



2018 Annual Report

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6. Overseas Listing and Access to the Listing Information: None

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I. Letter to Shareholders

1. Business Report for 2018

Changes in the Financial Environment

Looking back in 2018, among the major international economies, except for the acceleration of growth in the United States driven by domestic demand, economic growth in the Eurozone, Japan and emerging markets is still weak. In the first half of the year, the domestic economy was benefited from a steady increase in the global economy, with strong trade and production activities, and the economic growth rate was stable at more than 3%. However, in the second half of the year, affected by the US-China trade war, financial market volatility intensified, and the economy cooled down. According to the data announced by the Directorate-General of Budget, Accounting and Statistics in February 2019, the 2018 annual economic growth rate was 2.63%, lower than the 3.08% in the 2017, indicating that economic growth has slowed down.

In order to maintain steady growth in profitability, the banking industry is actively expanding overseas business with high interest spreads. At the same time, with the continued easing of funds, banks still use low interest rate to attract domestic SME loan , mortgage and syndicated loan business, and expand the scale of loan. Driven by the growth of the wealth management market and the development of FinTech, the 2018 overall pre-tax profit of the domestic banks grew by 9% compared with 2017. In addition, under the implementation and promotion of the competent authority on the national banks' risk control, information security, internal control, and continuity of AML policies, the overall risk control capability has continued to improve.

In terms of the development of financial technology, in addition to mobile payment, the banking industry has also increased its investment in the application and development of technologies such as information security, cloud services, blockchain, etc., and continued to move toward comprehension and security. With FSC's deregulation of the internet-only bank and the policy of promoting the financial innovation through the regulatory sandbox, it is expected that the technical capabilities of the national banks' overall financial technology will be rapidly improved, and the transformation of the traditional banking business model is imperative.

As the US-China trade war has triggered the rise of global trade protectionism, it is expected to have an impact on global trade volume and also affect investment confidence. Most economic forecasting institutions estimate that the global economic growth will slow down in 2019, and the view on Taiwan's economic situation will also turn conservative. It is expected that financial market volatility will be more severe, investment operations will become more difficult, and

investment income will not be as good as before. In addition to the continuous expansion of deposits and loan scales, and the increase in spread and fee income, the expansion of overseas markets and the development of financial technology are expected to be positive benefits for the banking industry's profit increase.

Organizational Change

- (1) In response to the business operation and development of the Bank's merger with the Ta Chong Bank, in October 2017, the Bank added five new business divisions: Wholesale Banking Division, Retail Banking Division, Personal Financial Services Division, Financial Markets Division and International Business Division. In addition, Credit Management Department, Project Financing Department, Personal Loan Department, Personal Loan Credit Department, Financial Product Department, Financial Markets Administration Department, etc., are established. At the same time, the Secretarial Office was renamed as the Board Secretary Office, the Credit Management Department was renamed the Corporate Credit Department, and the Consumer Credit Management Department was renamed the Consumer Credit Department. The new organization took effective on January 1, 2018.
- (2) In line with the adjustment of business operations, the "Information Technology Development Department" was renamed "Information Technology Department" in April 2018. At the same time, in accordance with the provisions of Article 38-1 of the amendment to the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," the relevant responsibility of the bank-wide information maintenance management of the Information Security Management Department was transferred to the Information Department.
- (3) In order to enhance and strengthen the Bank's AML/CFT matters, in December 2018, the Board of Directors passed the resolution to have a dedicated unit separated from the "Compliance Affairs Department" which is previously responsible for handling the aforementioned matters, and the "AML Department" was established on January 1, 2019.

Actual Accomplishments in 2018

On January 1, 2018, the Bank completed the merger with the Ta Chong Bank. Due to the proper arrangement of the preparatory work for the merger, the business operated smoothly after the merger. By strengthening customer relationship and new business development, various businesses have remained stable, and the Bank's interest spreads have increased quarterly, driven by OBU's lending structure adjustment and the US dollar interest rate hike. Under proper cost control, the overall profitability is better than the pre-merger level of the two banks.

As of the end of December 2018, the Bank's assets reached NT\$1,288.1 billion. The accumulated after-tax net income for the year was NT\$8.608 billion, an increase of NT\$709 million over 2017, with a growth rate of 9%, EPS of NT\$1.16 and ROE of 7.52%. At the same time, with the continuous growth of profit, the Bank still maintained good asset quality. The Bank's wealth management business is committed to providing customers with professional services with "thoughtfulness, care and sincerity." In the Wealth Magazine's 2018 Wealth Management Survey, the Bank was awarded "Best Service, Best Professional Team, and Best Public Interest Promotion" Awards; the Bank also received the "Best Information Service, Best Products" awards in the Business Today's Wealth Management Bank Awards, showing the Bank has been well recognized by customers.

The changes in major services are as follows:

| Item | 2018 | 2017 | Growth % |
|-----------------|--------------------|--------------------|----------|
| Deposit Balance | NT\$1067.9 billion | NT\$1094.7 billion | -2.45% |
| Loan Balance | NT\$742.9 billion | NT\$739.8 billion | 0.42% |
| Trust Asset | NT\$202.8 billion | NT\$192.0 billion | 5.63% |

Budget Implementation, Financial Status and Profitability

The net income in 2018 was NT\$21.966 billion, a decrease of NT\$1.258 billion from the net income of NT\$23.224 billion in 2017. In which:

- (1) Net interest income was NT\$14.016 billion, a decrease of NT\$615 million from 2017, and the main reason was the increase in interest expenses.
- (2) Net income other than interest was NT\$7.95 billion, a decrease of NT\$643 million from 2017, and the main reason was the recognized asset impairment loss resulted from the impairment test of goodwill conducted in accordance with IAS 36 "Asset Impairment."

- (3) The bad debts expense was NT\$666 million, an increase of NT\$141 million from 2017; the operating expenses were NT\$11.256 billion, a decrease of NT\$1.708 billion from 2017.
- (4) In summary, the Bank's 2018 net income before tax was NT\$10.044 billion, and the net income after tax was NT\$8.608 billion. Excluding the recognized asset impairment loss resulted from the impairment test of goodwill conducted in December 2018 in accordance with IAS 36 "Asset Impairment," the accumulated net income after tax for the year was NT\$10.024 billion, an increase of NT\$ 2.126 billion from 2017, with a growth rate of 27% and a budget achievement rate of 105%.

Research and Development

- (1) Master market trends and launch innovative financial services such as cardless withdrawals, digital saving accounts, transfers via QR code , exchange rate alerts, fingerprint login for mobile banking, etc.
- (2) Cooperate with Alipay for cross-border agent collection and payment business, and launch the "Internet Store Order Barcode/QR Code Payment Function," which allows customers to easily pay by scanning QR codes of the mobile phone on the Internet. Compared with the previous traditional webpage payment, it is more easy and simple.
- (3) Add the Fund + good investment smart wealth management function in fund trading, providing customers with the dual advantages of achieving stable growth of assets and diversification to reduce investment risk, through the investment in parent-child funds.
- (4) Transform the Huashan Branch into a new type of digital bank with the theme of culture and creativity. In collaboration with the startup animation company "Taiwan Bar" to make "FinTech " animation films, introducing financial knowledge such as blockchain, banking, internet of things, artificial intelligence, financial technology, etc., through the social platform, it successfully attracts the attention of young people and receives enthusiastic responses.
- (5) Risk management :
 - A. Credit risk: The Bank has strengthened and adjusted the use of rating models and strategic planning and evaluation in corporate and consumer banking, and advanced the control mechanism of concentration risk with improving the large exposure management system by systematically managing the total exposure and supervising the risky industries in China.

- B. Market and liquidity risk: Continuously plan and trial-calculate the net interest income of the banking book interest rate on various tenor-funding positions and the economic value maximization management mechanism, as well as the internal liquidity stress testing process and calculation procedures.
 - C. Operational risk: Plan to establish a quantitative model of the Bank's operational risk loss data, and a construction plan of a feasible model when the operational risk management is measured by advanced methods.
- (6) Cooperating with the bank-wide business strategy and business development, the main information system R&D and upgrades include: CTI System Construction Project - 2nd Stage, Foreign Exchange System Upgrading Project -1st Stage, Hong Kong Branch Network Banking System Project, Credit Card Issuance Accounting and Authorization System Upgrading Project, Wealth Management System Upgrading Project, New Financial Trading System Construction Project, LM/FTP System Upgrading and Liquidity Risk Management Construction Project, Trust Host Upgrading Project, etc., improving system operation's efficiency and safety.

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

In recent years, the domestic banking industry has maintained a stable profitability in the case of stable growth in deposits and loans and no significant changes in asset quality. Observing that the total pre-tax earnings of domestic banks in the past five years has all reached more than NT\$300 billion, with abundant funds in the market, interest rate competition has become the norm. In addition to the impact of interest rate rises, the increase in interest income depends on the expansion of business scale, and the increase in other net income is mainly from wealth management business and investment income. Therefore, business and product innovation, financial asset deployment, and financial technology development are the key factors affecting revenue. After the Bank's merger with the Ta Chong Bank in 2018, the asset scale has exceeded NT\$1 trillion. Facing more intense market competition, it is necessary to deepen customer relationships in order to stabilize the existing business and increase the scale strategically to drive the growth in profitability.

The impacts of important regulatory changes on the Bank and the response measures are as follows :

(1) The Financial Supervisory Commission (hereinafter referred to as the FSC) amended the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” :

In order to strengthen the differentiated regulatory compliance risk management mechanism for banks with assets above certain scale, it is specified that the principles and responsibilities of the regulatory compliance risk management and supervision framework for large banks, including establishing a bank-wide regulatory compliance risk management framework and an independent legal compliance organization and responsibilities, and implementing legal compliance performance report and supervision. The Bank has met the standards of large banks since 2018. Since 2019, the Bank shall adjust the bank-wide regulatory compliance risk management and supervision structure within the specified time, and report them to the competent authority for reference.

In order to help financial holding companies and the banking industry to establish an ethical and transparent corporate culture and promote sound management, it is required that financial holding companies and the banking industry shall establish an internal whistleblowing system. In September 2018, the Bank’s Board of Directors approved the formulation of the “Implementation Regulations Governing Whistleblowing System” and announced its implementation.

In order to enhance the emphasis on information security in the banking industry, it is specified that the banking industry shall establish dedicated information security units and supervisors, responsible for the information security related work, and differentiated management is conducted according to the scale. The Bank established the Information Security Management Department in August 2017 and adjusted its responsibility in April 2018 to comply with the regulations.

(2) The FSC formulated the “Financial Technology Development and Innovative Experimentation Act” :

The “Financial Technology Development and Innovative Experimentation Act” was promulgated on January 31, 2018 and took effect on April 30, 2018. As of the end of 2018, two cases (using telecom mobile identity certification for inclusive financial services and foreign migrant workers’ cross-border remittances) have been approved. Although it will not pose a threat to banking operations in the short term, it will likely change consumer behavior and affect the banking business model in the future. Therefore, the Bank will continue to observe and analyze market dynamics and develop response measures.

(3) The FSC amended the “Regulations Governing Anti-Money Laundering of Financial Institutions” and the “Regulations Governing Reporting on the Properties or Property Interests and Locations of Designated Sanctioned Individuals or Entities by Financial Institutions”:

In response to the mutual evaluation of the Asia/Pacific Group on Money Laundering (APG) and the 40 recommendations of the Financial Action Task Force on Money Laundering (FATF), the FSC made amendments to the provisions on Know Your Customer, methods to recognize politically exposed persons, reporting timeline of suspected money-laundering or terrorism financing transactions, etc., of the “Regulations Governing Anti-Money Laundering of Financial Institutions.” In the implementation of AML/CFT, the Bank has revised the relevant rules and regulations and the contents of the education and training courses in accordance with the external regulations and business needs. In terms of the system, the Bank also detects suspicious transactions by correcting the transaction monitoring scenario parameters of the AML/CFT (AML) system, as well as importing external list databases and self-made list databases. In terms of new products, services or businesses, there is also an AML/CFT checklist for the business units to review the relevant money laundering and terrorist financing risks in order to establish corresponding control measures.

(4) The FSC amended the regulations related to the establishment of internet-only bank and promulgated that it will accept applications from November 16 , 2018:

In response to the development trend of digital services for banks and meeting consumer demand, the FSC deregulated to accept applications for the establishment of internet-only bank. The FSC said that as of the deadline for the application, there were three internet-only bank promoters applying to establish internet-only banks, and the review results are expected to be announced before the end of June 2019. For the development of digital financial business, the Bank will continue to add and innovate service items according to the existing plans, improve system functions, and increase the number of customer accounts and usage rates, and the Bank will continue to observe whether the establishment of internet-only bank will have an impact on commercial banking business and make responses.

3. Latest Credit Ratings

| Rating Category | Rating Agency | Effective Date | Credit Rating | | |
|-----------------------|----------------|----------------|---------------|------------|---------|
| | | | Long-term | Short-term | Outlook |
| International ratings | S&P | 2019.01.21 | BBB+ | A-2 | Stable |
| | Fitch | 2018.07.11 | BBB+ | F2 | Stable |
| Domestic Rating | Taiwan Ratings | 2019.01.21 | twAA | twA-1+ | Stable |
| | Fitch | 2018.07.11 | AA- (tw) | F1+ (tw) | Stable |

4. Business Plan in 2019 and Outlook

In 2019, the Bank shall continue to expand its business scale, balance its business and profit structure, and implement various risk control and compliance mechanisms as its main development goals. The summary of the business plan is as follows:

(1) Business Development

- A. In terms of deposit and remittance business, the Bank shall use project products and featured accounts to develop new customers and deepen customer relationships, steadily increase core deposits, and build a foundation for the development of wealth management business. At the same time, the Bank shall strengthen the promotion of payroll transfer business, agency collection and payment business, and acquiring business. In addition to providing customers with more diversified payment gateway integration services, it can increase the proportion of general demand deposits.
- B. For the corporate financial business, the Bank shall strengthen the expansion of high-yield products, actively seek opportunities to be the leading or co-leading bank of syndicated loans, and increase interest and fee income. In addition, by increasing the proportion of transaction financing such as trade finance and accounts receivable, etc., the Bank can develop supply chain financing to reduce the credit risk, and increase demand deposits and fee revenues.
- C. The Bank shall strengthen offshore banking business through the cooperation with international investment banks and privately offered funds, continue to expand the scale of international syndicated loans business, and strengthen the deposit and loan business of Hong Kong branch and sub-branches in Korea and Philippines, increasing the contribution to profit.
- D. For the personal finance business, the Bank plans the main operating pillars for various products. The mortgage business shall be targeted to the demand for self-occupied

residential property, mainly focused on the collaterals with good liquidity and located in urban areas, and strengthen the cross-selling of products and the batch program. The auto loan business continues to be focused on deepening the automotive brand channel for new vehicles and strengthening the automotive brand auto financing business. The credit loan business is focused on using database to analyze and develop existing credit card or loan customers. The credit card business continues to be focused on the business model of niche marketing to enhance customer loyalty.

- E. Wealth management business is focused on bringing new customers and new funds, through the adjustment of customer classification system and rights, expanding to family members and business owner members, and using various marketing projects and cross-industry cooperation, in order to expand the scale of wealth management business by deepening customer base. The Bank shall also enhance the convenience of the digital channel platform and provide a diversified product line to enhance customer satisfaction.

(2) Channel Development

- A. Domestic physical channel outlets are set up according to the commercial and wealth situations in the regions, and localized operations are implemented. The head office effectively improve the performance of the channel operation through regular performance review and guidance measures. In response to the trend of financial technology development and changes in consumer payment patterns, the Bank promotes the Bank's digital transformation, develops digital financial services, and encourages our existing customers to apply for digital accounts. The Bank guides customers to experience the fast and convenient service of digital channels, and cooperates with cross-industry payment gateway platforms to connect various industry platforms, providing digitalized services close to customer needs.
- B. For those overseas branch outlets, the Hong Kong branch and sub-branches in Korea and the Philippines have expanded the deposit and loan business based on their business items and local characteristics, with the influx of the Group's resources. At the same time, the head office continue to assist in the evaluation and improvement of the procedures such as process flows, loan review, investment, etc., as well as to enhance the security, function and performance of the information system, and implement the legal compliance and risk management work of the Bank, branches and sub-branches to maintain the Bank's sound management.

(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. Implement the execution of AML/CFT tasks, and revise the Bank's relevant regulations in accordance with changes in external laws and regulations and practical operational needs. Continuously adjust the system functions, construct indicator data analysis and management mechanism, and improve the professional quality and execution capability of all employees through education and training.
- C. Fortify the Bank's risk control, legal compliance, management of internal audit and internal control of overseas branches and subsidiaries.

(4) Personnel Training

Implement pre-employment and on-the-job training, and train multi-functional talents through job rotation mechanism. In response to the development of financial technology and internationalization policies, strengthen the training of internationalized professionals and digital financial talents to build the foundation for the Bank's sustainable development.

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 14, 1992 and launched its operation on February 12, 1992. Afterwards, in conformity with the development of the financial market and Government’s financial reform, the Bank joined Fuhwa FHC 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. On April 2, 2007, Yuanta Core Pacific Securities merged with Fuhwa FHC formally. On September 23, 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 1, 2018, domestic branches have expanded to 145. 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 2, 1999 with the main business at property insurance agency services and Yuanta Life insurance agency Co., Ltd. on November 20, 2001 with the main business at life insurance agency services. In addition, Yuanta International Leasing Co., Ltd. was established on November 15, 2012 with the main business at dealership, leasing and factoring management of immovable property / real property.

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

Philippines, Inc. Headquartered in Manila, it has two branches.

On April 25, 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 13, 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 |

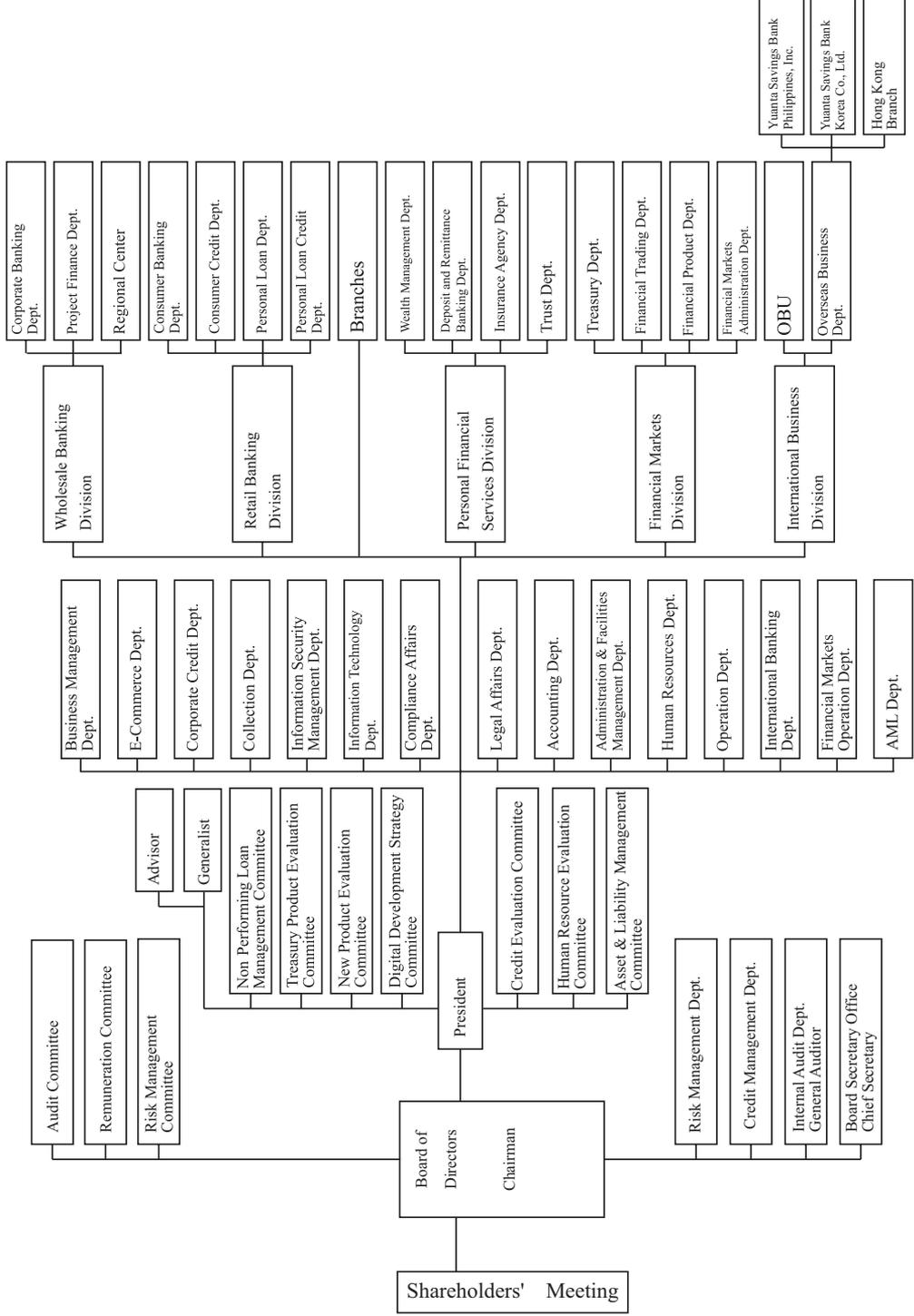
- ◆ Domestic branch : 145 branches
- ◆ Overseas branch : Hong Kong branch
- ◆ Overseas Office : Yangon Representative Office in Myanmar
- ◆ Affiliates :
 - Yuanta International Leasing Co., Ltd.
 - Yuanta Savings Bank Philippines, Inc.
 - Yuanta Savings Bank Korea Co., Ltd.

