257	112,126	-	(500,059)	(1,006,950)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	-	-	-	-	(300)
Segmental profit before tax	<u>\$ 2,412,414</u>	<u>\$ 792,809</u>	<u>\$ 529,652</u>	<u>\$ 2,687,530</u>	<u>\$ 6,352,007</u>

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

(4) Major customer information

The Consolidated Company has diverse income sources and has no significant trade occurred to single client or transaction.

(5) Product information

The Consolidated Company's product information is identical with the segment information.

(6) Geographical information

If the Consolidated Company is categorized according to the geographic location of operating segments, there were no revenues from a single foreign external customer that was material. Therefore, no disclosures have been made.

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