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 Chart



(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 31, 2019

| 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.: 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.: 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: 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, and Personal Loan Credit Department. The responsibilities of the departments supervised are as follows:</p> <p>(1) Consumer Banking Dept.: 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.: 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</p> |

| Departments | Function |
|--------------------------------------|---|
| | <p>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> |
| Personal Financial Services Division | <p>Supervise Wealth Management Department, Deposit and Remittance Banking Department, Insurance Agency Department, and the Trust 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> <p>(4) 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> |
| 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> <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.:</p> |

| Departments | Function |
|--|---|
| | Manage financial transactions related business planning, legal compliance, construction and maintenance of information hardware and software equipment and other related matters. |
| International Business Division | Supervise Overseas Business Department, and Offshore Banking Branch (OBU). The responsibilities of the departments supervised are as follows: (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. (2) Offshore Banking Unit (OBU): Handle business development and operational processing with business department, capital department, trading department, and accounting department. |
| Business Management Dept. | 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. |
| E-Commerce Dept. | Supervise the plan of the Bank's digital finance and credit card acquiring services, and integrate, promote and manage the business operation. |
| Corporate Credit Dept. | 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. |
| Collection Dept. | Collect the Bank's non-performing loans and other debts and compile and analyze assets with non-performing loans. |
| Information Security Management Dept. | Formulate and implement the bank-wide information security policy, implement the Bank's information security plan and information security protection. |
| Information Technology 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 | Conduct property management, including seal management, documentation, safety maintenance, construction and maintenance, |

| Departments | Function |
|-----------------------------------|---|
| Dept. | procurement, and real estate rental and purchase, and other administrative affairs.; Matters relating to the reporting and registration to the competent authorities, such as the establishment, relocation and alteration of the Head Office and branch offices, the establishment, relocation, and abolition of domestic operating premises, non-operating offices, and the change of business unit managers. |
| Human Resources Dept. | Manage human resource affairs, including recruitment, employment, promotion, transfer, appraisal, compensation, bonus, training, insurance and benefit. |
| Operation Dept. | Responsible for handling the centralized back office operations of deposits and loans, and matters related to the planning, management and execution of channel deposit and remittance operations and credit review, and setting up regional operation centers according to the needs of centralized processing of operations. |
| 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. |
| AML Dept. | It is the Bank's dedicated unit responsible for handling the Bank's AML/CFT related matters to ensure the effective operation of AML/CFT mechanisms |
| 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 31, 2019

| Title | Nationality or Place of Registration | Name | Gender | Date Elected | Term (Years) (Note 1) | 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 |
|---------------|--------------------------------------|--|--------|--------------|-----------------------|--------------------|---|------------------------|---|------------------------|---|---------------------------------------|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Chairman | Republic of China | Representative of Yuanta Financial Holdings: Chieh-Chiang Fan | Male | 2016.06.01 | 3 Years | 2015.03.30 | | | | | <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 | Republic of China | Representative of Yuanta Financial Holdings: Chen-Ping Chen (Note 2) | Male | 2018.01.01 | 3 Years | 2018.01.01 | 100% owned by Yuanta FHC ; Shareholding when Elected: 3,918,361,724 Current Shareholding: 7,394,038,982 | | | | <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 | Gender | Date Elected | Term (Years) (Note 1) | 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 |
|----------|--------------------------------------|---|--------|--------------|-----------------------|--------------------|---|------------------------|---|------------------------|---|-------------------------------|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Chia-Lin Chin (Note 3) | Male | 2016.06.01 | 3 Years | 2009.04.16 | | | | | <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 | Republic of China | Representative of Yuanta Financial Holdings: Yu-De Chuang (Note 4) | Male | 2018.02.01 | 3 Years | 2018.02.01 | 100% owned by Yuanta FHC ; | | | | <ul style="list-style-type: none"> ● Master in Public Finance, National Chengchi University ● Director of Yuanta Financial Holdings; Director of Ta Chong Commercial Bank; Chairman of Yuanta Securities Finance; Director, President of Yuanta Commercial Bank; Supervisor of Yuanta Life Insurance Agent | Director of Yuanta Foundation | — |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Song-Erh Chang | Male | 2016.06.01 | 3 Years | 2012.05.06 | | | | | <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 | — | — |

| Title | Nationality or Place of Registration | Name | Gender | Date Elected | Term (Years) (Note 1) | 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 |
|----------|--------------------------------------|--|--------|--------------|-----------------------|--------------------|--|------------------------|---|------------------------|---|----------------|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Wei-Chen Ma (Michael) | Male | 2016.06.01 | 3 Years | 2013.06.01 | | | | | <ul style="list-style-type: none"> ● Director of TWSE; Chairman of Yuanta Foundation; Director of Yuanta Financial Holdings; Director of Yuanta Construction Development; Director of Yuanta Life; Director of Yuanta International Investment; Director of Yuan Hung Investment; Director of Yuan Hsiang Investment; Manager of Lien Heng Investment; Director of Tzi Fu International Corporation; Director of International Taipei Trade Building, World Trade Center Co., Ltd. | — | |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Jin-Long Fang | Male | 2016.06.01 | 3 Years | 2007.06.29 | 100% owned by Yuanta FHC ; Shareholding when Elected: 3,918,361,724 | | | | <ul style="list-style-type: none"> ● National 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 Development | — | |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Jin-Sheng Duann | Male | 2016.06.01 | 3 Years | 2012.04.01 | Current Shareholding: 7,394,038,982 | | | | <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 | Gender | Date Elected | Term (Years) (Note 1) | 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 |
|----------|--------------------------------------|--|--------|--------------|-----------------------|--------------------|--|------------------------|---|---|---|--|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Yu-Feng Ko (Note 2) | Male | 2018.01.01 | 3 Years | 2018.01.01 | | | | | <ul style="list-style-type: none"> ● Graduate Programs in Management Science and Engineering, Stanford University, USA ● Chairman of Duet Fashion Corporation Limited, Director of CCMedia Technology Company, and other positions | Director of KYMCO Integrated Venture Capital Co., Ltd.; Chairman of Lei Ye Co., Ltd.; Chairman of Hopin Digttech Co., Ltd.; Director of Kwang Yang Motor Co., Ltd.; Director of CCMedia Technology Company | — |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Hsten-Tao Chiu | Male | 2016.06.01 | 3 Years | 2005.06.30 | 100% owned by Yuanta FHC ; Shareholding when Elected: 3,918,361,724 | — | — | <ul style="list-style-type: none"> ● B.A. in Business Administration, Southwestern University, USA ● Chairman of Taichung Securities; Managing Director of Asia-Pacific Bank; Director of Asia Pacific Securities Investment Trust; Chairman of Asia Pacific Leasing; Chairman of Fu An Insurance Agent | Director of Yuanta Financial Holdings; Director of Yuanta Futures; Chairman of Taiwan Yi-He International Corporation; Director of Cheng Lung Motors; Chairman of Guan Ya Investment Corporation; Chairman of Kandlee Trading Corporation; Chairman of Yi Ho Motors; Director of Feng Lung Motors | Executive Vice President/ Eric K. Chiu/ Father-son relationship | |

| Title | Nationality or Place of Registration | Name | Gender | Date Elected | Term (Years) (Note 1) | 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 |
|----------------------|--------------------------------------|--|--------|--------------|-----------------------|--------------------|---|----------------------------|---|------------------------|---|---|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Director | Republic of China | Representative of Yuanta Financial Holdings: Chung-Yuan Chen | Male | 2016.06.01 | 3 Years | 2016.06.01 | | | | | <ul style="list-style-type: none"> ● KaiNan High School of Commerce & Industry ● Chairman of Jue Xiu Temple; Director of Yangping High School; Director of Tung Hai Senior High School; Executive Yuan Political Adviser; Managing 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 | — |
| Independent Director | Republic of China | Representative of Yuanta Financial Holdings: Ming-Ling Hsueh | Male | 2016.06.01 | 3 Years | 2016.06.01 | Shareholding when Elected: 3,918,361,724 Current Shareholding: 7,394,038,982 | 100% owned by Yuanta FHC ; | | | <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.; Standing Director of Taiwan Corporate Governance Association; Adjunct Professor of College of Technology Management, National Tsing Hua University; Adjunct Professor of National Taiwan University of Science and Technology School of Management; Chairman of Financial Literacy & Education Association (FINLEA) | Independent Director of Yuanta Financial Holdings; Independent Director of Walsin Lihwa Co.; Independent Director of TTY Biopharm Co.; Independent Director of Lite-On Technology Co. | — |

| Title | Nationality or Place of Registration | Name | Gender | Date Elected | Term (Years) (Note 1) | 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 |
|----------------------|--------------------------------------|--|--------|--------------|-----------------------|--------------------|---|------------------------|---|------------------------|--|---|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Independent Director | Republic of China | Representative of Yuanta Financial Holdings: Yin-Hua Yeh | Male | 2016.06.01 | 3 Years | 2016.06.01 | | | | | <p>PhD in Business, National Taiwan University</p> <ul style="list-style-type: none"> Commissioner of Financial Supervisory Commission, Executive Yuan, R.O.C.; Member of National Financial Stability Fund Management Commission, Executive Yuan, R.O.C.; Vice-Head of The Valuation Division Financial Restructuring Fund, Executive Yuan, R.O.C.; Resident Supervisor of Taiwan Stock Exchange; Member of IPO Reviewing Committee, Taiwan Stock Exchange; Director of Securities and Futures Investors Protection Center; Member of Central Deposit Insurance Corporation Advisory Committee; Vice Chairman of Financial Research and Development Fund Management Committee; Director of Securities Investment Trust & Consulting Association of the R.O.C.; Vice Chairman of Taiwan Corporate Governance Association | <p>Independent Director of Yuanta Financial Holdings; Independent Director of Yuanta Life; Member of National Financial Stability Fund Management Commission, Executive Yuan, R.O.C.; Director of Securities and Futures Institute, Supervisor of Taipei Exchange; Executive Director of Taiwan Corporate Governance Association; Professor, Institute of Finance, NCTU </p> | — |
| Independent Director | Republic of China | Representative of Yuanta Financial Holdings: Chwo-Ming Yu | Male | 2016.06.01 | 3 Years | 2013.06.01 | | | | | <ul style="list-style-type: none"> Ph.D. in Business Administration, Michigan University, USA Independent Director of Antec Precision Industry Co.; Assistant Professor of Business Administration, University of Illinois at Urbana-Champaign, USA | <p>Independent Director of Advantech Co.; Independent Director of Yuanta Futures; Director of Higher Education Foundation; Director of National Chengchi University Business Administration Foundation; Professor of National Chengchi University</p> | — |

| Title | Nationality or Place of Registration | Name | Gender | Date Elected | Term (Years) (Note 1) | Date First Elected | Shareholding when Elected; | | Shareholding Current | | 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 |
|----------------------|--------------------------------------|--|--------|--------------|-----------------------|--------------------|----------------------------|--|-------------------------------------|------------------------|---|------------------------|--|--|---|
| | | | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Independent Director | Republic of China | Representative of Yuanta Financial Holdings: Ching-Shan Hung | Male | 2017.06.01 | 3 Years | 2017.06.01 | | | | | | | <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 of Yuanta Futures; Director of Epoque Corporation; Supervisor of Ren Chuang Investment Co., Ltd.; Chairman of Qingsheng Financial Consultant Co., Ltd.; Supervisor of STARLUX Airlines Co., Ltd. | — |
| Independent Director | Republic of China | Representative of Yuanta Financial Holdings: Kuang-Si Shiu | Male | 2017.06.01 | 3 Years | 2017.07.01 | 100% owned by Yuanta FHC ; | 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: The term of the 9th board is from June 1, 2016 to May 31, 2019.

Note 2: From January 1, 2018, Yunata Financial Holdings designated Mr. Chien-Ping Chen and Mr. Yu-Feng Ko as the directors of the Company. Mr. Chien-Ping Chen has resigned as Director and Vice Chairman since February 1, 2018.

Note 3: Mr. Chia-Lin Chin resigned as a director since February 1, 2018.

Note 4: From February 1, 2018, Mr. Yu-De Chuang was appointed to replace Mr. Chia-Lin Chin as Director.

(2) Major Institutional Shareholders

Base Date : July 6 , 2018

| Name of Institutional Shareholders | Major Shareholders of the Institutional Shareholders | |
|------------------------------------|--|-------|
| Yuanta Financial Holdings Co., Ltd | Tsun Chueh Investment Co., Ltd | 3.42% |
| | Yuan Hung Investment Co., Ltd | 2.98% |
| | Yuan Hsiang Investment Co., Ltd | 2.51% |
| | Yu Yang Investment Co., Ltd | 2.46% |
| | MEGA International Commercial Bank Co., Ltd acting as custodian for the investment account of Beevest Securities Ltd | 2.44% |
| | Bank of Taiwan Co., Ltd | 2.22% |
| | Lian Ta Investment Co., Ltd | 2.01% |
| | Cathay Life Insurance Co., Ltd | 1.90% |
| | Dedicated trust property account managed by Yuanta Bank | 1.88% |
| | Tzi Fu International Co., Ltd | 1.62% |

Note : Data for the company's top 10 major shareholders are as of Yuanta financial Holdings' latest book closure date (07/06/2018).

(3) Key Shareholders of Major Institutional Shareholders

Base Date: January 31, 2019

| 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 | |
| Tzi Fu International Co., Ltd | Hsing Tsai Investment Co., Ltd | 26.11% |
| | Lien Heng Investment Co., Ltd | 19.22% |
| | Lian Ta Investment Co., Ltd | 19.00% |
| | Yuan Hsiang Investment Co., Ltd | 18.97% |
| | Chiu Ta Investment Co., Ltd | 7.91% |
| | Modern Investment Co., Ltd | 2.91% |
| | Teng Ta Investment Co., Ltd | 2.79% |

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

Base Date: January 31, 2019

| 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 Staffs Spouse or Kin within the Second Degree |
|--------------------------|-------------------|-------------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| President | Republic of China | Yu-De Chuang | Male | 2018.03.12 | — | — | — | — | <ul style="list-style-type: none"> ● President ● Master in Public Finance, National Chengchi University | Director of Yuanta Foundation | — |
| General Auditor | Republic of China | Hsiao-Chuan Tseng | Female | 2018.11.29 | — | — | — | — | <ul style="list-style-type: none"> ● General Auditor ● Master in Management, National Taiwan University of Science and Technology | — | — |
| Executive Vice President | Republic of China | Tsai-Yu Chang | Male | 2018.01.01 | — | — | — | — | <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 | Director of Yuanta Savings Bank (Philippines); Director of Yuanta Life; Chairman of Yuanta International Leasing; Director of Yuanta International Leasing; | — |
| Executive Vice President | Australia | Eric K. Chiu | Male | 2018.01.01 | — | — | — | — | <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 | Chairman of Yuanta Savings Bank (Korea); Director of Yuanta Savings Bank (Korea) | — |
| Executive Vice President | Republic of China | Allen Wu | Male | 2014.10.16 | — | — | — | — | <ul style="list-style-type: none"> ● Supervisor of Business Management Dept. and E-Commerce 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) | — |
| Senior Vice President | Republic of China | Fan-Sheng Pu | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Head of Financial Markets Division and Manager of Treasury Dept. ● MBA, 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 |
|-----------------------|-------------------|------------------|--------|---------------------|-------------|------------------------|---|------------------------|---|--|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Vice President | Republic of China | Yuan-Chen Chen | Female | 2018.10.05 | — | — | — | — | <ul style="list-style-type: none"> ● Head of Personal Financial Services Division ● Bachelor of Arts in Economics, Chinese Culture University | — | — |
| Senior Vice President | Republic of China | Chi-Liang Hsiao | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Head of Retail Banking Division ● MBA, California State University, San Bernardino, USA | Supervisor of Taiwan Mobile Payments Co., Ltd. | — |
| Senior Vice President | Republic of China | Siou-Mei Chen | Female | 2014.09.01 | — | — | — | — | <ul style="list-style-type: none"> ● Supervisor of Information Technology Dept., Information Security Management Dept., International Banking Dept. and Operation Dept. ● MBA, National Taiwan University | Senior Vice President of Yuanta Financial Holdings | — |
| Senior Vice President | Republic of China | Wen-Ching Chiu | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Supervisor and Manager of AML 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 | Republic of China | Hsu-Shu Mai | Male | 2017.08.18 | — | — | — | — | <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.; Director of Yuanta Life | — |
| Senior Vice President | Republic of China | Kuan-Han Lin | Male | 2018.01.23 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Head of Financial Markets Division ● Bachelor of Business Administration, National Sun Yat-sen University | — | — |
| Senior Vice President | Republic of China | Hsiao-Keng Chang | Female | 2017.09.01 | — | — | — | — | <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 | Republic of China | Ching-Sun Yang | Male | 2019.01.15 | — | — | — | — | <ul style="list-style-type: none"> ● Supervisor and Manager of Administration & Facilities Management Dept. ● Doctor of Philosophy in News & Mass Communication, Jnan University. | Vice President of Yuanta Financial Holdings | — |
| Senior Vice President | Republic of China | Tai-Yong Hsiung | Male | 2013.11.01 | — | — | — | — | <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 | — |

| 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 |
|---------------------------------|-------------------|----------------|--------|---------------------|-------------|------------------------|---|------------------------|---|--|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Vice President | Republic of China | Chien-Wei Pan | Male | 2018.01.01 | — | — | — | — | <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 | Republic of China | Wen-Jeng Chang | Male | 2018.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Head of International Business Division and Manager of Offshore Banking Branch ● MBA, George Washington University, USA | — | — |
| Vice President | Republic of China | Chen-I Hung | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Supervisor of Collection Dept. ● MBA, University of Glasgow, UK | Director of Landseed Mommycare International Limited | — |
| Vice President | Republic of China | Su-Ching Weng | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Supervisor and Manager of Compliance Affairs Dept. ● Bachelor of Business Administration, National Cheng Kung University | — | — |
| Vice President | Republic of China | Sin-Yu Lin | Female | 2015.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Business Supervisor ● MBA, Arizona State University, USA | — | — |
| Vice President | Republic of China | Yeong-Jen Chen | Male | 2015.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Business Supervisor ● Bachelor of Finance and Banking, Aletheia University | Director of Yuanta International Leasing | — |
| Vice President | Republic of China | Yi-Liang Su | Male | 2010.09.05 | — | — | — | — | <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 | — |
| Vice President | Republic of China | Chi-Jung Huang | Male | 2014.09.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Information Technology Dept. ● Bachelor of Information Engineering and Computer Science, Feng Chia University | — | — |
| Senior Assistant Vice President | Republic of China | Chih-Feng Yang | Male | 2018.01.01 | — | — | — | — | <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 | — | — |
| Senior Assistant Vice President | Republic of China | Kung-He Chang | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Head of Retail Banking Division and Manager of Consumer Credit Dept. ● Master in Applied Statistics, Fu Jen Catholic 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 |
|---------------------------------|-------------------|------------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Assistant Vice President | Republic of China | Chih-Sheng Pan | Male | 2016.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Business Supervisor ● MBA, Tunghai University | — | — |
| Senior Assistant Vice President | Republic of China | Kuang-Chung Liao | Male | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Business Supervisor ● MBA, National Sun Yat-Sen University | — | — |
| Senior Assistant Vice President | Republic of China | Yu-Ching Su | Female | 2010.09.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Accounting, Tamkang University ● Bachelor of Accounting, Tamkang University | Supervisor of Yuanta International Leasing | — |
| Senior Assistant Vice President | Republic of China | Li-Yun Chen | Female | 2014.07.14 | — | — | — | — | <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 | Republic of China | Chun-Huang Lu | Male | 2017.10.16 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Business Management Dept. ● MBA, National Taipei University | — | — |
| Senior Assistant Vice President | Republic of China | Mei-Chih Yu | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Financial Product Dept. ● Bachelor of International Business, Tamkang University | — | — |
| Senior Assistant Vice President | Republic of China | Shun-Cheng Chang | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Information Security Management Dept. ● Master in Information Management, National Taiwan University | — | — |
| Assistant Vice President | Republic of China | Hui-Kuo Chien | Male | 2013.02.22 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Collection Dept. ● Bachelor of Economics, Fu Jen Catholic University | — | — |
| Assistant Vice President | Republic of China | Mei-Jhu Chang | Female | 2013.09.19 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Operation Dept. ● Associate Degree of Management, National Taipei College of Business | — | — |
| Assistant Vice President | Republic of China | Ping-Chiu Liu | Male | 2016.09.11 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Insurance Agency Dept. ● Master in Insurance, Feng Chia University | — | — |
| Assistant Vice President | Republic of China | Chien-Ming Tseng | Male | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Financial Markets Administration Dept. ● Bachelor of Finance and Banking, Aletheia University | — | — |
| Assistant Vice President | Republic of China | Chia-Yu Lee | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Personal Loan Credit Dept. ● Master in Agriculture Economics, National Taiwan University | — | — |
| Assistant Vice President | Republic of China | Chiao-Chia Tuan | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Financial Markets Administration Dept. ● Master in Information Technology, Lawrence Technological University, USA | — | — |
| Assistant Vice President | Republic of China | Chiu-Li Liu | Female | 2018.01.01 | — | — | — | — | <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 | — | — |

| 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 |
|---------------------------------|-------------------|----------------------|--------|---------------------|-------------|------------------------|---|------------------------|---|--|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Assistant Vice President | Republic of China | Hsin-Hui Tsai | Female | 2018.03.19 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Legal Affairs Dept. ● Master in Law, New York University | Director of Yuanfa International Leasing | — |
| Assistant Vice President | Republic of China | Tzu-I Huang | Male | 2018.04.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Financial Trading Dept. ● Master in International Business, National Taiwan University | — | — |
| Assistant Vice President | Republic of China | Chi-Ting Huang | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Consumer Banking Dept. ● Bachelor of Laws, Chinese Culture University | — | — |
| Senior Manager | Republic of China | Rung-Ru Chou | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of International Banking Dept. ● Bachelor of Business Administration, Chinese Culture University | — | — |
| Senior Manager | Republic of China | Wen-Chung Lee | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Corporate Credit Dept. ● Master in Economics, Ming Chuan University | — | — |
| Senior Manager | Republic of China | Cheng-Chi Lee | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of E-Commerce Dept. ● MBA, University of North Alabama, USA | — | — |
| Senior Manager | Republic of China | Shun-Ming Fan Chiang | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Project Finance Dept. ● Bachelor of Economics, Soochow University | — | — |
| Senior Manager | Republic of China | Tzu-Chieh Ting | Male | 2018.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Trust Dept. ● MBA, National Chung Hsing University | — | — |
| Senior Manager | Republic of China | Su-Fen Chao | Female | 2018.06.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Deposit and Remittance Banking Dept. ● Associate degree of Accounting and Statistics, Takming University of Science and Technology | — | — |
| Manager | Republic of China | Tieh-Cheng Hsieh | Male | 2018.11.16 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Personal Loan Dept. ● Bachelor of Finance, Takming University of Science and Technology | — | — |
| Senior Assistant Vice President | Republic of China | Hao-Wei Ting | Male | 2018.03.13 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Hong Kong Branch ● MBA, National Chengchi University | — | — |
| Senior Assistant Vice President | Republic of China | Pi-Iu Liao | Female | 2014.09.26 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Kaohsiung Branch ● MBA, National Sun Yat-sen University | — | — |
| Senior Assistant Vice President | Republic of China | Chin-Sen Wang | Male | 2017.03.01 | — | — | — | — | <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 | Republic of China | Chi-Wen Tso | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Taiping Branch ● PhD of Business Administration, Chaoyang University of Technology | — | — |
| Senior Assistant Vice President | Republic of China | Chiung-Fen Huang | Female | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Ximen Branch ● Bachelor of Business Administration, Ming Chuan 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 |
|---------------------------------|-------------------|------------------|--------|---------------------|-------------|------------------------|---|------------------------|---|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Assistant Vice President | Republic of China | Ching-Chi Huang | Male | 2018.03.09 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Boai Branch ● Master in Finance, National Kaohsiung First University of Science and Technology | - | - |
| Senior Assistant Vice President | Republic of China | Ming-Kun Wang | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Xinzhuang Branch ● Master in Finance, Ming Chuan University | - | - |
| Senior Assistant Vice President | Republic of China | Hsi-Tung Chen | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Datong Branch ● MBAM, Yuan Ze University | - | - |
| Assistant Vice President | Republic of China | Tai-Yuan Huang | Male | 2015.05.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Beitou Branch ● MBA, University of North Alabama, USA | - | - |
| Assistant Vice President | Republic of China | Cheng-Hua Chen | Male | 2016.05.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Zhongxiao Branch ● Master in Finance, Fu Jen Catholic University | - | - |
| Assistant Vice President | Republic of China | Jui-Chien Hsieh | Male | 2016.05.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Chongde Branch ● Associate degree of Accounting and Statistics, National Taipei College of Business | - | - |
| Assistant Vice President | Republic of China | Yu-Ling Hsu | Female | 2016.06.13 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Hsinchu Branch ● MBA, National Central University | - | - |
| Assistant Vice President | Republic of China | Tsung-Chieh Lee | Male | 2017.03.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Jiaochung Branch ● Master in Accounting, National Yunlin University of Science and Technology | - | - |
| Assistant Vice President | Republic of China | Chien-Sheng Wang | Male | 2017.03.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Doushin Branch ● Master in Finance, National Yunlin University of Science and Technology | - | - |
| Assistant Vice President | Republic of China | Chen-Kang Yang | Male | 2017.10.16 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Nanjing East Road Branch ● Bachelor of Economics, Soochow University | - | - |
| Assistant Vice President | Republic of China | Shu-Mei Lin | Female | 2018.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Pingrong Branch ● Associate degree of Finance, Yung Ta Institute of Technology and Commerce | - | - |
| Assistant Vice President | Republic of China | Yu-Ming Kung | Male | 2018.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Youchang Branch ● Bachelor of Business Administration, National Chung Hsing University | - | - |
| Assistant Vice President | Republic of China | Chun-Chieh Wu | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Tungshin Branch ● Bachelor of Business, National Taiwan University | - | - |
| Assistant Vice President | Republic of China | Li-Ching Yu | Male | 2018.01.05 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Nankai Branch ● Bachelor of International Business, Tunghai University | - | - |
| Assistant Vice President | Republic of China | Wen-Ting Huang | Male | 2018.01.05 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Jhubei Branch ● MBA, National Central 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 |
|--------------------------|-------------------|-----------------|--------|---------------------|-------------|------------------------|---|------------------------|---|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Assistant Vice President | Republic of China | Lun-Chien Lin | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Yonghe Branch ● Bachelor of Banking, Tamkang University | — | — |
| Assistant Vice President | Republic of China | Sheng-Wen Chien | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Dali Branch ● MBA, Chaoyang University of Technology | — | — |
| Assistant Vice President | Republic of China | Ming-Kuan Lu | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Miaoli Branch ● Bachelor of Statistics, National Chengchi University | — | — |
| Assistant Vice President | Republic of China | Cheng-Hui Chen | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Neihu Branch ● MBA, Ming Chuan University | — | — |
| Assistant Vice President | Republic of China | Yang-Chen Cheng | Female | 2018.03.09 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Yongkang Branch ● MBA, National Cheng Kung University | — | — |
| Assistant Vice President | Republic of China | Hui-Li Pai | Female | 2018.07.06 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Zhongshan Branch ● Associate degree of International Business, Takming University of Science and Technology | — | — |
| Assistant Vice President | Republic of China | San-Shen Chung | Male | 2018.11.26 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Songjiang Branch ● MBA, Ming Chuan University | — | — |
| Assistant Vice President | Republic of China | Ming-Hung Chang | Male | 2018.11.26 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Business Dept. ● Diploma, Department of Advertisement, KaiNan Vocational High School | — | — |
| Assistant Vice President | Republic of China | Pei-Ying Wang | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Daan Branch ● Master in Finance, St. John's University, USA | — | — |
| Assistant Vice President | Republic of China | Chien-Pin Wu | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of North Taoyuan Branch and Manager of Linkou Branch ● Bachelor of Business Administration, National Chung Hsing University | — | — |
| Senior Manager | Republic of China | Chung-Lin Yeh | Male | 2014.05.09 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Yuanlin Branch ● Master in Accounting, Chung Yuan Christian University | — | — |
| Senior Manager | Republic of China | Ming-Sheng Chen | Male | 2014.05.09 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Fudong Branch ● Associate degree of Banking and Insurance, Tatung Jr. College of Commerce | — | — |
| Senior Manager | Republic of China | Hui-Ping Wu | Female | 2015.05.01 | — | — | — | — | <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 | Republic of China | Ju-Chen Lee | Female | 2015.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Wende Branch ● Associate degree of International Business, Chih Lee College of Business | — | — |

| 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 |
|----------------|-------------------|-----------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Manager | Republic of China | An-Kuo Hung | Male | 2015.06.12 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Chiayi Branch ● Bachelor of Business Administration, Transworld Institute of Technology | — | — |
| Senior Manager | Republic of China | Luu-Wen Tang | Male | 2016.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Shalu Branch ● Bachelor of Finance, Chaoyang University of Technology | — | — |
| Senior Manager | Republic of China | Ping-Huang Hu | Male | 2016.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Changhua Branch ● Bachelor of Economics, Fu Jen Catholic University | — | — |
| Senior Manager | Republic of China | Hsu-Hua Liang | Male | 2018.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Shuanghe Branch and Manager of Xindian Zhongzheng Branch ● Associate degree of Banking, Tamsui Institute of Business Administration | — | — |
| Senior Manager | Republic of China | Jo-Ti Yao | Female | 2016.05.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Zuoying Branch ● Associate degree of Radiology, Yuanpei Institute of Medical Technology | — | — |
| Senior Manager | Republic of China | Ting-I Chu | Male | 2016.06.13 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Wunsin Branch and Chief Representative of Myanmar Yangon ● Master in International Financial Market, American Graduate School of International Management, USA | — | — |
| Senior Manager | Republic of China | Yeh-Lu Lee | Male | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Fusing Branch ● Bachelor of Economics, Tunghai University | — | — |
| Senior Manager | Republic of China | Tsung-Hua Hsieh | Male | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Beidou Branch ● Associate degree of Banking, Tamsui Institute of Business Administration | — | — |
| Senior Manager | Republic of China | Cheng-Fang Chen | Female | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Huwei Branch ● Master in Finance, National Yunlin University of Science and Technology | — | — |
| Senior Manager | Republic of China | Chin-Mei Lin | Female | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Dounan Branch ● Associate degree of International Business, National Taichung College of Business | — | — |
| Senior Manager | Republic of China | Ming-Chia Tsai | Male | 2017.03.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Sanduo Branch ● Master in Economics, National Sun Yat-sen University | — | — |
| Senior Manager | Republic of China | Meng-Wei Lin | Male | 2017.06.26 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Fongyuan Branch ● MBA, 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 |
|----------------|-------------------|-----------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Manager | Republic of China | Miao-Ling Wu | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of South Xinzhuang Branch ● Master in International Finance, National Taipei University | — | — |
| Senior Manager | Republic of China | Hsueh-Ping Yeh | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of East Banciao Branch ● Master in Finance, National Taiwan University of Science and Technology | — | — |
| Senior Manager | Republic of China | Yu-Mei Yang | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Lingya Branch ● Bachelor of Business Administration, Daito Bunka University, Japan | — | — |
| Senior Manager | Republic of China | Shu-Hui Chen | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Shiquan Branch ● Bachelor of Political Science, Soochow University | — | — |
| Senior Manager | Republic of China | Shu-Yueh Lin | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Dunhua Branch and Manager of Da Heping Branch ● Bachelor of Public Finance, Aletheia University | — | — |
| Senior Manager | Republic of China | Jung-Hua Huang | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Taoyuan Branch ● Bachelor of Business, National Taiwan University | — | — |
| Senior Manager | Republic of China | Chun-Hsiung Kuo | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Anhe Branch ● Master in Industrial Management, National Cheng Kung University | — | — |
| Senior Manager | Republic of China | Yu-Chien Hsu | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Hsinchu Science Park Branch ● Bachelor of Management Science, National Chiao Tung University | — | — |
| Senior Manager | Republic of China | Mei-Chen Liu | Female | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Sinyi Branch ● Bachelor of International Business, Tamkang University | — | — |
| Senior Manager | Republic of China | Yun-Chang Tseng | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Minsheng Branch ● Master in Accountancy, Kansas State University, USA | — | — |
| Senior Manager | Republic of China | Ling-Ying Liao | Female | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Chunggang Branch ● Associate degree of Business Administration, Ling Tung Junior College of Accounting | — | — |
| Senior Manager | Republic of China | Li-Chang Lu | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Beisanchong Branch ● EMBA, National Central University | — | — |
| Senior Manager | Republic of China | Shu-Ling Wang | Female | 2018.03.09 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Sammin Branch ● MBA, National Kaohsiung University of Applied and Sciences | — | — |

| 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 |
|----------------|-------------------|-----------------|--------|---------------------|-------------|------------------------|---|------------------------|---|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Manager | Republic of China | Wen-Pin Lu | Male | 2018.03.09 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Fuchen Branch ● Bachelor of Business Administration, Cheng Shiu University | — | — |
| Senior Manager | Republic of China | Ching-Hui Chiu | Female | 2018.03.09 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Xindian Branch ● Bachelor of International Business, Tamkang University | — | — |
| Senior Manager | Republic of China | Jung-Yu Tu | Male | 2018.05.16 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Beifu Branch ● Bachelor of Laws, Chinese Culture University | — | — |
| Senior Manager | Republic of China | Hsueh-Ling Wu | Female | 2018.07.06 | — | — | — | — | <ul style="list-style-type: none"> ● EMBA, Soochow University | — | — |
| Senior Manager | Republic of China | Yen-Ling Ko | Female | 2018.08.06 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Qianzhen Zhongshan Branch ● Master in Finance, National Kaohsiung First University of Science and Technology | — | — |
| Senior Manager | Republic of China | Pei-Yu Wu | Female | 2018.08.16 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Chinhua Branch ● Associate degree of Secretarial Science, Tamsui Institute of Business Administration | — | — |
| Senior Manager | Republic of China | Yu-Ching Lee | Female | 2018.11.16 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Dali Defang Branch ● MBA, National Chung Hsing University | — | — |
| Senior Manager | Republic of China | Ching-Hsing Pan | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Taipei Branch ● Master in Finance, National Central University | — | — |
| Senior Manager | Republic of China | Kan-Lin Chen | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Sanchong Branch ● MBA, National Chengchi University | — | — |
| Senior Manager | Republic of China | Chung-Lin Wu | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Jiaili Branch ● Master, Institute of Interdisciplinary Studies for Social Sciences, National Sun Yat-sen University | — | — |
| Senior Manager | Republic of China | Yung-Lung Chan | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Shihlin Branch ● MBA, University of Management and Technology, USA | — | — |
| Senior Manager | Republic of China | Yung-Feng Chen | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Zhongli Branch ● Associate degree of Electronic Engineering, Chien Hsin Industrial College | — | — |
| Senior Manager | Republic of China | Kuo-Tsai Liu | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Chenghong Branch ● Bachelor of Finance, Tamkang University | — | — |
| Senior Manager | Republic of China | Che-Chin Lin | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Banqiao Branch ● Master in Finance, National Taiwan University of Science and Technology | — | — |
| Senior Manager | Republic of China | Hui-Chen Chang | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Songshan Branch ● MBA, Royal Roads University, Canada | — | — |

| 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 |
|----------------|-------------------|-----------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Senior Manager | Republic of China | Chung-Yang Yang | Male | 2019.01.01 | — | — | — | — | ● Deputy Manager of Yanping Branch ● Bachelor of Finance, Chinese Culture University | — | — |
| Senior Manager | Republic of China | I-Hsuan Huang | Female | 2019.01.01 | — | — | — | — | ● Manager of Gongguan Branch ● Master in Management, Fu Jen Catholic University | — | — |
| Senior Manager | Republic of China | Chih-Ming Lee | Male | 2019.01.01 | — | — | — | — | ● Deputy Manager of Gaofeng Branch ● Master of Economics and Business Decision, National Kaohsiung University of Applied Sciences | — | — |
| Manager | Republic of China | Hsiao-Pei Chang | Female | 2013.11.29 | — | — | — | — | ● Manager of Puqian Branch ● Bachelor of Accounting, Soochow University | — | — |
| Manager | Republic of China | Che-Pin Liang | Male | 2015.10.02 | — | — | — | — | ● Manager of Tucheng Branch ● Bachelor of Public Finance and Taxation, Aletheia University | — | — |
| Manager | Republic of China | Chia-Lin Chiu | Male | 2016.08.25 | — | — | — | — | ● Manager of Guangfu Branch ● Bachelor of Finance, Tamkang University | — | — |
| Manager | Republic of China | Li-Fen Chang | Female | 2017.03.01 | — | — | — | — | ● Manager of Caotun Branch ● Bachelor of Business Administration, Ling Tung University | — | — |
| Manager | Republic of China | Hou-Jen Yang | Male | 2017.03.01 | — | — | — | — | ● Manager of Nangang Branch ● Bachelor of Economics, Feng Chia University | — | — |
| Manager | Republic of China | Shih-Cheng Lin | Male | 2017.06.01 | — | — | — | — | ● Manager of Chingmei Branch ● Bachelor of International Business, School of Continuing Education, Affiliated to Chih Lee College of Business | — | — |
| Manager | Republic of China | Wei-Chih Lin | Male | 2018.01.01 | — | — | — | — | ● Manager of Zhongzheng Branch ● Associate degree of Business Administration, Hsing Wu Jr. College of Commerce | — | — |
| Manager | Republic of China | Su-Ning Chang | Female | 2018.01.01 | — | — | — | — | ● Manager of Shalu Zhongshan Branch ● Master in Management, Providence University | — | — |
| Manager | Republic of China | Chia-Lin Liu | Male | 2018.01.01 | — | — | — | — | ● Manager of Wujia Branch ● Bachelor of Public Finance, Feng Chia University | — | — |
| Manager | Republic of China | Yu-Te Lin | Male | 2018.01.01 | — | — | — | — | ● Manager of Changxing Branch ● Bachelor of Banking, National Chengchi University | — | — |
| Manager | Republic of China | Ya-Hui Chen | Female | 2018.01.01 | — | — | — | — | ● Manager of Jianguo 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 |
|---------|-------------------|--------------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Manager | Republic of China | Hsiao-Ying Kuo | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of East Taipei Branch ● Bachelor of Business Administration, Soochow University | — | — |
| Manager | Republic of China | Yu-Te Su | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Xinlang Branch ● Bachelor of Finance, JimWen University of Science & Technology | — | — |
| Manager | Republic of China | Chi-Hui Chang | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Shuinan Branch ● MBA, National Chung Hsing University | — | — |
| Manager | Republic of China | Chung-Chien Chiang | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Nantun Branch ● Bachelor of Banking and Insurance, Hsing Wu College | — | — |
| Manager | Republic of China | Ho-Ching Huang | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Mingcheng Branch ● Bachelor of Fashion Design and Merchandising, Shih Chien University | — | — |
| Manager | Republic of China | Pao-Lin Wang | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Changgeng Branch ● Bachelor of Urban Planning, Chinese Culture University | — | — |
| Manager | Republic of China | Han-Chi Wu | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Beixin Branch ● Bachelor of Finance, Loughwa University of Science and Technology | — | — |
| Manager | Republic of China | Chih-Chun Wen | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Liancheng Branch ● Associate degree of Accounting and Statistics, Takming University of Science and Technology | — | — |
| Manager | Republic of China | Sheng-Min Huang | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Dongmen Branch ● Bachelor of Business Administration, Vanung University | — | — |
| Manager | Republic of China | Chieh-Hsing Chen | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Xizhi Branch ● Associate degree of International Business, Takming College | — | — |
| Manager | Republic of China | Chen-Chieh Wu | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Yungchun Branch ● Bachelor of Economics, Fu Jen Catholic University | — | — |
| Manager | Republic of China | I-Chun Wan | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Chengqing Branch ● Bachelor of Business Administration, Louisiana State University, USA | — | — |
| Manager | Republic of China | Hung-Ling Wang | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of East Hsinchu Branch ● Bachelor of International Trade and Russian Literature, Heliogjiang University, Mainland China | — | — |

| 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 |
|---------|-------------------|-------------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Manager | Republic of China | Min-Tsung Chuang | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Qijin Branch ● Bachelor of Transportation and Communication Management Science, Feng Chia University | — | — |
| Manager | Republic of China | Jo-Ching Lin | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Xinying Branch ● Bachelor of Finance, Southern Taiwan University of Technology | — | — |
| Manager | Republic of China | Shih-Jung Tseng | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Shihmao Branch ● Associate degree of International Business, Lunghwa college of Technology & Commerce | — | — |
| Manager | Republic of China | Hao-En Hsu | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Xinli Branch ● Bachelor of Applied Languages, Nanya Institute of Technology | — | — |
| Manager | Republic of China | Cheng-Chan Chiang | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Wanli Branch ● Bachelor of Business Administration, Southern Taiwan University of Technology | — | — |
| Manager | Republic of China | Yu-Ling Wu | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Fengren Branch ● Master in Finance, Chaoyang University of Technology | — | — |
| Manager | Republic of China | Ming-Hsiung Lin | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Pingjhen Branch ● Associate degree of International Business, Tamsui Institute of Business Administration | — | — |
| Manager | Republic of China | Ying-Chou Ho | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Shangzhuang Branch ● Master in Mainland China Studies, Chinese Culture University | — | — |
| Manager | Republic of China | Sheng-Feng Chen | Male | 2018.01.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Datong Branch ● Master in Economics, Feng Chia University | — | — |
| Manager | Republic of China | Fu-Hsiang Chen | Male | 2018.01.19 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Daichang Branch ● MBA, Tainan University of Technology | — | — |
| Manager | Republic of China | Yueh-Chung Wu | Male | 2018.01.29 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Yanji Branch ● MBA, Soochow University | — | — |
| Manager | Republic of China | Cheng-Che Lee | Male | 2018.02.02 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Pingtung Branch ● Bachelor of Finance, National Kaohsiung First University of Science and Technology | — | — |
| Manager | Republic of China | Chung-Hsuan Lee | Male | 2018.03.05 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Qianjin Branch ● Bachelor of Finance, Shih Chien University | Director of Financial Literacy & Education Association (FINLEA) | — |
| Manager | Republic of China | Chi-Chang Yu | Male | 2018.03.19 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Luzhou Branch ● Bachelor of Business, National Open 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 |
|---------|-------------------|-------------------|--------|---------------------|-------------|------------------------|---|------------------------|---|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Manager | Republic of China | Chih-Yun Chiang | Female | 2018.03.19 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Chengsong Branch ● Bachelor of Tourism & Hospitality Management, Royal Melbourne Institute of Technology, Australia | — | — |
| Manager | Republic of China | Yao-Hsien Yang | Male | 2018.03.19 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Zhongcheng Branch ● Associate degree of Business Administration, Chinese Junior College of Industrial and Commercial Management | — | — |
| Manager | Republic of China | Chieh-Ping Wu | Male | 2018.06.08 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Dajia Branch ● Master in Business Education, National Changhua University of Education | — | — |
| Manager | Republic of China | Shih-Hsun Chen | Male | 2018.06.08 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of North Taichung Branch ● Bachelor of International Business, Shih Chien University | — | — |
| Manager | Republic of China | Ching-Chuan Chang | Male | 2018.09.10 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Toufen Branch ● Bachelor of Finance, Chung Hua University | — | — |
| Manager | Republic of China | Te-Yu Yuan | Male | 2018.11.16 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Guting Branch ● Bachelor of Insurance, Tamkang University | — | — |
| Manager | Republic of China | Wen-Hsin Kao | Male | 2018.11.23 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Shipai Branch ● Associate degree of Accounting and Statistics, Chungyu University | — | — |
| Manager | Republic of China | Chin-Hui Tseng | Female | 2018.11.23 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Sinban Branch ● Bachelor of Shipping and Transportation Management, National Taiwan Ocean University | — | — |
| Manager | Republic of China | San-Kuei Huang | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Luodong Branch ● Bachelor of Accounting, Chinese Culture University | — | — |
| Manager | Republic of China | Chin-Hao Wang | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Tainan Branch ● Associate degree of Business Administration, Far East Junior College of Technology | — | — |
| Manager | Republic of China | Ya-Lun Chen | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Kaiyuan Branch ● Bachelor of Business Administration, New York Institute of Technology, USA | — | — |
| Manager | Republic of China | Yu-Ta Lin | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Jhonghe Branch ● Bachelor of Finance, National Chengchi University | — | — |
| Manager | Republic of China | Yen-Shan Lee | Male | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Manager of Tiammu Branch ● Bachelor of Statistics, 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 |
|-----------------------|-------------------|-------------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Manager | Republic of China | Chin-Tsung Huang | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Zhongshan North Road Branch and Technology ● MBA, National Taiwan University of Science and Technology | - | - |
| Manager | Republic of China | Chiu-Hua Chou | Female | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Chengde Branch ● Associate degree of Information Management, Hwa Hsia College of Technology and Commerce | - | - |
| Manager | Republic of China | Chao-Hsiang Chen | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Shulin Branch ● Bachelor of Banking and Insurance, Feng Chia University | - | - |
| Manager | Republic of China | Cheng-Jung Tsai | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of Ruiguang Branch ● MBA, Saint Leo University, USA | - | - |
| Manager | Republic of China | Yung-Hui Yang | Male | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Xiaogang Branch ● Master in Management, Chung Yuan Christian University | - | - |
| Manager | Republic of China | Tsai-Ti Hung | Female | 2019.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Manager of Gushan Branch and Manager of Qianzhen Branch ● Bachelor of Business Administration, Cheng Shiu University | - | - |
| Senior Deputy Manager | Republic of China | Mei-Wen Chang | Female | 2018.05.16 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of South Chiayi Branch ● Bachelor of applied economics, National Chiayi University | - | - |
| Senior Deputy Manager | Republic of China | Ming-Yuan Shih | Male | 2018.06.08 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of Kinmen Branch ● Master in land management, Feng Chia University | - | - |
| Senior Deputy Manager | Republic of China | Wen-Chiung Tsai | Female | 2018.08.03 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of Minzu Branch ● MBA, Southern Taiwan University of Technology | - | - |
| Deputy Manager | Republic of China | I-Hsiang Chen | Male | 2018.01.01 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of Nanmen Branch ● Bachelor of Business Administration, National Taiwan University of Science and Technology | - | - |
| Deputy Manager | Republic of China | Chung-Hsiang Yang | Male | 2018.05.01 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of Yuanshan Branch ● Bachelor of International Business, Jin Wen University of Science & Technology | - | - |
| Deputy Manager | Republic of China | Chia-Jung Lee | Female | 2018.08.01 | - | - | - | - | <ul style="list-style-type: none"> ● Deputy Manager of Hualien Branch ● Bachelor of Applied Business, School of Continuing Education Affiliated to National Taipei College of Business | - | - |

| 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 |
|---------------------------------|-------------------|-----------------|--------|---------------------|-------------|------------------------|---|------------------------|---|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Deputy Manager | Republic of China | Chao-I Wu | Female | 2019.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Annan Branch ● Bachelor of Finance, Southern Taiwan University of Technology | — | — |
| Assistant Manager | Republic of China | Ko-Yao Shen | Male | 2018.01.29 | — | — | — | — | <ul style="list-style-type: none"> ● Deputy Manager of Jincheng Branch ● Bachelor of Public Administration, National Chung Hsing University | — | — |
| Senior Assistant Vice President | Republic of China | Chen-Chun Lin | Male | 2019.01.15 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Administration & Facilities Management Dept. ● Associate Degree of Management, National Taipei College of Business | — | — |
| Senior Assistant Vice President | Republic of China | Hui-Fang Wu | Female | 2019.01.10 | — | — | — | — | <ul style="list-style-type: none"> ● Credit Management Dept. ● Bachelor of Laws, National Chung Hsing University | — | — |
| Assistant Vice President | Republic of China | Hsi-Chung Wang | Male | 2010.09.05 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Risk Management Dept. ● Master in Information Engineering, Feng Chia University | — | — |
| Assistant Vice President | Republic of China | Yung-Fu Lin | Male | 2017.08.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Information Security Management Dept. ● Bachelor of Information Management, Fu Jen Catholic University | — | — |
| Assistant Vice President | Republic of China | Mei-Chur Yeh | Female | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Personal Loan Dept. ● Diploma, Department of Commerce, Shixin Vocational High School | — | — |
| Assistant Vice President | Republic of China | Chia-Chih Chien | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Treasury Dept. ● Master in Money and Banking, National Chengchi University | — | — |
| Assistant Vice President | Republic of China | Tun-Jen Teng | Male | 2018.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Financial Markets Administration Dept. ● Bachelor of Banking, Tamkang University | — | — |
| Assistant Vice President | Republic of China | Yen-Liang Lin | Male | 2018.07.01 | — | — | — | — | <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 | Hong Kong | Yu-Lin Shao | Male | 2018.10.23 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Hong Kong Branch ● Master in Laws, The Chinese University of Hong Kong | — | — |
| Assistant Vice President | Republic of China | Tsung-Yao Chen | Male | 2018.12.01 | — | — | — | — | <ul style="list-style-type: none"> ● Vice Manager of Business Dept. and leader of Corporate Banking Group, Business Dept. ● Bachelor of Finance, Aletheia 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 |
|--------------------------|-------------------|---------------|--------|---------------------|-------------|------------------------|---|------------------------|--|---|--|
| | | | | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | | | |
| Assistant Vice President | Republic of China | Hsiu-Yun Tsao | Female | 2015.01.01 | — | — | — | — | <ul style="list-style-type: none"> ● Leader of Public Relations Group, Business Management Dept. ● Bachelor of History, Chinese Culture University | — | — |
| Assistant Vice President | Republic of China | Shao-Hung Wu | Male | 2018.01.01 | — | — | — | — | <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 | Republic of China | Hsiu-Mei Lee | Female | 2018.12.16 | — | — | — | — | <ul style="list-style-type: none"> ● Leader of Business Management Group, Personal Loan Dept. ● Bachelor of Land Economics, National Chung Hsing University | — | — |
| Assistant Vice President | Republic of China | Chun-Yun Wang | Male | 2018.07.03 | — | — | — | — | <ul style="list-style-type: none"> ● Leader of Corporate Banking Group, Hong Kong Branch ● Bachelor of International Business, Feng Chia University | — | — |
| Assistant Vice President | Republic of China | Chan-Feng Ma | Male | 2016.11.01 | — | — | — | — | <ul style="list-style-type: none"> ● Overseas Business Dept. ● Bachelor of Business Administration, Soochow University | Chief Operations Officer of Yuanfa Savings Bank (Korea) | — |

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/>

(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>There was no departure in this respect.</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 addition to Remuneration Committee and Audit Committee?</p> <p>(2) Did the Bank assess the independence of the CPA periodically?</p> | <p>✓</p> <p>✓</p> | | <p>There was no departure in this respect.</p> |

| Item | Implementation | | | The Differences between the Corporate Governance Practice of the Bank and "Guideline for Bank Corporate Governance" and Causes |
|---|----------------|----|--|--|
| | Yes | No | Summary | |
| 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) | ✓ | | Board of Directors for approval. 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. | There was no departure in this respect. |
| 4. Did the Bank establish communication channel with stakeholders? (including but not limited to shareholders, employees and customers etc.) | ✓ | | (1) The Bank's stakeholders such as customers, vendors, etc., may file a complaint and grievance or express opinions to the Bank through business premises, telephone, email, fax, or written correspondence, etc. (2) In order to facilitate labor-management communication, the Bank set up employee suggestion boxes as a platform for the labor-management dialogue and employee complaint and grievance. (3) The Bank is a wholly owned subsidiary of Yuanta Financial Holdings Co., Ltd., and Yuanta Financial Holdings can communicate with the Bank via telephone, email, written documents, meetings, etc., with diversified and open communication channels. | There was no departure in this respect. |
| 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. | There was no departure in this respect. |

| Item | Implementation | | The Differences between the Corporate Governance Practice of the Bank and "Guideline for Bank Corporate Governance" and Causes | |
|--|----------------|----|---|---|
| | Yes | No | | Summary |
| 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 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>Other important information enabling better understanding of the Bank's corporate governance status:</p> <p>(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 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 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 2018, the Bank donated NT\$ 8.97 million to Polaris</p> | There was no departure in this respect. |

| Item | Implementation | | The Differences between the Corporate Governance Practice of the Bank and "Guideline for Bank Corporate Governance" and Causes |
|------|----------------|----|---|
| | Yes | No | |
| | | | <p>Research Institute as the research fund for macro-economy, finance and commodities of Taiwan and major countries.</p> <p>B. In May and October 2018, a donation of NT\$ 28.3 million to Yuanfa Foundation for talent development as well as arts and charity events.</p> <p>C. In May 2018, the Bank donated NT\$ 750 thousand to Taiwan Financial Services Roundtable for Education Charity Fund of Financial services.</p> |
| 7. | | | <p>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> <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. < Remark > The Bank participated in CG6011 (2017) Corporate Governance System Assessment, conducted by Taiwan Corporate Governance Association, in 2018 and, on June 12, 2018, was honorably certified as Excellence (valid for two years).</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>Summary</p> <p>(1) The parent company Yuanta 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 cooperates with the overall specifications and work objectives set by the parent company, Yuanta Financial Holdings. At the end of 2018, Yuanta Financial Holdings established the “Corporate Sustainability Committee” to supervise and implement the formulation and execution of corporate social responsibility policies, and to evaluate the effectiveness of the Corporate Social Responsibility Promotion Center, in order to implement the corporate sustainability philosophy.</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 adopt low-consumption and green OA appliances and devices. Since 2011, we have been awarded “Excellent Green Procurement Entity” by Department of Environmental Protection of</p> |

| Item | Implementation | |
|---|----------------|--|
| | Yes | No |
| (2) Did the Bank establish proper environmental management systems based on the characteristics of their industries? | ✓ | <p>Taipei City Government each year.</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(Financial Holding Building) . The certification site of the Yongkang Building and Fuchen Building were 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> |
| (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? | ✓ | |
| 3. Preserving Public Welfare: | | |
| (1) Did the Bank develop management policies and procedures according to regulations and International Bill of Human Rights? | ✓ | <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-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</p> |
| (2) Did the Bank establish the employee complaint mechanism and channel and | ✓ | |

| Item | Implementation | |
|---|----------------|---|
| | Yes | No |
| <p>process according affairs properly?</p> <p>(3) Did the Bank offer employees the safe and healthy workplace and conduct safety and health education for employees periodically?</p> | ✓ | <p>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 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, uninterruptible 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. Employee health is the cornerstone of the Company's operations. Thus, the Bank provides a healthy workplace and hires full-time registered nurses and contracted occupational medicine doctors, in order to implement employee health promotion and prevent occupational disasters.</p> <p>I. 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)</p> <p>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 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</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> | ✓ | |

| Item | Implementation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|----------------|---|--------------------------|---|-----------------------------------|--|--|------|--------------|---------------------|-------------------------|---|-----------------------------------|----------|-----|---------|---------|------|------|----------|-----|--------|-------|-----|-----|-------|-----|---------|---------|------|------|
| | Yes | No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (5) Did the Bank develop training programs on effective career and capability development for employees? | ✓ | <p>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 development, in order to improve the quality and efficiency of services as well as strengthen 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> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (6) Did the Bank develop policies and complaint procedures for consumer rights protection on research and development, procurement, production, operation and service processes? | ✓ | <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="5">2018 Training statistics</th> </tr> <tr> <th>Type</th> <th>Total Course</th> <th>Total Hours (Note1)</th> <th>Total number of persons</th> <th>Avg. training hours per person (Note 2)</th> <th>Avg. training per person (Note 3)</th> </tr> </thead> <tbody> <tr> <td>Internal</td> <td>276</td> <td>194,331</td> <td>111,634</td> <td>42.5</td> <td>24.4</td> </tr> <tr> <td>External</td> <td>470</td> <td>29,148</td> <td>3,772</td> <td>6.4</td> <td>0.8</td> </tr> <tr> <td>Total</td> <td>746</td> <td>223,479</td> <td>115,406</td> <td>48.8</td> <td>25.2</td> </tr> </tbody> </table> <p>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</p> <p>(6) A. 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> <ol style="list-style-type: none"> a. Customer Feedback Forms are placed in the business hall of business units. b. The Bank's Hotline: 0800-688-168. c. E-mail: service@yuanta.com 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) The Bank's marketing activities of all products and services are in conformity with according</p> | 2018 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 | 276 | 194,331 | 111,634 | 42.5 | 24.4 | External | 470 | 29,148 | 3,772 | 6.4 | 0.8 | Total | 746 | 223,479 | 115,406 | 48.8 | 25.2 |
| 2018 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 | 276 | 194,331 | 111,634 | 42.5 | 24.4 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| External | 470 | 29,148 | 3,772 | 6.4 | 0.8 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 746 | 223,479 | 115,406 | 48.8 | 25.2 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (7) Did the Bank conform its marketing, products and services to regulations and | ✓ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Item | Implementation | | |
|--|-------------------|----|---|
| | Yes | No | Summary |
| <p>international principles?</p> <p>(8) Did the Bank evaluate the suppliers' past records for influencing environment and society prior to the relationship establishment?</p> <p>(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?</p> | <p>✓</p> <p>✓</p> | | <p>regulations.</p> <p>(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.</p> <p>(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.</p> |
| <p>4. Enhance Information Disclosure: Did the Bank disclose vital and accountable CSR information on its website and Market Observation Post System?</p> | <p>✓</p> | | <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> |
| <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: There was no departure in this respect.</p> | | | <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> |
| <p>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.</p> | | | <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> |
| <p>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 2017 CSR Report passed the accreditation of a third-party accreditation institution, British Standards Institution (BSI), in May 2018. BSI examined the inclusivity, materiality and responsiveness of the corporate social responsibility report in accordance with AA1000 AS: 2008 and GRI. (2) YFH CSR Report followed the "core" options under GRI and met the AA1000 Type 1 medium guarantee criteria and also acquired BSI's exclusive written statement (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.</p> | | | <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> |

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

| Item | Implementation | |
|---|----------------|---|
| | Yes | No |
| <p>I. 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"), specify that all companies in the Group, including Yuanta Financial Holdings, shall comply. 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" 、 "Standards on Ethical Conduct" and "Implementation Regulations Governing Whistleblowing System" 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.</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 violation against ethical conduct shall be discharged or dismissed.</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>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, peculation 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) The Bank, in conformity with “Ethical Management Principles”, “Code of Conduct” and according regulations. 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. |
| (2) Did the Bank set up dedicated units for business ethical management subordinate to Board of Directors and report the said units’ performance periodically? | ✓ | | (3) A. Audit Committee Charter, Board meeting, 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. |
| (3) Did the Bank develop policies against conflicts of interest, provides proper declaration channels and fully execute these policies? | ✓ | | 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. |
| (4) Has the Bank, to fully execute ethical management, established effective accounting and internal audit systems and conduct periodical auditing by the internal audit unit or appoint accountants to | ✓ | | (4) A. In accordance with The Banking Act of The Republic of China, Securities and Exchange Act, 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 |

| Item | Implementation | |
|--|----------------|--|
| | Yes | No |
| conduct such audit? | | |
| (5) Did the Bank periodically host internal and external training on ethical management? | ✓ | <p>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 2018, 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 judgment 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> |
| 3. Operation of the whistle-blowing mechanism: (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>(1) In order to establish an ethical and transparent corporate culture and promote sound management, the Bank has set up employee feedback mailboxes as the labor-management dialogue and employee complaint and grievance platforms. To maintain the Bank's diversified whistleblowing and reporting mechanism, the Bank formulates the "Implementation Regulations Governing Whistleblowing System," specifying that anyone who finds a crime, a fraud or a violation of the law can report via writing, telephone, or email or by any means. The Legal Compliance Department is appointed as the accepting unit to transfer the case to the investigation unit (Internal Audit Dept) in accordance with the standard operating procedures for investigation and subsequent processing.</p> <p>(2) The "Implementation Regulations Governing Whistleblowing System" set by the Bank specifies the investigation principles and procedures, the follow-up handling mechanism, and that the personnel handling the whistleblowing case shall have a written statement to declare that the identity of the whistleblower and the contents of the report shall be kept confidential.</p> <p>(3) The Bank takes the following protective measures for whistleblowers :</p> <p>A. Whistleblowers shall not be fired, dismissed, and demoted, and receive a pay cut or other unfavorable treatment; whistleblowers' dueful rights and interests in accordance with laws, regulations, contracts or the custom shall not be harmed, unless it is not directed against the whistleblower, but due to the reorganization, merge or abolishment necessary in response to the Bank's business or operations, or unless the whistleblower is punished according to relevant regulations for other illegal or improper acts verified by the Bank.</p> <p>B. If the whistleblower is threatened, intimidated or otherwise disadvantaged by others, the Bank shall assist the whistleblower in reporting to the police.</p> |
| (2) Did the Bank develop standards of procedures and confidentiality mechanism on the investigation of reported cases? | ✓ | |
| (3) Did the Bank execute measures to protect reporters from improper treatment arising from whistle-blowing? | ✓ | |

| Item | Implementation | |
|---|----------------|----|
| | Yes | No |
| 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? | ✓ | |
| 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 31, 2019

| 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 | 39,183,617 | 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 31, 2019

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

(2) Shareholder Structure

Unit: thousand shares; Base Date: January 31, 2019

| Quantity \ Shareholder Structure | 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% |

(3) Dispersion of Ownership

Unit: thousand shares; Base Date: January 31, 2019; 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% |

(4) List of Principal Shareholders

Unit: thousand shares; Base Date: January 31, 2019

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

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

| Year | | 2017 | 2018 | January 31, 2019 (Note 2) | |
|--------------------------------|--|--------------------|----------------|------------------------------|----------------|
| Item | | | | | |
| 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\$15.30 | NT\$15.64 | NT\$15.77 |
| | After Distribution | | NT\$14.61 | Note 1 | Not applicable |
| EPS | Weighted Average Shares (thousand shares) | | 7,394,039 | 7,394,039 | 7,394,039 |
| | EPS | Before Adjustment | NT\$1.58 | NT\$1.16 | NT\$0.12 |
| | | After Adjustment | NT\$1.08 | Note 1 | Not applicable |
| Dividend/Share (NT\$/Share) | Cash Dividends | | NT\$0.70 | Note 1 | Not applicable |
| | Stock Dividends | By Earnings | — | 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 2018 has not been resolved by the shareholders' meeting.

Note 2: The preliminary financial data ending January 31, 2019 were prepared by the Bank.

2. Financial Debentures and Capital Utilization Plan

(1) Issuance of Financial Debentures

| Type of financial debentures | 3 rd term financial debentures B 2011 | 1 st term financial debentures 2012 (Note 3) | 2 nd term financial debentures 2012 (Note 3) |
|--|---|--|--|
| Date of approval & approval document No. | Jin-Kuan-Yin-Kong-10000110840 Dated April 25, 2011 | Jin-Kuan-Yin-Kong-10100053150 Dated February 29, 2012 | Jin-Kuan-Yin-Kong-10100053150 Dated February 29, 2012 |
| Date of issuance | October 27, 2011 | March 30, 2012 | June 22, 2012 |
| 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\$1.0 billion | NT\$1.0 billion |
| Interest rate | 1.95% | 2.15% | 2.05% |
| Duration | Duration: 10 years Maturity: October 27, 2021 | Duration: 7 years Maturity: March 30, 2019 | Duration: 7 years Maturity: June 22, 2019 |
| 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 | None | None |
| Certification CPA | PricewaterhouseCoopers James Huang | None | None |
| 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\$1.0 billion | NT\$1.0 billion |
| Paid-in capital for previous year | NT\$21,811,335 thousand | NT\$21,834,693 thousand | NT\$21,834,693 thousand |
| Net value upon final account in the previous year | NT\$24,812,541 thousand | NT\$25,805,152 thousand | NT\$25,805,152 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% (Note 1,2) | 74.1% | 77.9% |
| 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, 2014 Taiwan Ratings: twAA - (Debentures rating) | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) |

Note 1: 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 22, 2011 and have been repaid in full.

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

Note 3: 1st term financial debentures 2012, 2nd term financial debentures 2012, 3rd term financial debentures 2012, 3rd term financial debentures 2014, 4th term financial debentures 2014, 5th term financial debentures 2014 and 6th term financial debentures 2015 were issued by the former Ta Chong Commercial Bank.

| Type of financial debentures | 3 rd term financial debentures 2012 (Note 3) | 1 st term financial debentures A 2014 | 1 st term financial debentures B 2014 |
|--|---|---|---|
| Date of approval & approval document No. | Jin-Kuan-Yin-Kong-10100053150 Dated February 29, 2012 | Jin-Kuan-Yin-Kong-10300180640 Dated June 27, 2014 | Jin-Kuan-Yin-Kong-10300180640 Dated June 27, 2014 |
| Date of issuance | December 27, 2012 | September 4, 2014 | September 4, 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\$1.5 billion | NT\$1.6 billion | NT\$4.7 billion |
| Interest rate | 1.90% | 1.80% | 2.00% |
| Duration | Duration: 7 years Maturity: December 27, 2019 | Duration: 7 years Maturity: September 4, 2021 | Duration: 10 years Maturity: September 4, 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 | None | Chien Yeh Law Offices Hermes Kung | Chien Yeh Law Offices Hermes Kung |
| Certification CPA | None | 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\$1.5 billion | NT\$1.6 billion | NT\$4.7 billion |
| Paid-in capital for previous year | NT\$21,834,693 thousand | NT\$36,496,931 thousand | NT\$36,496,931 thousand |
| Net value upon final account in the previous year | NT\$25,805,152 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 (%) | 79.9% | 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 | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) | December 12, 2014 Taiwan Ratings: twA + (Debentures rating) | December 12, 2014 Taiwan Ratings: twA + (Debentures rating) |

| Type of financial debentures | 2 nd term financial debentures 2014 | 3 rd term financial debentures 2015 (Note 3) | 4 th term financial debentures 2014 (Note 3) |
|--|---|---|---|
| Date of approval & approval document No. | Jin-Kuan-Yin-Kong-10300180640 Dated June 27, 2014 | Jin-Kuan-Yin-Kong-10200364540 Dated January 3, 2014 | Jin-Kuan-Yin-Kong-10200364540 Dated January 3, 2014 |
| Date of issuance | October 29, 2014 | March 21, 2014 | September 26, 2014 |
| Par value | NT\$10,000,000 | NT\$1,000,000 | 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\$1.7 billion | NT\$3.5 billion | NT\$0.9 billion |
| Interest rate | 1.85% | 2.05% | 2.00% |
| Duration | Duration: 7 years Maturity: October 29, 2021 | Duration: 7 years Maturity: March 21, 2021 | Duration: 7 years Maturity: September 26, 2021 |
| 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 | None | None |
| Certification CPA | PricewaterhouseCoopers Ellen Kuo | None | None |
| 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\$1.7 billion | NT\$3.5 billion | NT\$0.9 billion |
| Paid-in capital for previous year | NT\$36,496,931 thousand | NT\$23,897,922 thousand | NT\$23,897,922 thousand |
| Net value upon final account in the previous year | NT\$46,245,949 thousand | NT\$29,521,574 thousand | NT\$29,521,574 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 (%) | 49.73% | 87.9% | 95.2% |
| 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, 2014 Taiwan Ratings: twA + (Debentures rating) | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) |

| Type of financial debentures | 5 th term financial debentures 2014 (Note 3) | 3 rd term financial debentures 2015 | 4 th term financial debentures 2015 |
|---|---|--|--|
| Date of approval & approval document No. | Jin-Kuan-Yin-Kong-10200364540 Dated January 3, 2014 | Jin-Kuan-Yin-Kong-10400130410 Dated June 12, 2015 | Jin-Kuan-Yin-Kong-10400130410 Dated June 12, 2015 |
| Date of issuance | November 19, 2014 | August 27, 2015 | August 27, 2015 |
| 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\$0.6 billion | NT\$5.55 billion | NT\$3 billion |
| Interest rate | 2.00% | 4.1% | 2.1% |
| Duration | Duration: 7 years Maturity: November 19, 2021 | Duration: Perpetual Maturity: N/A | Duration: 10 years Maturity: August 27, 2025 |
| 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 | None | Chien Yeh Law Offices Hermes Kung | Chien Yeh Law Offices Hermes Kung |
| Certification CPA | None | 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 |
| Outstanding balance | NT\$0.6 billion | NT\$5.55 billion | NT\$3 billion |
| Paid-in capital for previous year | NT\$23,897,922 thousand | NT\$37,690,491 thousand | NT\$37,690,491 thousand |
| Net value upon final account in the previous year | NT\$29,521,574 thousand | NT\$51,073,449 thousand | NT\$51,073,449 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 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 | None |

| Type of financial debentures | 5 th term financial debentures 2014 (Note 3) | 3 rd term financial debentures 2015 | 4 th term financial debentures 2015 |
|--|---|---|---|
| | | 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 (%) | 97.9% | 67.36% | 73.85% |
| Eligible entity capital and type | Yes, Tier II | Yes, Tier I | Yes, Tier II |
| Credit rating organization, date of rating and rating score | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) | January 17, 2018 Taiwan Ratings: twAA | January 17, 2018 Taiwan Ratings: twAA |

| Type of financial debentures | 5 th term financial debentures 2015 | 6 th term financial debentures 2015 (Note 3) | 1 st term financial debentures 2016 |
|---|---|---|---|
| Date of approval & approval document No. | Jin-Kuan-Yin-Kong-10400130410 Dated June 12, 2015 | Jin-Kuan-Yin-Kong-10400027100 Dated February 16, 2015 | Jin-Kuan-Yin-Kong-10400296320 Dated December 24, 2015 |
| Date of issuance | September 29, 2015 | March 30, 2015 | February 23, 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\$1.45 billion | NT\$2 billion | NT\$5 billion |
| Interest rate | 4.1% | 2.08% | 1.8% |
| Duration | Duration: Perpetual Maturity: N/A | Duration: 7 years Maturity: March 30, 2022 | Duration: 10 years Maturity: February 23, 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 | None | Chien Yeh Law Offices Hermes Kung |
| Certification CPA | PricewaterhouseCoopers Ellen Kuo | None | PricewaterhouseCoopers Ellen Kuo |
| Certification financial Institution | None | None | None |
| Repayment | 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 | 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\$1.45 billion | NT\$2 billion | NT\$5 billion |
| Paid-in capital for previous year | NT\$37,690,491 thousand | NT\$27,890,766 thousand | NT\$37,690,491 thousand |
| Net value upon final account in the previous year | NT\$51,073,449 thousand | NT\$32,603,788 thousand | NT\$51,345,873 thousand |
| Performance | None | None | None |
| Terms of redemption or early repayment | 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 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 | None | 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 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 |

| Type of financial debentures | 5 th term financial debentures 2015 | 6 th term financial debentures 2015 (Note 3) | 1 st term financial debentures 2016 |
|--|--|---|--|
| | in face value along with accrued interest payable. Where the Bank exercises its call option, this debenture matures on the call date | | 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 (%) | 76.98% | 97.6% | 79.08% |
| Eligible entity capital and type | Yes, Tier I | Yes, Tier II | Yes, Tier II |
| Credit rating organization, date of rating and rating score | January 17, 2018 Taiwan Ratings: twAA | January 30, 2018 Taiwan Ratings: twAA - (Debentures rating) | January 17, 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:

None.

- 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 31, 2019), 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 14, 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 17, 2017. Yuanta Bank and Ta Chong Bank officially merged on January 1, 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 30, 2017, the Board of Directors of both parties signed the second supplement agreement of the merger contract on August 17, 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 value of NT\$10 per share. After the merger, the paid-in capital of Yuanta Bank amounts to NT\$73,940,389,820.

(3) Implementation Capital Utilization Plan

A. With approval from the authority, the Bank issued subordinated debentures of NT\$10 billion on April 25, 2011, issued subordinated debentures of NT\$10 billion on February 29, 2012, issued subordinated debentures of NT\$5 billion on January 3, 2014, issued subordinated debentures of NT\$8 billion on June 27, 2014, issued subordinated debentures of NT\$6 billion on February 16, 2015, issued subordinated debentures of NT\$10 billion(or equivalent to foreign currency) on June 12, 2015 and issued subordinated debentures of NT\$10 billion (or equivalent to foreign currency) on December 24, 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 31, 2019, the Bank has issued debentures of NT\$38 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, 2011 | The subordinated financial debentures of NT\$10 billion | <ul style="list-style-type: none"> The 3rd term (2011) subordinated financial debentures B of NT\$4.5 billion were issued on October 27, 2011. |
| Jin-Kuan-Yin-Kong-10100053150 dated February 29, 2012 | The subordinated financial debentures of NT\$10 billion | <ul style="list-style-type: none"> The 1st term (2012) subordinated financial debentures of NT\$1 billion were issued on March 30, 2012. The 2nd term (2012) subordinated financial debentures of NT\$1 billion were issued on June 22, 2012. The 3rd term (2012) subordinated financial debentures of NT\$1.5 billion were issued on December 27, 2012. |
| Jin-Kuan-Yin-Kong-10200364540 dated January 3, 2014 | The subordinated financial debentures of NT\$5 billion | <ul style="list-style-type: none"> The 3rd term (2014) subordinated financial debentures of NT\$3.5 billion were issued on March 21, 2014. The 4th term (2014) subordinated financial debentures of NT\$0.9 billion were issued on September 26, 2014. The 5th term (2014) subordinated financial debentures of NT\$0.6 billion were issued on November 19, 2014. |
| Jin-Kuan-Yin-Kong-10300180640 dated June 27, 2014 | The 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 4, 2014. The 1st term (2014) subordinated financial debentures B of NT\$4.7 billion were issued on September 4, 2014. The 2nd term (2014) subordinated financial debentures of NT\$1.7 billion were issued on October 29, 2014. |
| Jin-Kuan-Yin-Kong-10400027100 dated February 16, 2015 | The financial debentures of NT\$6 billion | <ul style="list-style-type: none"> The 6th term (2015) subordinated financial debentures of NT\$2 billion were issued on March 30, 2015 |

| Date of Approval & Approval Document No. | Total Amount | Execution |
|--|---|--|
| Jin-Kuan-Yin-Kong-10400130410 Dated June 12, 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 27, 2015. • The 4th term (2015) subordinated financial debentures of NT\$3 billion were issued on August 27, 2015. • The 5th term (2015) perpetual non-cumulative subordinated financial debentures of NT\$1.45 billion were issued on September 29, 2015. |
| Jin-Kuan-Yin-Kong-10400296320 dated December 24, 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 23, 2016. |

3. Business Overview

(1) Business Performance for 2017~2018

A. Revenue Breakdown

Unit: NT\$1,000; %

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

B. Deposit

Unit: NT\$ in million; %

| Item | Year | 2018 | | 2017 | | Comparison with 2017 | |
|------------------------|------|-----------|----------------|---------|----------------|----------------------------|-----------------------------------|
| | | Amount | Proportion (%) | Amount | Proportion (%) | Amount Increase (Decrease) | Increase (Decrease) Proportion(%) |
| Checking Deposits | | 5,163 | 0.49 | 3,717 | 0.50 | 1,446 | 38.90 |
| Demand Deposits | | 134,447 | 12.65 | 103,683 | 14.03 | 30,764 | 29.67 |
| Demand Saving Deposits | | 328,278 | 30.89 | 261,748 | 35.43 | 66,530 | 25.42 |
| Time Deposits | | 385,939 | 36.32 | 241,037 | 32.62 | 144,902 | 60.12 |
| Time Saving Deposits | | 208,735 | 19.65 | 128,738 | 17.42 | 79,997 | 62.14 |
| Total | | 1,062,562 | 100.00 | 738,923 | 100.00 | 323,639 | 43.80 |

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 | 2018 | | 2017 | | Comparison with 2017 | |
|---------------------------------|---------|----------------|---------|----------------|----------------------------|-----------------------------------|
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount Increase (Decrease) | Increase (Decrease) Proportion(%) |
| Corporate Loans | 387,916 | 52.21 | 285,185 | 57.69 | 102,731 | 36.02 |
| General Corporate Loans | 247,975 | 33.38 | 172,316 | 34.86 | 75,659 | 43.91 |
| Small-and-medium Business Loans | 139,118 | 18.73 | 112,112 | 22.68 | 27,006 | 24.09 |
| Government Loans | — | — | — | — | — | — |
| Delinquent | 823 | 0.11 | 757 | 0.15 | 66 | 8.72 |
| Consumer Loans | 344,504 | 46.37 | 205,228 | 41.51 | 139,276 | 67.86 |
| Mortgage | 297,128 | 39.99 | 171,128 | 34.62 | 126,000 | 73.63 |
| Auto Loans | 34,553 | 4.65 | 30,780 | 6.23 | 3,773 | 12.26 |
| Consumer Unsecured Loans | 10,586 | 1.42 | 1,227 | 0.25 | 9,359 | 762.75 |
| Stock-secured Loan | 1,486 | 0.20 | 1,714 | 0.35 | (228) | (13.30) |
| Delinquent | 549 | 0.07 | 219 | 0.04 | 330 | 150.68 |
| Other (Note) | 202 | 0.03 | 160 | 0.03 | 42 | 26.25 |
| Overseas Subsidiaries | 10,525 | 1.42 | 11,109 | 2.25 | (584) | (5.26) |
| Total | 742,945 | 100.00 | 494,350 | 100.00 | 248,595 | 50.29 |

Note : Including certificate of deposit loan and composite overdraft.

D. Foreign Exchange

Unit: US\$1,000; %

| Item \ Year | 2018 | | 2017 | | Comparison with 2017 | |
|--------------------|------------|----------------|------------|----------------|----------------------------|-----------------------------------|
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount Increase (Decrease) | Increase (Decrease) Proportion(%) |
| Import Business | 1,803,619 | 3.06 | 1,628,555 | 2.85 | 175,064 | 10.75 |
| Export Business | 1,076,446 | 1.83 | 433,786 | 0.76 | 642,660 | 148.15 |
| Outward Remittance | 28,039,389 | 47.66 | 27,782,269 | 48.68 | 257,120 | 0.93 |
| Inward Remittance | 27,917,192 | 47.45 | 27,227,956 | 47.71 | 689,236 | 2.53 |
| Total | 58,836,646 | 100.00 | 57,072,566 | 100.00 | 1,764,080 | 3.09 |

E. Trust Business

Unit: NT\$1,000; %

| Item \ Year | 2018 | 2017 | Comparison with 2017 | | |
|--|--|-------------------------|----------------------------|-----------------------------------|---------|
| | | | Amount Increase (Decrease) | Increase (Decrease) Proportion(%) | |
| Total Balance of Trust Assets | 202,757,553 (Note 1) | 126,214,752 (Note 2) | 76,542,801 | 60.64 | |
| Other Consigned Items | 3,815,975 | 3,255,308 | 560,667 | 17.22 | |
| Total Revenue of Trust Business Service Fee | 2,286,882 | 1,164,013 | 1,122,869 | 96.47 | |
| Scale of Assets under Custody of Investment Insurance Policy | 7,066 | 247,572 | (240,506) | (97.15) | |
| The Custody Asset in Discretionary Investment Account | 4,687,309 | 4,960,485 | (273,176) | (5.51) | |
| Scale of Assets under Custody of Foreign Investment | 25,260,939 | 28,753,193 | (3,492,254) | (12.15) | |
| The Custody of Other Property | 0 | 123,112 | (123,112) | (100.00) | |
| Scale of Assets under Custody of Business Guarantee Bond | 2,350,000 | 2,325,000 | 25,000 | 1.08 | |
| Custodian Service Fee Income | 25,002 | 22,368 | 2,634 | 11.78 | |
| Certification of Securities | Amount of Certification | 51,232,238 | 34,955,594 | 16,276,644 | 46.56 |
| | Revenue of Certification Service Charges | 3,848 | 5,351 | (1,503) | (28.09) |

Note 1: Including OBU trust property in the amount of NT\$2,430,092 thousands.

Note 2: Including OBU trust property in the amount of NT\$1,944,126 thousands.

F. Insurance

Unit: NT\$ in million; %

| Commission income \ Year | 2018 | 2017 | Comparison with 2017 | |
|--------------------------|-------|------|----------------------------|------------------------------------|
| | | | Amount Increase (Decrease) | Increase (Decrease) Proportion (%) |
| Non-investment insurance | 1,235 | 718 | 517 | 72.01 |
| Investment insurance | 520 | 249 | 271 | 108.84 |
| Property insurance | 20 | 14 | 6 | 42.86 |

G. Credit Card

Unit: NT\$ in million; %

| Item \ Year | 2018 | 2017 | Comparison with 2017 | |
|-----------------------------------|-----------|---------|----------------------------|------------------------------------|
| | | | Amount Increase (Decrease) | Increase (Decrease) Proportion (%) |
| Cards in Circulation (Card) | 1,334,410 | 650,964 | 683,446 | 104.99 |
| Valid number of cards | 764,864 | 459,608 | 305,256 | 66.42 |
| Transaction Amount (NT\$ million) | 77,370 | 58,341 | 19,029 | 32.62 |
| Revolving Balance (NT\$ million) | 1,623 | 525 | 1,098 | 209.14 |

H. Investment

Unit: NT\$ in million; %

| Item \ Year | 2018 | 2017 | Comparison with 2017 | |
|---------------------|-----------|-----------|----------------------------|------------------------------------|
| | | | Amount Increase (Decrease) | Increase (Decrease) Proportion (%) |
| Bond Trading Volume | 390,607 | 445,931 | (55,324) | (12.41) |
| Bill Trading Volume | 3,161,377 | 1,871,630 | 1,289,747 | 68.91 |

Unit: US\$ in million; %

| Item \ Year | 2018 | 2017 | Comparison with 2017 | |
|------------------------------|--------|--------|----------------------------|------------------------------------|
| | | | Amount Increase (Decrease) | Increase (Decrease) Proportion (%) |
| Spot Transaction | 18,529 | 21,539 | (3,010) | (13.97) |
| Forward Exchange Transaction | 2,239 | 2,105 | 134 | 6.37 |
| Foreign Exchange SWAP | 42,534 | 20,094 | 22,440 | 111.68 |
| Option Transaction | 5,547 | 16,726 | (11,179) | (66.84) |

I. E-Banking

Unit: in thousands

| Item \ Year | 2018 | 2017 | Comparison with 2017 | |
|---|--------|--------|----------------------------|------------------------------------|
| | | | Amount Increase (Decrease) | Increase (Decrease) Proportion (%) |
| Total Internet Banking Transactions | 4,727 | 3,534 | 1,193 | 33.76 |
| Total Mobile Banking Transactions | 25,690 | 11,350 | 14,340 | 126.34 |
| Total Online Corporate Banking Transactions | 3,891 | 2,946 | 945 | 32.08 |
| Total Cross-border Payment Transactions | 414 | 232 | 182 | 77.45 |

(2) 2018 Operating Plan

The Bank and Ta Chong Bank were officially merged on January 1, 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:

A. 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.

B. 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.

C. 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 Ticketing 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 .

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) Overview of financial product research and business development

- A.** The size and profit and loss of major financial products and added business units in the most recent two years and as of the printing date of the annual report:

- a. Depending on regulatory openness and market trends, evaluate and R&D the applications of using API (application interface) to develop Open Banking concatenation payment, providing consumers with more convenient integrated financial services.
- b. Develop QR code payment, online payment and various value-added services.
- c. Establish customer equity points exchange platform services, enhance customer experience and interaction, raise the contribution and adhesion of effective customers, and reduce the labor cost of back-office.
- d. Be committed to the research and development and promotion of the fund products, and exert effort to the allocation of customer assets and R&D of investment methods and module. Following the 2.0 version of the fund efficiency investment method, currently develop the version 3.0, providing a more flexible way of entering and exiting funds, improving investment efficiency, and simultaneously providing uninterrupted investment focus.
- e. Strengthen communication with young customers, and use social platforms to provide educational and eye-catching promotional materials to attract potential customers, and then become real customers of the Bank.
- f. Implement the mobile payment scenario, evaluate the cooperation with the FISC for Taiwan Pay, and develop QR Code mobile payment, online payment and various value-added services.
- g. Plan new online banking platform based on customer needs, optimize mobile banking and various online application functions of Yuanta e-bank, in order to create a good financial experience for customers.

For the business development scale and the profit and loss situation, please refer to the overview of 2017-2018 consolidated business development in Section III of this chapter.

B. Risk Management

- a. Research market risk management to be in compliance with the FRTB specification and the solutions for issues arising from applying FRTB standardized approach to market risk capital charge.
- b. Retrospectively apply the back testing results for the market revaluation model, and strengthen regular feedback, tracking and disclosure mechanisms.
- c. Plan and trial calculate the net interest income of the banking book interest rate

on various tenor-funding positions and the management mechanism for the maximization of economic value.

- d. Plan and implement the Bank's internal liquidity stress testing process and calculations, such as setting and predictions of stress scenarios, and set the operating procedures for the stress testing process.
- e. Study operational risk management skills, including the planning and adjustment of the new Standardised Approach in response to operational risk capital charge, the classification calculation of operational risk tolerance, and the back-testing of the effectiveness of risk control self-assessment of operational risk.
- f. In cooperation with the corporate finance business, plan and adjust the corporate credit rating model or risk classification analysis projects. Closely monitor the corporate portfolio performance and continually reinforced the credit risk management framework and control credit risk mechanism.
- g. In coordination with the personal finance business, track and adjust the risk classification and credit quality analysis, scorecard model and risk analysis report related to mortgage, automotive loans, credit loans, credit cards, and cash cards.
- h. Systematically manage the risky industries and total exposure granted from China. Continually revamping the large risk exposure management systems to control the concentration risk more comprehensively.
- i. Develop and implement loss given default (LGD) model and exposure at default (EAD) model in accordance with the IFRS 9 and Basel's quantitative and qualitative criteria, and continue the improvement on the functions of the corporate finance credit rating platform.
- j. 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 selection and prediction.

C. R&D expenditures and results in the most recent two years, and outline of future R&D plans :

- a. R&D expenditures :

Unit: NT\$ in thousands

| Year | 2018 | 2017 |
|--------|--------|--------|
| Amount | 16,216 | 65,651 |

- b. R&D results :
 - i. Computer System Information Security Assessment Project (Class I and III)
 - ii. E-payment system security management assessment
 - iii. Triennial re-assessment of Information Security Management System(ISMS) (ISO27001:2013)
 - iv. APT Protective Devices Construction Project
 - v. New Generation Security Incident and Event Management (SIEM) Construction Project
 - vi. CTI System Construction Project - 2nd Stage
 - vii. Foreign Exchange System Upgrading Project - 1st Stage
 - viii. Hong Kong Branch Network Banking System Project
 - ix. Credit Card Issuance Accounting and Authorization System Upgrading Project
 - x. Wealth Management System Upgrading Project
 - xi. New Financial Trading System Construction Project
 - xii. ALM/FTP System Upgrading and Liquidity Risk Management Construction Project
 - xiii. Tapeless Data Backup Management System Construction Project
- c. IT Research and Development Projects
 - i. Information system R&D and upgrading: including such important information projects as Bancs system core platform upgrading project, Foreign exchange system upgrading project, Trust host (AS/400) hardware upgrading project, Wealth management host hardware upgrading project, New efficient investment module (Fund+3.0), Insurance agent system - mobile insurance (including electronic signature), Personal network bank revision project (including English version), Taiwan Pay QR Code system construction project (ATM card cloud pay), New image system construction project, 2nd-generation financing review system construction project, New financial system construction project, BASEL IV capital requirement system construction project, Merchant acquiring system construction project, Tapeless backup system expansion project, Bank-Wide SharePoint construction project, etc.
 - ii. Information security protection and information security management: including such important information security projects as network

performance monitoring system construction project, expansion of firewall audit tool license and hardware project, additional branch ATM firewall construction project, new generation SIEM construction project, computer system information security assessment project (Class I and Class II), and e-payment system security management assessment.

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

A. Short-Term Business Development Plans

- a. Expand the asset scale and business momentum to upgrade the efficiency of capital utilization.
 - i. Increase the core deposits stably to support the growth of loan operations and wealth management business development base.
 - ii. In order to take care of risk and income at the same time, continue to expand the scale of loans, strengthen the development of high-income loan products or loan products linked with cash flow for the corporate banking operations, e.g. Leading bank or co-organizer of domestic syndicated loans, property financing business, trade financing and accounts receivable financing; actively strive for OBU international syndicated loan and develop structured notes financing projects in the international banking operations; adjust the channels and customer group strategies to upgrade the volume of mortgage loan, credit loan and auto loan and control the asset quality step by step in the consumer banking operations.
 - iii. For the credit card operations, Yuanta Bank will strengthen the customer group analysis, and continue to focus on the target credit card clientele, release more marginal benefits to credit card customers and allow credit card customers to repay debt in installments to increase quantity of active cards, card spendings and revolving balance, and raise customers' loyalty and contribution through cross-sale.
 - iv. For the wealth management operations, Yuanta Bank will strengthen the development of new customers and deepen the development of existing customers, expand the number of high-asset customers, provide service to customers through the wealth management specialists appointed reasonably,

- upgrade the efficiency in the development of customers and output value per capita.
- v. Continue to expand the scale of deposits/loans, subject to the characteristics of overseas branches and subsidiaries.
- b. Promote the digital banking development and transformation, and rise the proportion of transactions carried out via digital channels.
- i. Continue to increase the functions of mobile banking and mobile payment, and combine the promotion of digital accounts to increase the size of the young customers.
 - ii. Provide enterprises with foreign currency transactions integration service and custom-made services on internet banking to upgrade the availability to corporate customers and mitigate burden on the over-the-counter operations.
 - iii. Increase the interaction and communication with customers and engage in marketing and promotion via operation of social media.
 - iv. Optimize Yuanta Bank's e-bank, interface, and guide customers to utilize such functions as online application for deposit account opening, credit cards, loans, and credit card payment in installment, et al.
- c. Fulfill compliance with laws and risk management, and maintain stable asset quality.
- i. Comply with external laws and regulations, and continue to strengthen the completeness of such systems or operating procedures as anti-money laundering, information security and personal information protection, et al.
 - ii. Collect and publish the latest update in financial laws and regulations, and amend the internal regulations in a timely manner; ensure the compliance with various laws and regulations through training, execution of compliance self-assessment and appraisal.
 - iii. Enhance the risk control, compliance and internal audit/internal control of overseas branch and subsidiaries.

B. Long-Term Business Development Plans

- a. Enhance operating performance and upgrade return on shareholders' equity.

- i. Continue to expand Yuanta Bank's market share of deposits/loans business, and strengthen the cross-selling policy and deepen the development of the existing customers.
 - ii. Integrate the resources of domestic/foreign business locations and the Group, provide omnibus financial service and customized financing program, and actively solicit for transactions with corporate customers.
 - iii. Enhancing the investment consulting service and diversified wealth management products, and build the professional brand identity for the wealth management business.
 - iv. Integrate the tangible and digital channels, which enables the tangible channels to exert the characteristics of local deepened development service, and enables the digital channels to provide the convenient services linked with the investment, loan, payment or application under various scenarios to make the banking service available everywhere.
- b. Well utilize FinTech to enhance Yuanta Bank's products and services.
 - i. Control the market trends to enhance the Bank's ability to develop FinTech products and provide the banking services needed by customers.
 - ii. Implement big data analysis, and develop new financial instruments and adopt precision marketing based on customers' needs to upgrade their loyalty and contribution.
 - iii. Comply with the government's digital finance policies, continue to work with Financial Information Service Co., Ltd. or governmental entities to develop such FinTech services, as a block chain, mobile payment and robo-advisor, etc.
- c. Enhance the operation and management of Yuanta Bank's overseas subsidiaries to upgrade their contribution to earnings.
 - i. With respect to the Bank's branch in Hong Kong and subsidiaries in Philippines and Korea, the Bank will continue to speed up establishment of the business development model applicable locally through the Head Office's matrix management and by transplanting the expatriated personnel's relevant experience, and also enhance the cooperation between

domestic and overseas business to upgrade their contributions to earnings year by year.

- ii. Enhance the international talent training and encourage the Bank's employees to accept the assignment to the Bank's overseas business locations, and improve the employees' foreign language proficiency and competency.

(5) Employee Composition

| Year | | 2017 | 2018 | January 31, 2019 |
|--|---|-----------------|---------------------------------------|------------------|
| Number of Staff | | 2,822 | 4,575 | 4,439 |
| Average Age | | 39.62 | 40.69 | 40.63 |
| Average Seniority | | 8.46 | 9.26 | 9.19 |
| Education Level Ratio | PhD | 0.10% | 0.13% | 0.13% |
| | Master Degree | 14.52% | 13.42% | 13.51% |
| | University/ College | 81.21% | 81.48% | 81.27% |
| | Senior High School | 4.07% | 4.91% | 5.03% |
| | Lower than Senior High School | 0.10% | 0.06% | 0.06% |
| Certificates and Licenses Held by Yuanta Commercial Bank Employees | Certificates/Licenses | Number of Staff | Certificates/Licenses | Number of Staff |
| | Internal Control | 2,987 | Investment Insurance Salesperson | 1,493 |
| | Trust Salesperson | 2,810 | Financial Knowledge and Ethics | 2,455 |
| | Life Insurance Salesperson | 2,628 | Financial Planning Specialist | 633 |
| | Property Insurance Salesperson | 2,177 | Other Financial Certificates/Licenses | 10,107 |
| | Life Insurance Salesperson to Sell Foreign Currency Receipts and Disbursements Non-investment Insured Goods | | | 1,660 |

Note: On January 31, 2019, number of staff of Yuanta Savings Bank (Philippines) is 81.

Note: On January 31, 2019, number of staff of Yuanta Savings Bank (Korea) is 60.

(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.

Yuanta Foundation was involved in organizing 692 events in 2018, including 74 self-

organized events, 411 events co-organized with others and 207 sponsored events. More than 2,000 volunteers participated in the events and the events benefited more than 200,000 participants. It worked with generous members of the community to enhance the “charity public welfare platform” by continuously investing personnel and human resources, and to call more volunteers to join the events, integrate the resources from various sectors, set an example for others to follow in undertaking good deeds, provide and create opportunities for friends who need help to amplify the heartwarming events.

Since Yuanta Foundation was founded for 16 years, it has always upheld the philosophy about “public welfare” and “fulfillment” to help others make their dream come true, transform life, find the truth about happiness, and create the heartwarming power for “cycles of good deeds”. To “Educate and Train Youth’s Independence”, the “Yuanta Dreams Take Flight Program” is dedicated to helping disadvantaged children to learn. The Program has been running for 8 years and has helped provide education to 3 graduated school students and 72 excellent university students. A total of 995 students have also received Yuanta scholarships. Meanwhile, the Foundation also organized the “Yuanta Excellent Talents Scholarship”, which was granted to a total of 172 excellent but economically disadvantaged students from 15 senior high schools and 8 colleges/universities in the past three years, to enable many young excellent students to be concentrated on studies. These “Yuanta Children” who were awarded the scholarship also applied for participating public welfare activities voluntarily to provide volunteer service and feed back to the society and thereby exercised the heartwarming power for “cycles of good deeds”.

In order to fulfill its corporate social responsibility obligations, the Foundation also integrates its extensive channels and plentiful human resources to promote volunteer services and practice it into action, e.g. participation in the “Good Neighbor in Child Protection” campaign organized by CCF/Taiwan, which combines the power from 297 subsidiaries’ business locations to enhance the exposure of child protection, and organizes such activities as the “Yuanta Happiness Day” and “Yuanta Volunteer Day”. These events involve thousands of disadvantaged children’s visit to exhibitions and experience in the programs including arts, science and music. Meanwhile, the Foundation has implemented “Dream Big Yuanta Social Welfare Plan” for three years consecutively to integrate related resources to build a public welfare platform integrating virtual and physical resources, helping 6 groups to be aided. It not only sponsored budget but also sent a large number of volunteer workers to participate in the event, and contributed funds and human resources

to call on the people to feed back to the society together.

Yuanta always spares no efforts to train financial human resources and preserving talents for enterprises and the society by allowing students to work in enterprises and receive scholarships, as partake in academic contests. For the past 12 years, the summer research program has trained 190 university graduate students specialized in finance and economy and producing the paper integrating practicing and learning experience. Meanwhile, it helps upgrade domestic financial academic and professional studies by sponsoring academic workshops and interchanges between industrial and academic circles, such as “Yuanta Cup”, “NTU and RUC Case Study Program”, “NCCU FinTech Research Center” and “Asia University International AI & Blockchain Consortium (iABC)” in order to boost exchange between financial studies and industries. To boost social safety and public welfare, Yuanta supports special disadvantaged groups or the after-cared through the promotion of lawful and responsible living, involvement in anti-drugs events, women and child safety, and after-care protection to call on the public to value and participate in the promotion of lawful and responsible living. This year, Yuanta Foundation was honored by Ministry of Justice as the “Meritorious Group in Promotion of After-Care Protection”.

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 4,383. Annual average benefits for 2018 is totaled to be NT\$ 1,303,821, a decrease by NT\$93,826 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/loan, remittance, cross-bank service, foreign exchange, trust, accounting, data warehouse,

wealth management and credit card authorization etc., are equipped with the hardware and operation systems of IBM p-Series, IBM AS/400 i-Series, Oracle T7, EMC Greenplum and Windows x86.

B. Future Development and Purchasing Plans

In conjunction with continuous operations and business development and implementation of information security management, the important projects expected to be launched include: Network Performance Monitoring System Construction, Extending Firewall Audit Tool License and Hardware Project, New Branch ATM Firewall Construction Project, New Generation SIEM Construction Project. Computer System Information Security Assessment Project (Class I and II), E-payment system security management assessment and Information Security Insurance. Bancs System Core Platform Upgrading Project, Foreign Exchange Upgrading Project, Trust Host (AS/400) Hardware Upgrading Project, Wealth Management Host Hardware Upgrading Project, New Efficient Investment Module Construction Project (Fund+ 3.0), Insurance Agent System - Mobile Insurance Construction Project (including electronic signature), Personal Network Bank Revision Project (including English version), Taiwan Pay QR Code System Construction Project (ATM card cloud pay), New Image System Construction Project, New Financial System Construction Project, BASEL IV Capital Requirement System Construction Project, Merchant Acquiring System Construction Project, Tapeless Backup System Expansion Project, Bank-Wide SharePoint Construction Project, etc.

C. Emergency Recovery 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 Data Protection

In order to advance the quality of financial service, information security management and personal Data protection, the Bank utterly implements every procedure in “ISO 27001:2013 Information Security Management Systems” and “BS 10012:2017 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 System Security Management Assessment”, “Automatic Teller Machine (ATM) Information Security Attack and Defense Drill”, “DDos Attack and Defense Drill”, “Security Detection of Mobile App” and “Cyber and System Penetration Testing”, the Bank is persistently devoted to the enhancement of managerial mechanism of information security and personal Data 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 2014~2018

(1) Condensed Consolidated Balance Sheet for 2014~2018

Unit: NT\$1,000

| Item | Year | Financial Information (Note 1) | | | | |
|--|---------------------|--------------------------------|----------------------|--------------------|--------------------|--------------------|
| | | 2018 | 2017 (Note 4) | 2016 | 2015 | 2014 (Note 3) |
| Cash and cash equivalents, Due from Central Bank and call loans to other banks | | 67,745,895 | 80,563,892 | 111,051,887 | 91,084,244 | 92,677,166 |
| Financial assets at fair value through profit or loss | | 134,709,206 | 114,446,191 | 75,856,017 | 85,539,654 | 49,412,091 |
| Financial assets at fair value through other comprehensive income | | 107,072,776 | — | — | — | — |
| Investments in debt instruments at amortised cost | | 180,208,887 | — | — | — | — |
| Bills and bonds purchased under resale agreements | | — | 9,180,000 | 6,249,307 | 1,937,969 | — |
| Receivables – net | | 26,471,731 | 25,822,208 | 18,768,134 | 16,747,814 | 19,094,761 |
| Current income tax assets | | 2,426,227 | 2,486,626 | 2,852,044 | 2,848,594 | 3,110,545 |
| Assets (or disposal groups) classified as held for sale | | 910,934 | — | — | — | — |
| Bills discounted and loans – net | | 731,029,935 | 729,645,514 | 490,845,954 | 478,156,273 | 445,276,774 |
| Available-for-sale financial assets – net | | — | 260,594,686 | 84,420,516 | 41,794,256 | 34,767,648 |
| Held-to-maturity financial assets – net | | — | 26,743,729 | 14,741,656 | 14,665,264 | 7,345,168 |
| Other financial assets – net | | 136,630 | 34,780,031 | 49,570,202 | 70,157,273 | 38,861,792 |
| Property and equipment – net | | 12,390,152 | 12,775,897 | 6,079,960 | 5,015,333 | 2,160,396 |
| Investment property- net | | 867,763 | 1,159,501 | 1,083,277 | 1,876,961 | 306,052 |
| Intangible assets – net | | 11,285,222 | 12,908,241 | 2,545,091 | 2,133,271 | 2,068,089 |
| Deferred income tax assets | | 611,830 | 383,565 | 437,751 | 615,950 | 610,164 |
| Other assets – net | | 12,233,100 | 3,387,081 | 2,409,515 | 5,396,994 | 3,205,017 |
| Total Assets | | 1,288,100,288 | 1,314,877,162 | 866,911,311 | 817,969,850 | 698,895,663 |
| Due to Central Bank and other banks | | 22,047,274 | 13,520,162 | 25,624,867 | 31,901,180 | 5,681,005 |
| Financial liabilities at fair value through profit or loss | | 4,823,707 | 7,107,229 | 5,332,985 | 9,714,271 | 5,679,085 |
| Bills and bonds sold under repurchase agreements | | 16,226,824 | 11,240,704 | 7,786,562 | 10,578,602 | 8,340,995 |
| Payables | | 13,008,154 | 13,565,951 | 13,277,873 | 11,668,104 | 15,830,696 |
| Current income tax liabilities | | 801,009 | 688,059 | 918,818 | 608,110 | 986,876 |
| Liabilities of assets (or disposal groups) classified as held for sale | | 2,115 | — | — | — | — |
| Deposits and remittances | | 1,062,903,982 | 1,089,415,938 | 713,029,940 | 661,165,107 | 579,860,129 |
| Financial debentures payable | | 38,000,000 | 43,500,000 | 38,000,000 | 33,000,000 | 23,000,000 |
| Other financial liabilities | | 10,762,290 | 16,261,911 | 2,234,695 | 2,895,043 | 6,237,906 |
| Provisions | | 1,860,508 | 2,788,530 | 1,197,338 | 1,253,653 | 1,030,176 |
| Deferred income tax liabilities | | 392,512 | 198,927 | 194,232 | 364,716 | 171,751 |
| Other liabilities | | 1,620,799 | 2,410,521 | 1,060,123 | 1,041,664 | 731,171 |
| Total Liabilities | Before distribution | 1,172,449,174 | 1,200,697,932 | 808,657,433 | 764,190,450 | 647,549,790 |
| | After distribution | Note 2 | 1,205,840,446 | 811,296,504 | 765,192,534 | 649,549,790 |

| Item | Year | Financial Information (Note 1) | | | | |
|---|---------------------|--------------------------------|------------------|------------|------------|------------------|
| | | 2018 | 2017 (Note 4) | 2016 | 2015 | 2014 (Note 3) |
| Equity attributable to owners of the parent company | | 115,651,114 | 114,179,230 | 58,253,878 | 53,779,400 | 51,345,873 |
| Share capital | Before distribution | 73,940,390 | 42,652,845 | 41,521,815 | 39,183,618 | 37,690,491 |
| | After distribution | Note 2 | 42,652,845 | 42,652,845 | 41,521,815 | 39,183,618 |
| Capital surplus | | 25,960,441 | 6,038,882 | 6,038,882 | 6,038,882 | 6,116,883 |
| Retained earnings | Before distribution | 14,832,758 | 14,111,826 | 11,172,970 | 8,813,539 | 7,495,147 |
| | After distribution | Note 2 | 8,969,312 | 7,402,869 | 5,473,258 | 4,002,020 |
| Other equity interest | | 917,525 | 9,603 | (479,789) | (256,639) | (228,357) |
| The equity of attributable to former owner of business combination under common control | | — | 51,366,074 | — | — | 144,848 |
| Non-controlling interests | | — | — | — | — | 126,861 |
| Total equity | Before distribution | 115,651,114 | 114,179,230 | 58,253,878 | 53,779,400 | 51,345,873 |
| | After distribution | Note 2 | 109,036,716 | 55,614,807 | 52,777,316 | 49,345,873 |

Note1: The above financial information was audited by accountants.

Note2: The appropriation of the Bank's 2018 earnings is pending until the confirmation from the Board of Directors on behalf of stockholders.

Note3: On August 5, 2015, the Company acquired 100% equity of Yuanta Savings Bank (Philippines) 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. Yuanta Savings Bank (Philippines) was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11, 2014. Therefore, June 11, 2014 is the date of ab initio consolidation.

Note4: The Company merged with the Ta Chong Bank on January 1, 2018, and the merger is an organizational restructuring of entities under common control. Thus, when preparing the financial statements in the previous periods, it is deemed in accordance with the regulations that the merger has been occurred at the beginning of the periods to re-prepare the financial statements in the previous periods. The Ta Chong Bank was incorporated into the subsidiary of Yuanta Financial Holdings on March 22, 2016. Therefore, March 22, 2016 was the beginning merger date.

Note5: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

(2) Condensed Consolidated Statements of Comprehensive Income for 2014~2018

Unit: NT\$1,000

| Item | Year | Financial Information (Note 1) | | | | |
|---|------|--------------------------------|------------------|------------|------------|------------------|
| | | 2018 | 2017 (Note 4) | 2016 | 2015 | 2014 (Note 2) |
| Interest income | | 23,037,613 | 22,844,096 | 13,777,724 | 13,050,370 | 11,167,221 |
| Less: Interest expense | | 9,021,599 | 8,212,759 | 5,180,125 | 5,304,799 | 4,167,006 |
| Net interest income | | 14,016,014 | 14,631,337 | 8,597,599 | 7,745,571 | 7,000,215 |
| Net non-interest income | | 7,950,331 | 8,593,115 | 5,404,309 | 5,187,193 | 4,400,633 |
| Net revenue | | 21,966,345 | 23,224,452 | 14,001,908 | 12,932,764 | 11,400,848 |
| Provision for bad debt expenses, commitment and guarantee reserve | | 666,380 | 525,154 | 1,006,950 | 886,889 | 757,128 |
| Operating expenses | | 11,255,799 | 12,963,750 | 6,642,951 | 6,405,803 | 5,632,982 |
| Income from continuing operations before income tax | | 10,044,166 | 9,735,548 | 6,352,007 | 5,640,072 | 5,010,738 |
| Income tax expense | | (1,438,055) | (1,486,972) | (757,052) | (696,099) | (468,340) |
| Net income from continuing operations | | 8,606,111 | 8,248,576 | 5,594,955 | 4,943,973 | 4,542,398 |
| Gain (loss) on discontinued operations | | 1,489 | (350,195) | — | — | — |
| Net income | | 8,607,600 | 7,898,381 | 5,594,955 | 4,943,973 | 4,542,398 |
| Other comprehensive (loss) income (net of tax) | | (972,627) | 955,776 | (118,393) | (177,526) | 291,138 |
| Total comprehensive income | | 7,634,973 | 8,854,157 | 5,476,562 | 4,766,447 | 4,833,536 |
| Net income attributable to: Parent company | | 8,607,600 | 6,743,007 | 5,594,955 | 4,949,974 | 4,546,935 |
| Net income (loss) attributable to: Prior interests under common control | | — | 1,255,627 | — | (3,304) | (2,419) |
| Net income (loss) attributable to: Uncontrolled equity | | — | (100,253) | — | (2,697) | (2,118) |
| Comprehensive income attributable to: Parent company | | 7,634,973 | 7,198,349 | 5,476,562 | 4,782,113 | 4,827,285 |
| Comprehensive income (loss) attributable to: Prior interests under common control | | — | 1,756,061 | — | (7,901) | 3,397 |
| Comprehensive income (loss) attributable to: Uncontrolled equity | | — | (100,253) | — | (7,765) | 2,854 |
| EPS(NT\$) (Note 3) | | 1.16 | 1.08 | 1.31 | 1.19 | 1.16 |

Note1: The above financial information was audited by accountants.

Note2: On August 5, 2015, the consolidated Company acquired 100% equity of Yuanta Savings Bank (Philippines) 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. Yuanta Savings Bank (Philippines) was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11, 2014. Therefore, June 11, 2014 is the date of ab initio consolidation.

Note3: The weighted average number of outstanding shares has been retrospectively adjusted pro rata according to the proportion of new shares issued on January 1, 2018 for the merger. In 2017 the after-tax basic and diluted earnings per share before the adjustment were NT\$1.58 for the Company and NT (\$0.18) for the Ta Chong Bank, respectively.

Note4: The Company merged with the Ta Chong Bank on January 1, 2018, and the merger is an organizational restructuring of entities under common control. Thus, when preparing the financial statements in the previous periods, it is deemed in accordance with the regulations that the merger has been occurred at the beginning of the periods to re-prepare the financial statements in the previous periods. The Ta Chong Bank was incorporated into the subsidiary of Yuanta Financial Holdings on March 22, 2016. Therefore, March 22, 2016 was the beginning merger date.

Note5: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

(3) Condensed Separate Balance Sheet for 2014~2018

Unit: NT\$1,000

| Item | Year | Financial Information (Note 1) | | | | |
|--|------|--------------------------------|----------------------|--------------------|--------------------|--------------------|
| | | 2018 | 2017 (Note 5) | 2016 | 2015 (Note 4) | 2014 (Note 3) |
| Cash and cash equivalents, Due from Central Bank and call loans to other banks | | 65,300,164 | 78,344,761 | 106,013,194 | 90,082,158 | 92,216,081 |
| Financial assets at fair value through profit or loss | | 134,709,206 | 114,446,191 | 75,856,017 | 85,539,308 | 49,411,506 |
| Financial assets at fair value through other comprehensive income | | 106,222,389 | — | — | — | — |
| Investments in debt instruments at amortised cost | | 179,925,213 | — | — | — | — |
| Bills and bonds purchased under resale agreements | | — | 9,180,000 | 6,249,307 | 1,937,969 | — |
| Receivables – net | | 26,168,202 | 25,461,410 | 18,319,774 | 16,319,285 | 18,636,914 |
| Current income tax assets | | 2,425,746 | 2,485,786 | 2,848,594 | 2,848,594 | 3,109,168 |
| Assets (or disposal groups) classified as held for sale | | 868,288 | — | — | — | — |
| Bills discounted and loans – net | | 720,651,097 | 718,574,889 | 490,029,141 | 477,989,325 | 445,096,204 |
| Available-for-sale financial assets – net | | — | 259,716,476 | 83,750,635 | 41,793,681 | 34,764,718 |
| Held-to-maturity financial assets – net | | — | 26,533,847 | 14,513,341 | 14,494,870 | 7,277,780 |
| Equity investments accounted for under the equity method– net | | 5,208,251 | 5,180,010 | 4,983,889 | 1,315,587 | 815,357 |
| Other financial assets – net | | 6,003 | 34,591,086 | 49,478,502 | 70,138,491 | 38,837,359 |
| Property and equipment – net | | 12,290,864 | 12,679,330 | 5,818,750 | 4,947,906 | 2,087,487 |
| Investment property- net | | 867,763 | 1,159,501 | 1,083,277 | 1,876,961 | 306,052 |
| Intangible assets – net | | 10,807,589 | 12,459,121 | 2,125,491 | 2,132,733 | 2,067,369 |
| Deferred income tax assets | | 600,465 | 363,868 | 406,092 | 583,384 | 582,256 |
| Other assets – net | | 12,048,017 | 3,135,894 | 2,174,629 | 5,276,578 | 3,191,959 |
| Total Assets | | 1,278,099,257 | 1,304,312,170 | 863,650,633 | 817,276,830 | 698,400,210 |
| Due to Central Bank and other banks | | 22,047,274 | 13,520,162 | 25,624,867 | 31,901,180 | 5,681,005 |
| Financial liabilities at fair value through profit or loss | | 4,823,707 | 7,107,229 | 5,332,985 | 9,714,271 | 5,679,085 |
| Bills and bonds sold under repurchase agreements | | 16,226,824 | 11,240,704 | 7,786,562 | 10,578,602 | 8,340,995 |
| Payables | | 12,815,557 | 13,420,429 | 13,212,014 | 11,604,913 | 15,777,844 |
| Current income tax liabilities | | 796,365 | 686,854 | 918,499 | 606,906 | 981,147 |
| Deposits and remittances | | 1,053,292,520 | 1,079,154,520 | 709,988,729 | 660,554,776 | 579,560,295 |
| Financial debentures payable | | 38,000,000 | 43,500,000 | 38,000,000 | 33,000,000 | 23,000,000 |
| Other financial liabilities | | 10,762,290 | 16,261,911 | 2,234,695 | 2,895,043 | 6,237,906 |
| Provisions | | 1,735,809 | 2,664,341 | 1,076,576 | 1,249,615 | 1,027,396 |
| Deferred income tax liabilities | | 390,634 | 198,449 | 182,081 | 364,705 | 171,751 |
| Other liabilities | | 1,557,163 | 2,378,341 | 1,039,747 | 1,027,419 | 723,774 |

| Item | | Year | Financial Information (Note 1) | | | | |
|---|---------------------|---------------|--------------------------------|------------------|-------------|------------------|------------------|
| | | | 2018 | 2017 (Note 5) | 2016 | 2015 (Note 4) | 2014 (Note 3) |
| Total Liabilities | Before distribution | 1,162,448,143 | 1,190,132,940 | 805,396,755 | 763,497,430 | 647,181,198 | |
| | After distribution | Note 2 | 1,195,275,454 | 808,035,826 | 764,499,514 | 649,181,198 | |
| Equity attributable to owners of the parent company | | 115,651,114 | 114,179,230 | 58,253,878 | 53,779,400 | 51,219,012 | |
| Share capital | Before distribution | 73,940,390 | 42,652,845 | 41,521,815 | 39,183,618 | 37,690,491 | |
| | After distribution | Note 2 | 42,652,845 | 42,652,845 | 41,521,815 | 39,183,618 | |
| Capital surplus | | 25,960,441 | 6,038,882 | 6,038,882 | 6,038,882 | 6,116,883 | |
| Retained earnings | Before distribution | 14,832,758 | 14,111,826 | 11,172,970 | 8,813,539 | 7,495,147 | |
| | After distribution | Note 2 | 8,969,312 | 7,402,869 | 5,473,258 | 4,002,020 | |
| Other equity interest | | 917,525 | 9,603 | (479,789) | (256,639) | (228,357) | |
| The equity of attributable to former owner of business combination under common control | | — | 51,366,074 | — | — | 144,848 | |
| Total equity | Before distribution | 115,651,114 | 114,179,230 | 58,253,878 | 53,779,400 | 51,219,012 | |
| | After distribution | Note 2 | 109,036,716 | 55,614,807 | 52,777,316 | 49,219,012 | |

Note1: The above financial information was audited by accountants.

Note2: The appropriation of the Bank's 2018 earnings is pending until the confirmation from the Board of Directors on behalf of stockholders.

Note3: On August 5, 2015, the Company acquired 100% equity of Yuanta Savings Bank (Philippines) 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. Yuanta Savings Bank (Philippines) was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11, 2014. Therefore, June 11, 2014 is the date of ab initio consolidation.

Note4: The Company merged Yuanta International Life Insurance Agent Co., Ltd. and Yuanta Properties Insurance Agent Co., Ltd. on September 11, 2016. This merger is an organizational restructuring of entities under common control. Therefore, when preparing the financial statements in the previous periods, it is deemed in accordance with the regulations that the merger has been occurred at the beginning of the periods to re-prepare the financial statements in the previous periods.

Note5: The Company merged with the Ta Chong Bank on January 1, 2018, and the merger is an organizational restructuring of entities under common control. Thus, when preparing the financial statements in the previous periods, it is deemed in accordance with the regulations that the merger has been occurred at the beginning of the periods to re-prepare the financial statements in the previous periods. The Ta Chong Bank was incorporated into the subsidiary of Yuanta Financial Holdings on March 22, 2016. Therefore, March 22, 2016 was the beginning merger date.

Note6: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

(4) Condensed Separate Statements of Comprehensive Income for 2014~2018

Unit: NT\$1,000

| Item | Year | Financial Information (Note 1) | | | | |
|---|------|--------------------------------|------------------|------------|------------------|------------------|
| | | 2018 | 2017 (Note 5) | 2016 | 2015 (Note 3) | 2014 (Note 2) |
| Interest income | | 22,304,036 | 22,419,362 | 13,618,315 | 12,974,127 | 11,098,363 |
| Less: Interest expense | | 8,786,722 | 8,105,762 | 5,141,414 | 5,299,901 | 4,164,271 |
| Net interest income | | 13,517,314 | 14,313,600 | 8,476,901 | 7,674,226 | 6,934,092 |
| Net non-interest income | | 8,081,151 | 8,524,688 | 5,295,425 | 5,160,646 | 4,334,051 |
| Net revenue | | 21,598,465 | 22,838,288 | 13,772,326 | 12,834,872 | 11,268,143 |
| Provision for bad debt expenses, commitment and guarantee reserve | | 665,321 | 439,374 | 1,002,168 | 869,105 | 758,804 |
| Operating expenses | | 10,916,495 | 12,722,465 | 6,427,822 | 6,330,031 | 5,509,759 |
| Income from continuing operations before income tax | | 10,016,649 | 9,676,449 | 6,342,336 | 5,635,736 | 4,999,580 |
| Income tax expense | | (1,409,049) | (1,478,034) | (747,381) | (689,066) | (455,064) |
| Net income from continuing operations | | 8,607,600 | 8,198,415 | 5,594,955 | 4,946,670 | 4,544,516 |
| Gain (loss) on discontinued operations | | — | (199,781) | — | — | — |
| Net income | | 8,607,600 | 7,998,634 | 5,594,955 | 4,946,670 | 4,544,516 |
| Other comprehensive (loss) income (net of tax) | | (972,627) | 955,776 | (118,393) | (172,458) | 286,166 |
| Total comprehensive income | | 7,634,973 | 8,954,410 | 5,476,562 | 4,774,212 | 4,830,682 |
| Net income attributable to: Parent company | | 8,607,600 | 6,743,007 | 5,594,955 | 4,949,974 | 4,546,935 |
| Net income (loss) attributable to: Prior interests under common control | | — | 1,255,627 | — | (3,304) | (2,419) |
| Total comprehensive income attributable to: Parent company | | 7,634,973 | 7,198,349 | 5,476,562 | 4,782,113 | 4,827,285 |
| Total comprehensive income (loss) attributable to: Prior interests under common control | | — | 1,756,061 | — | (7,901) | 3,397 |
| EPS(NT\$) (Note 4) | | 1.16 | 1.08 | 1.31 | 1.19 | 1.16 |

Note1: The above financial information was audited by accountants.

Note2: On August 5, 2015, the Company acquired 100% equity of Yuanta Savings Bank (Philippines) 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. Yuanta Savings Bank (Philippines) was restructured into the indirect subsidiary of Yuanta Securities in the same conglomerate on June 11, 2014. Therefore, June 11, 2014 is the date of ab initio consolidation.

Note3: The Company merged Yuanta International Life Insurance Agent Co., Ltd. and Yuanta Properties Insurance Agent Co., Ltd. on September 11, 2016. This merger is an organizational restructuring of entities under common control. Therefore, when preparing the financial statements in the previous periods, it is deemed in accordance with the regulations that the merger has been occurred at the beginning of the periods to re-prepare the financial statements in the previous periods.

Note4: The weighted average number of outstanding shares has been retrospectively adjusted pro rata according to the proportion of new shares issued on January 1, 2018 for the merger. In 2017 the after-tax basic and diluted earnings per share before the adjustment were NT\$1.58 for the Company and NT (\$0.18) for the Ta Chong Bank, respectively.

Note5: The Company merged with the Ta Chong Bank on January 1, 2018, and the merger is an organizational restructuring of entities under common control. Thus, when preparing the financial statements in the previous periods, it is deemed in accordance with the regulations that the merger has been occurred at the beginning of the periods to re-prepare the financial statements in the previous periods. The Ta Chong Bank was incorporated into the subsidiary of Yuanta Financial Holdings on March 22, 2016. Therefore, March 22, 2016 was the beginning merger date.

Note6: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

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

| Year | Independent Auditing Firm | CPA | Auditor's Opinion |
|------|--------------------------------|------------------------|--|
| 2014 | PricewaterhouseCoopers, Taiwan | Ellen Kuo & Maria Chen | Unqualified opinion |
| 2015 | PricewaterhouseCoopers, Taiwan | Ellen Kuo & Maria Chen | Modified unqualified opinion |
| 2016 | PricewaterhouseCoopers, Taiwan | Ellen Kuo & Maria Chen | Unqualified opinion |
| 2017 | PricewaterhouseCoopers, Taiwan | Ellen Kuo & Maria Chen | Unqualified opinion |
| 2018 | PricewaterhouseCoopers, Taiwan | Ellen Kuo & Maria Chen | Unqualified opinion with emphasis of matter and other matter |

(6) Consolidated Financial Analysis for 2014~2018

| Item (Note 6) | | Year | Financial Analysis (Note 1) | | | | |
|--|--|-----------|-----------------------------|------------------|-----------|-----------|------|
| | | | 2018 (Note 3) | 2017 (Note 2) | 2016 | 2015 | 2014 |
| Operating Performance | Ratio of deposits to loans (%) | 69.55 | 67.56 | 69.34 | 72.15 | 77.15 | |
| | NPL ratio (%) | 0.23 | 0.24 | 0.21 | 0.20 | 0.21 | |
| | Ratio of interest cost to annual average deposits (%) | 0.64 | 0.61 | 0.59 | 0.70 | 0.68 | |
| | Ratio of interest income to annual average loans outstanding (%) | 2.49 | 2.37 | 2.19 | 2.20 | 2.18 | |
| | Total assets turnover (times) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | |
| | Average operation revenue per employee (thousand NT\$) | 4,638 | 4,370 | 4,892 | 4,547 | 4,333 | |
| | Average profit per employee (thousand NT\$) | 1,817 | 1,486 | 1,955 | 1,738 | 1,726 | |
| Profitability | Return on tier I capital (%) | 11.52 | 11.74 | 10.70 | 10.72 | 10.97 | |
| | Return on assets (%) | 0.66 | 0.59 | 0.66 | 0.65 | 0.70 | |
| | Return on equity (%) | 7.52 | 6.99 | 9.99 | 9.41 | 9.31 | |
| | Net income ratio (%) | 39.19 | 34.01 | 39.96 | 38.23 | 39.84 | |
| | EPS (NT\$) | 1.16 | 1.08 | 1.35 | 1.19 | 1.16 | |
| Financial Structure | Ratio of liabilities to assets (%) | 91.00 | 91.30 | 93.24 | 93.38 | 92.60 | |
| | Ratio of property and equipment to equity (%) | 10.71 | 11.19 | 10.44 | 9.33 | 4.21 | |
| Growth rate | Rate of assets growth (%) | -2.00 | -3.14 | 5.98 | 17.04 | 16.80 | |
| | Rate of earnings growth (%) | 3.17 | 53.27 | 12.62 | 12.56 | 47.00 | |
| Cash flow | Cash flow ratio (%) | Note 4 | Note 4 | 41.43 | Note 4 | Note 4 | |
| | Cash flow adequacy ratio (%) | 70.84 | 205.42 | 296.59 | 116.44 | 955.03 | |
| | Cash flow coverage ratio (%) | Note 4 | Note 4 | 1,335.73 | Note 4 | Note 4 | |
| Ratio of liquidity reserve (%) | | 35.00 | 36.00 | 33.00 | 33.00 | 29.00 | |
| Total balance of secured loans of related parties (thousand NT\$) | | 6,207,805 | 4,608,871 | 4,885,495 | 5,330,601 | 6,632,636 | |
| Ratio of total balance of secured loans of related parties to total balance of credit extension (%) | | 0.82 | 0.91 | 0.93 | 1.03 | 1.36 | |
| Scale of operations (Note 5) | Asset market share (%) | 2.25 | 1.60 | 1.65 | 1.61 | 1.42 | |
| | Net-worth market share (%) | 2.89 | 1.67 | 1.61 | 1.57 | 1.62 | |
| | Deposits market share (%) | 2.50 | 1.87 | 1.82 | 1.76 | 1.64 | |
| | Loans market share (%) | 2.32 | 1.61 | 1.72 | 1.72 | 1.65 | |
| 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) | | | | | | | |
| <ol style="list-style-type: none"> 1. With the maintenance of asset quality as the premise, in 2018, the Bank continuously expanded each business and raised the net income which resulted in the higher profitability and growth than 2017. 2. The increase in the average profit per employee is due to the increase in the 2018 after-tax net income. 3. The 2018 cash flow adequacy ratio was lower than that in 2017, which was mainly due to the increase in capital expenditure in the last five years. 4. The decline in profit growth rate is mainly due to the fact that the 2017 net income after tax has been retrospectively re-prepared for the merger with the Ta Chong Bank, whereas the value in previous year (2016) was the data before the merger. | | | | | | | |

Note1: The above financial information was audited by accountants.

Note2: The Bank merged with the Ta Chong Bank on January 1, 2018, and it was deemed that the 2017 financial statements shall be re-prepared as the merger occurred at the beginning of the period in accordance with the regulations (the value of the return on tier I capital in 2017 was not retroactively recalculated)

Note3: The average assets and net worth are calculated after the reorganization of the organization and the retroactive application of IFRS 9 to the balance of January 1, 2018.

Note4: Because cash flows from operating activities in statement of cash flows are cash outflow in 2014, 2015,2017 and 2018, it is not included for the calculation of cash flow ratio and cash flow coverage ratio.

Note5: Because of inaccessibility to information, market share of operating scale is calculated according to separate financial statements.

Note6: 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 10) = 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 8)

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 11)

- (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 9)
- (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

Note7: The total liabilities have deducted allowance for guarantee liability and allowance for accidental loss.

Note8: 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.

Note9: 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.

Note10: The income means the total interest income and non-interest income.

Note11: 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 2014~2018

| Item | | Year | Financial Analysis (Note 1) | | | | |
|---|--|-----------|-----------------------------|------------------|-----------|------------------|------|
| | | | 2018 (Note 3) | 2017 (Note 2) | 2016 | 2015 (Note 5) | 2014 |
| Operating performance | Ratio of deposits to loans (%) | 69.19 | 67.17 | 69.51 | 72.80 | 77.15 | |
| | NPL ratio (%) | 0.21 | 0.24 | 0.19 | 0.18 | 0.19 | |
| | Ratio of interest cost to annual average deposits (%) | 0.63 | 0.60 | 0.59 | 0.70 | 0.68 | |
| | Ratio of interest income to annual average loans outstanding (%) | 2.44 | 2.35 | 2.18 | 2.19 | 2.17 | |
| | Total assets turnover (times) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | |
| | Average operation revenue per employee (thousand NT\$) | 4,709 | 4,415 | 5,049 | 4,637 | 4,311 | |
| | Average profit per employee (thousand NT\$) | 1,877 | 1,546 | 2,051 | 1,787 | 1,739 | |
| Profitability | Return on tier I capital (%) | 11.77 | 12.12 | 10.94 | 10.81 | 11.03 | |
| | Return on assets (%) | 0.67 | 0.60 | 0.67 | 0.65 | 0.70 | |
| | Return on equity (%) | 7.52 | 7.18 | 9.99 | 9.42 | 9.33 | |
| | Net income ratio (%) | 39.58 | 35.02 | 40.62 | 38.54 | 40.33 | |
| | EPS (NT\$) | 1.16 | 1.08 | 1.35 | 1.19 | 1.16 | |
| Financial Structure | Ratio of liabilities to assets (%) | 90.93 | 91.22 | 93.22 | 93.37 | 92.61 | |
| | Ratio of property and equipment to equity (%) | 10.63 | 11.10 | 9.99 | 9.20 | 4.08 | |
| Growth rate | Rate of assets growth (%) | -1.97 | -3.11 | 5.67 | 17.02 | 16.67 | |
| | Rate of earnings growth (%) | 3.52 | 52.57 | 12.54 | 12.72 | 46.98 | |
| Cash flow | Cash flow ratio (%) | Note 4 | Note 4 | 44.94 | Note 4 | Note 4 | |
| | Cash flow adequacy ratio (%) | 76.96 | 217.37 | 313.69 | 116.24 | 954.66 | |
| | Cash flow coverage ratio (%) | Note 4 | Note 4 | (493.57) | Note 4 | Note 4 | |
| Ratio of liquidity reserve (%) | | 35.00 | 36.00 | 33.00 | 33.00 | 29.00 | |
| Total balance of secured loans of related parties (thousand NT\$) | | 6,207,805 | 4,608,871 | 4,885,495 | 5,330,601 | 6,632,636 | |
| Ratio of total balance of secured loans of related parties to total balance of credit extension (%) | | 0.82 | 0.91 | 0.93 | 1.03 | 1.36 | |
| Scale of operations | Asset market share (%) | 2.25 | 1.60 | 1.65 | 1.61 | 1.42 | |
| | Net-worth market share (%) | 2.89 | 1.67 | 1.61 | 1.57 | 1.62 | |
| | Deposits market share (%) | 2.50 | 1.87 | 1.82 | 1.76 | 1.64 | |
| | Loans market share (%) | 2.32 | 1.61 | 1.72 | 1.72 | 1.65 | |
| 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) | | | | | | | |
| 1. With the maintenance of asset quality as the premise, in 2018, the Bank continuously expanded each business and raised the net income which resulted in the higher profitability and growth than 2017. | | | | | | | |
| 2. The increase in the average profit per employee is due to the increase in the 2018 after-tax net income. | | | | | | | |
| 3. The 2018 cash flow adequacy ratio was lower than that in 2017, which was mainly due to the increase in capital expenditure in the last five years. | | | | | | | |
| 4. The decline in profit growth rate is mainly due to the fact that the 2017 net income after tax has been retrospectively re-prepared for the merger with the Ta Chong Bank, whereas the value in previous year (2016) was the data before the merger. | | | | | | | |

Note1: The above financial information was audited by accountants.

Note2: The Bank merged with the Ta Chong Bank on January 1, 2018, and it was deemed that the 2017 financial statements shall be re-prepared as the merger occurred at the beginning of the period in accordance with the regulations (the value of the return on tier I capital in 2017 was not retroactively recalculated)

Note3: The average assets and net worth are calculated after the reorganization of the organization and the retroactive application of IFRS 9 to the balance of January 1, 2018.

Note4: Because cash flows from operating activities in statement of cash flows are cash outflow in 2014, 2015,2017 and 2018, it is not included for the calculation of cash flow ratio and cash flow coverage ratio.

Note5: To comply with the combinations of Yuanta Life Insurance Agent and Yuanta Property Insurance Agent, 2015 financial reports have been restated.

Note6: Because of inaccessibility to information, market share of operating scale is calculated according to separate financial statements.

(8) Consolidated Capital Adequacy for 2014~2018

Unit: NT\$1,000

| Item | | Year | Consolidated Capital Adequacy Ratio | | | | | |
|--|--------------------------------------|---------------------------------|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | | | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Regulatory Capital | Common Equity Tier 1 Capital | | 102,190,820 | 58,769,676 | 54,546,613 | 50,454,350 | 47,972,473 | |
| | Additional Tier 1 Capital | | 6,552,514 | 6,913,076 | 6,912,792 | 6,841,515 | — | |
| | Tier 2 Capital | | 27,131,454 | 20,594,951 | 22,651,404 | 21,080,944 | 19,003,750 | |
| | Regulatory Capital | | 135,874,788 | 86,277,703 | 84,110,809 | 78,376,809 | 66,976,223 | |
| Risk-weighted Assets | Credit Risk | Standardized Approach | 759,426,981 | 502,593,162 | 552,690,922 | 529,595,884 | 471,176,159 | |
| | | Internal ratings-based Approach | — | — | — | — | — | |
| | | Securitization | — | — | — | — | — | |
| | Operational Risk | Basic Indicator Approach | — | — | — | — | — | |
| | | Standardized Approach | 41,023,677 | 24,185,623 | 22,704,950 | 20,887,182 | 17,517,763 | |
| | | Advanced Measurement Approaches | — | — | — | — | — | |
| | Market Risk | Standardized Approach | 62,686,325 | 50,058,350 | 37,699,975 | 53,212,313 | 33,517,888 | |
| | | Internal Models Approach | — | — | — | — | — | |
| | Total Amount of Risk-weighted Assets | | | 863,136,983 | 576,837,135 | 613,095,847 | 603,695,379 | 522,211,810 |
| | Capital Adequacy Ratio (%) | | | 15.74 | 14.96 | 13.72 | 12.98 | 12.83 |
| Tier 1 Capital Ratio (%) | | | 12.60 | 11.39 | 10.02 | 9.49 | 9.19 | |
| Common Equity Tier 1 Ratio (%) | | | 11.84 | 10.19 | 8.90 | 8.36 | 9.19 | |
| Leverage Ratio (%) | | | 8.22 | 7.08 | 6.60 | 6.40 | 4.68 | |
| 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 Tier 1 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 2014~2018

Unit: NT\$1,000

| Item | | Year | Capital Adequacy Ratio | | | | | |
|--------------------------------|--------------------------------------|----------------------------------|------------------------|-------------|-------------|-------------|-------------|-------------|
| | | | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Regulatory Capital | Common equity Tier 1 Capital | | 101,366,390 | 57,923,794 | 53,720,241 | 50,102,099 | 47,637,217 | |
| | Additional Tier 1 Capital | | 5,250,451 | 5,618,074 | 5,666,820 | 6,488,726 | — | |
| | Tier 2 Capital | | 24,383,747 | 18,004,946 | 20,159,459 | 20,375,365 | 18,668,496 | |
| | Regulatory Capital | | 131,000,588 | 81,546,814 | 79,546,520 | 76,966,190 | 66,305,713 | |
| Risk-weighted Assets | Credit Risk | Standardized Approach | 747,940,387 | 490,386,975 | 549,276,054 | 527,772,726 | 470,706,649 | |
| | | Internal Ratings- based Approach | — | — | — | — | — | |
| | | Securitization | — | — | — | — | — | |
| | Operational Risk | Basic Indicator Approach | — | — | — | — | — | |
| | | Standardized Approach | 40,674,805 | 23,700,674 | 22,196,068 | 20,410,221 | 17,262,188 | |
| | | Advanced Measurement Approaches | — | — | — | — | — | |
| | Market risk | Standardized Approach | 62,686,325 | 50,058,350 | 37,699,975 | 53,212,313 | 33,517,888 | |
| | | Internal Models Approach | — | — | — | — | — | |
| | Total Amount of Risk-weighted Assets | | | 851,301,517 | 564,145,999 | 609,172,097 | 601,395,260 | 521,486,725 |
| | Capital Adequacy Ratio (%) | | | 15.39 | 14.45 | 13.06 | 12.80 | 12.71 |
| Tier 1 Capital Ratio (%) | | | 12.52 | 11.26 | 9.75 | 9.41 | 9.13 | |
| Common Equity Tier 1 Ratio (%) | | | 11.91 | 10.27 | 8.82 | 8.33 | 9.13 | |
| Leverage Ratio (%) | | | 8.13 | 6.95 | 6.41 | 6.33 | 4.66 | |

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 2018

Please refer to “Appendix Consolidated Financial Report for 2018” in this annual report.

3. Risk Management and Other Significant Issues

(1) Information of Credit Risk Management

A. Credit Risk Management System in 2018

| Item | Contents |
|--|--|
| 1. Strategies, objectives, policies and procedure of credit risk | <ol style="list-style-type: none"> 1. Strategies and Objectives: <ol style="list-style-type: none"> (1) Comply with Basel III requirements. Uplift the capability of risk management and unify worldwide. (2) Set appropriate risk management framework and control process, and ensure its deployment in practice. (3) Strengthen the integration of management information, risk analytics and effectiveness of early warning mechanism, build the aggressive risk management culture and value. 2. Credit Risk Policies: <ol style="list-style-type: none"> (1) 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. (2) Establish the comprehensive risk management framework, control the credit risk within the acceptable risk appetite and achieve the business goal in risk reward balance. (3) 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. (4) 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. 3. 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"> 1. Board of Directors: <ol style="list-style-type: none"> (1) 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. (2) Audit Committee to review the risk-related proposal before proposing to the Board of Directors and communicate with the risk implementation entities. 2. 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. 3. Risk Management Department: <ol style="list-style-type: none"> (1) 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. (2) Establish the Bank’s entire structure of measuring, controlling and |

| Item | Contents |
|---|--|
| | <p>evaluating quantitative risk.</p> <p>(3) 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 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> |
| <p>3. Scope and characteristics of credit risk report and measurement systems</p> | <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> |
| <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> | <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. (3) Regularly review financial products' risk weights.</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> |
| <p>5. Approach for regulatory capital charge</p> | <p>Standardized Approach.</p> |

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

Unit: NT\$1,000 ; Base Date: December 31, 2018

| Type of Risk Exposure | Risk Exposure after Risk Mitigation | Capital Charge |
|--|-------------------------------------|----------------|
| Sovereigns | 227,752,038 | 0 |
| Non-central Government Public Sector Entities | 153,731 | 12,299 |
| Banks (Multilateral Development Banks Included) | 68,133,529 | 2,077,887 |
| Corporations (Securities Firms and Insurance Companies Included) | 436,180,900 | 32,777,487 |
| Retailed Credit | 205,932,118 | 13,681,962 |
| Residential Property | 203,769,120 | 8,977,787 |
| Equity-securities Investment | 36,525 | 2,922 |
| Other Assets | 35,681,153 | 2,249,646 |
| Total | 1,177,639,114 | 59,779,990 |

Note: 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 2018

| Item | Contents |
|--|---|
| 1. The strategies and procedure of securitization risk management | <p>In terms of asset securitization, at present, The bank engages only in securities investments. The bank currently does not serve as originating bank.</p> <p>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.</p> |
| 2. The organization and structure of securitization management | <p>For the risk of investment in asset securitization, the Board of Directors is on the top level of 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.</p> |
| 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 to be approved by authorized level. 2. Asset securitization products with a quotation on the public market should be marked to market according to that quotation every day. If there is no quotation on the public market, products should be marked to market according to the quotation of provided by counterparty. |
| 4. The hedge of securitization or risk mitigation policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk mitigation tools | <p>When there is a larger risk exposure risk, assessments will be conducted to reduce risk exposure; or the approved risk mitigation methods will be implemented to reduce risk to a controllable range.</p> |
| 5. Approach for regulatory capital charge | <p>Standardized Approach.</p> |
| <ol style="list-style-type: none"> 1. Requirement on comprehensive qualitative disclosure, including: <ol style="list-style-type: none"> (1) Objectives for securitization activities, risk types undertaken and retained from the Bank's re-securitization activities. (2) Other risks involved in securitized asset (such as liquidity risk). (3) Various roles that the Bank plays during the securitization process and the level in which the bank is involved in each process. (4) The description on the procedures monitoring the changes in credit and market risk involved in securitization risk exposure. (5) The Bank's management policies regarding the credit risk mitigation taken | <p>The Bank has never served as an originator of asset securitization so no information shall be disclosed in this item.</p> |

| Item | Contents |
|---|----------|
| against the risk retained in securitization and re-securitization. | |
| 6. Description on the Bank's accounting policies on securitization | |
| 7. The names in terms of ECAI used in banking books for securitization and their usage in each type of asset securitization exposure | |
| 8. 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 2018, the Bank has never been the originator for securitization.

C. Risk Exposure and Capital Charge required for Securitization

As of December 2018, the Bank didn't hold any investments in securitized product.

D. Information of Investment in Securitization Products

As of December 2018, the Bank didn't hold any investments in securitized product.

(3) Information of Operational Risk Management

A. Operational Risk Management System in 2018

| Item | Contents |
|--|--|
| 1. The strategies and procedure of operational risk management | <p>1. 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.</p> <p>2. 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.</p> |
| 2. The organization and structure of operational risk management | <p>1. 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.</p> <p>2. 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:</p> <ol style="list-style-type: none"> (1) Reviewing annual risk limits (2) Reviewing Risk Management Report (3) Integrating and coordinating common risk management issues among subsidiaries (4) Declaring and communicating important risk management issues <p>3. Senior Management:</p> <ol style="list-style-type: none"> (1) 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. (2) 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. <p>4. Risk Management Department:</p> <ol style="list-style-type: none"> (1) 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. (2) Develop the operational risk management guidelines and related policies of the Bank. (3) Supervise the Bank's major operational risks and loss exposure. (4) Regularly collate the operational risk events notified by each departments and business units. (5) Coordinate operational risk management with all divisions and branches. <p>5. Compliance Affairs Department: Plan, manage, appraise and execute the legal compliance system of the Bank; establish the legal conveyance, consultancy, coordination and communication system; confirm instant update of all procedures and</p> |

| Item | Contents |
|--|---|
| | <p>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> <p>7. Internal Audit Department: Incorporate the operational risk management of each department and business unit into the review items.</p> |
| 3. Scope and characteristics of operational risk report and measurement systems | The Bank identify measure and monitor operational risk with various risk management instruments, such as operational risk loss data collection, operational risk control self-assessment (RCSA), 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 RCSA 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 RCSA of all divisions. The result of risk identification, measurement and monitoring are periodically reported to the executives. |
| 4. Operational risk hedging or risk mitigation policies, and strategies procedures for controlling the continuously effectiveness of hedging and risk mitigation 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 31, 2018

| Year | Gross Income | Capital Charge |
|-------|--------------|----------------|
| 2016 | 22,560,920 | |
| 2017 | 22,000,542 | |
| 2018 | 23,170,594 | |
| Total | 67,732,056 | 3,253,984 |

(4) Information of Market Risk Management

A. Market Risk Management System in 2018

| Item | Content |
|--|---|
| 1. Market risk management strategies and processes | <ol style="list-style-type: none"> 1. In order to establish the sound 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. 2. 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. 3. Scope of business and trading 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. 4. Define the risk management procedure and application of measurement methods (e.g. sensitivity analysis, value at risk calculation, scenario simulation and stress testing, etc.); require the relevant units to set the limits of the various financial product, 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"> 1. Board of Directors: <ol style="list-style-type: none"> (1) The Board of Directors is the Bank's supreme policy-making unit 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. (2) Audit Committee to review the risk-related proposal before being proposed to the Board of Directors and communicate with the risk implementation entities. 2. 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"> (1) 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. (2) 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. 3. Risk Management Department: <ol style="list-style-type: none"> (1) 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. (2) 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. (3) Plan and establish the Bank's framework 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 and regulations. |

| Item | Content |
|--|--|
| | <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 mitigation policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk mitigation tools | When the market risk exposure is getting higher, the Bank will take some approaches such as risk exposure reduction or approved hedge to lower the market risk to the controllable level. |
| 5. Approach for regulatory capital charge | Standardized Approach. |

B. Capital Charge required for Market Risk

Unit: NT\$1,000; Base Date: December 31, 2018

| Type of Risk | Capital Charge |
|-----------------------|----------------|
| Interest Rate Risk | 3,910,259 |
| Equity Risk | 381,908 |
| Foreign Exchange Risk | 722,739 |
| Commodity Risk | 0 |
| Total | 5,014,906 |

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

Unit: NT\$1,000

| Item | 2018 | | | |
|---------------------|-------------------|-------------|-------------|-------------|
| | December 31, 2018 | Average VaR | Minimum VaR | Maximum VaR |
| Interest Rate | 30,780 | 40,489 | 29,368 | 64,133 |
| Equity | 15,841 | 9,466 | 2,756 | 15,971 |
| Foreign Exchange | 30,049 | 35,657 | 6,729 | 49,057 |
| Commodity | 0 | 0 | 0 | 0 |
| Subtotal | 76,670 | 85,612 | 38,853 | 129,161 |
| Diversified Effect | -37,177 | -39,348 | - | - |
| Total Value at Risk | 39,493 | 46,264 | 33,922 | 67,511 |

(5) Information of Liquidity Risk Management

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

Unit: NT\$1,000; Base Date: December 31, 2018

| | Total | 0-10 days | 11-30 days | 31-90days | 91-180 days | 181-365 days | Over 365 days |
|-------------------------------------|---------------|-------------|-------------|--------------|---------------|---------------|---------------|
| Primary Funds Inflow upon Maturity | 1,128,952,271 | 215,626,744 | 103,410,040 | 100,722,266 | 67,907,473 | 108,165,393 | 533,120,355 |
| Primary Funds Outflow upon Maturity | 1,329,554,314 | 54,274,575 | 106,875,212 | 187,721,546 | 202,462,798 | 317,793,649 | 460,426,534 |
| Gap | (200,602,043) | 161,352,169 | (3,465,172) | (86,999,280) | (134,555,325) | (209,628,256) | 72,693,821 |

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 31, 2018

| | Total | 0-30 days | 31-90days | 91-180 days | 181-365days | Over 365 days |
|-------------------------------------|-------------|-------------|-----------|-------------|-------------|---------------|
| Primary Funds Inflow upon Maturity | 5,696,682 | 1,383,082 | 748,016 | 300,357 | 323,706 | 2,941,521 |
| Primary Funds Outflow upon Maturity | 7,342,172 | 2,535,855 | 1,582,409 | 1,366,896 | 761,766 | 1,095,246 |
| Gap | (1,645,490) | (1,152,773) | (834,393) | (1,066,539) | (438,060) | 1,846,275 |

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.

(9) Risks and Reponses 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.

D. Concentration risk of real estate lending :

In addition to daily monitoring of the ratio of residential mortgage and corporate construction loans to the balance of deposits and bank debentures sold in accordance with Article 72-2 of the Banking Act, other concentration control indicators of real estate lending, including purchasing residential mortgage plus renovation loans as a ratio of total lending, construction loans as a ratio of total lending, land financing as a ratio of total lending, residential mortgage and corporate construction loan exclusion items as a ratio of total lending, etc., are added; the warning thresholds and limitations are set to be approved by the Board of Directors, and self-management is conducted.

(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:Dollar (NT\$/KRW\$/US\$)

| 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 KRW\$ 4,024,468,690 (about NT\$ 114,295,000) | September 2016 | Plaintiff: Yuanta Savings Bank (Korea) Defendant : Trust Investment | 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 31, 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 Central District Court rendered the judgment in favor of the plaintiff, Yuanta Savings Bank (Korea), in the first instance on June 16, 2017. In the second instance, the Seoul High Court still rendered the judgment in favor of Yuanta Savings Bank (Korea) on May 25 2018. The defendant, Trust Investment, filed an appeal with the Seoul Supreme Court accordingly. By March 13, 2019, the case is still pending trial by the Supreme Court in Korea. | Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity. |
| Due to the dispute arising from the foreign exchange financial derivatives transactions between SINO UNITED INTERNATIONAL CO.,LTD. and PLOSA INTERNATIONAL CO.,LTD. on the one side, and Ta Chong Bank, on the other side, the two (2) companies filed a civil action claiming damages against Ta Chong Bank. | First claim: US\$3,123,399.47 plus interest Alternative claim: US\$1,445,000 plus interest | June 2016 | Plaintiff: SINO UNITED INTERNATIONAL CO.,LTD. and PLOSA INTERNATIONAL CO.,LTD. Defendant : Ta Chong Bank (Ta Chong Bank was merged with Yuanta Bank on January 1, 2018. Yuanta Bank subsequently assumed this litigation) | 1. Due to losses arising from settling the foreign exchange financial derivatives transactions with Ta Chong Bank, the plaintiff's filed a legal action with the Taipei District Court, claiming that Ta Chong Bank should compensate said losses. 2. The judgment was rendered in favor of Yuanta Bank for the first instance on January 26, 2018. SINO and PLOSA disagreed with the judgment and filed an appeal. The Taiwan High Court sustained the judgment for of the first instance to render the judgment in favor of Yuanta Bank in the second instance on March 12, 2019. | Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity. |
| Pentagon City claims that Yuanta Bank's sub-bank, Yuanta Savings Bank (Korea) has violated the 10% cap of shareholding unlisted companies specified in the provisions of Korea's obsoleted Mutual Savings Banks Act. Therefore, Pentagon City filed a civil lawsuit for the recovery of unjust enrichment against | KRW\$19,599,160 thousand | September 2018 | Plaintiff: Pentagon City Defendant : Yuanta Savings Bank (Korea) | Yuanta Savings Bank (Korea) (formerly Shin Savings Bank) obtained 33.3% of the shares of the plaintiff by exercising the pledge between 2006 and 2008 arising from a loan case. It is incorporated in the catalogue of exceptions, and the 10% cap of shareholding unlisted companies by mutual savings banks specified in the provisions of Korea's obsoleted Mutual Savings Banks Act shall not be applicable. In addition, the aforementioned provision in the Korean obsoleted Mutual Savings Banks Act shall be a citation provision, not a validity provision, | Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity. |

| Event | Subject-Matter Amounts of Money | Starting Date | Principal Interested Parties | Status as of the Annual Report Publication Date | Remark |
|--|---------------------------------|---------------|------------------------------|--|--------|
| the Yuanta Savings Bank (Korea) for the extent (KRW\$19,599,160) of the capital reduction exceeding the 10% cap that Yuanta Savings Bank (Korea) previously received from the Pentagon City. | | | | and the relevant transactions shall remain valid. Thus, Yuanta Savings Bank (Korea) denied the plaintiff's claim. The case has been entrusted to a lawyer to conduct follow-up litigation proceedings, which is now being tried by the Seoul District Court. | |

(12) Information of Crisis Management

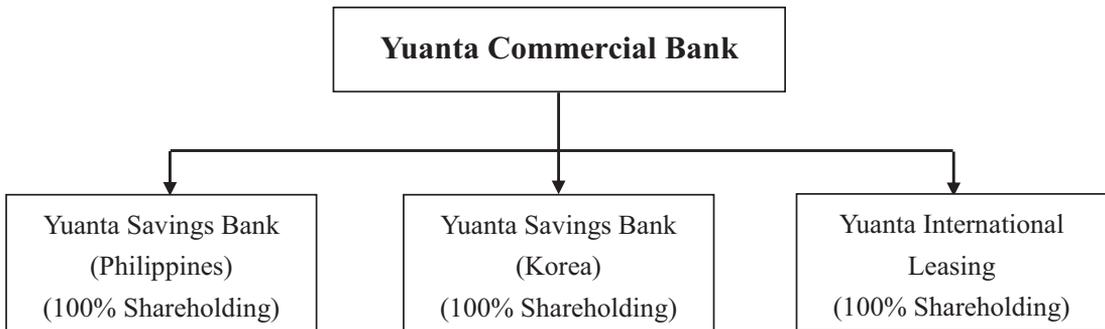
In order to perfect the Bank's crisis prevention and response mechanism, the Bank has defined the "Crisis Management Policies and Procedures" and "Manual for Crisis Management Response", so that supervisors of related units may report the emergency via the various channels and research and draft responsive 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 31, 2019



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, 2012 | 7F., No.69, Baoqing Rd., Zhongzheng Dist., Taipei City | NT\$600,000 | Leasing |
| Yuanta Savings Bank Philippines, Inc. | November 5, 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, 1988 | 542, Gangnam-daero, Gangnam-gu, Seoul, Korea | KRW\$67,580,120 | Deposits and Lending |

(2) Directors, Supervisors and Managers

Base Date: January 31, 2019

| Name of Corporation | Position | Name of Individual or Representative(s) | Shareholdings (to the nearest 1000 shares) |
|---------------------------------------|---|--|--|
| Yuanta International Leasing | Chairman Director Supervisor President | Yuanta Commercial Bank Statutory Representatives: Tsai-Yu Chang Yeong-Jen Chen、Hsin-Hui Tsai Yu-Ching Su Yu-Sheng Chen | 60,000,000 shares 100.00% |
| Yuanta Savings Bank Philippines, Inc. | Chairman Director Director Independent Director Independent Director President | Yuanta Commercial Bank Statutory Representatives: Allen Wu Tsai-Yu Chang Regina V. Saga Paulino Y. Tan Anna-Teresa Gozon-Valdes Chun-Lung Wu | 1,000,000 shares 100% |
| Yuanta Savings Bank Korea Co., Ltd. | Chairman of Board Representative Director External Director President | Yuanta Commercial Bank Statutory Representatives: Eric K Chiu Jung, Young-Seok Park, Chang-Gyun Jung, Young-Seok | 13,516 shares 100% |

(3) Business Overview

Unit: NT\$1,000; Base Date: December 31, 2018

| 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 | 576,688 | 5,499 | 571,189 | 165 | (4,538) | (2,901) | (0.05) |
| Yuanta Savings Bank Philippines, Inc. | 665,355 | 1,554,244 | 1,044,121 | 510,123 | 69,251 | (6,785) | (26,247) | (0.03) |
| Yuanta Savings Bank Korea Co., Ltd. | 1,923,330 | 12,814,351 | 9,112,243 | 3,702,108 | 462,257 | 202,946 | 193,402 | 14.31 |

2. Branches and Overseas Offices

Base Date: March 31, 2019

| Name | Tel | Fax | Address |
|-----------------------------|----------------|----------------|---|
| 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 |
| Chengjhong 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 |
| Business Department | (02) 2173-6680 | (02) 2772-1909 | No.66, Sec. 1, Dunhua S. Rd., Taipei City 105, Taiwan |
| Yanji Branch | (02) 2778-6398 | (02) 2778-1538 | 1F., No.387, 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, 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 |
| Nangang 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, Mincun 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,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 Xinzuang Branch | (02) 2203-7676 | (02) 2202-6017 | 1F., No.107, Siwei Rd., Xinzuang Dist., New Taipei City 242, Taiwan |
| Shangxinzuang Branch | (02) 2990-0999 | (02) 2993-3222 | No.173, Siyuan Rd., New Taipei City 242, Taiwan |
| Xinzuang 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 |
| Changgong 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 |
| Toufen Branch | (037) 663-763 | (037) 663-761 | No. 79, Heping Rd., Toufen City, Miaoli County 351, 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, Ziyou Rd., Taichung City 400, Taiwan |

| Name | Tel | Fax | Address |
|------------------------|----------------|----------------|--|
| Fusing Branch | (04) 2261-6889 | (04) 2262-1060 | No.269, Sec. 1, Fusing Rd., Taichung City 402, Taiwan |
| 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 |
| Shuinan 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. 62, Zhongxing E. Rd., Taiping Dist., 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 |

| Name | Tel | Fax | Address |
|---------------------------|---------------|---------------|---|
| Chinhua Branch | (06) 223-0006 | (06) 228-6651 | No. 230, Sec. 3, Jinhua Rd., West Central Dist., Tainan City 700, Taiwan |
| 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 City722, 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 |
| Gushan Branch | (07) 550-5378 | (07) 550-5376 | 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 |
| Minzu Branch | (07) 341-3587 | (07) 341-2517 | No. 569, Minzu 1st 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 |

| Name | Tel | Fax | Address |
|----------------------------|----------------|----------------|--|
| 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 | B1F., No.123, Dapi Rd., Niasong Dist., Kaohsiung City 833, Taiwan |
| 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 |

Appendix : Consolidated Financial Report for 2018

**YUANTA COMMERCIAL BANK CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31 2018 AND 2017**



PWCR18000422

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders 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, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yuanta Commercial Bank Co., Ltd. and its subsidiaries as at December 31, 2018 and 2017, and the consolidated financial performance and the 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.

Emphasis of matter

As stated in Notes 1(4) and 4(2) of the consolidated financial statements, Yuanta Commercial Bank Co., Ltd. merged with Ta Chong Commercial Bank Co., Ltd. on January 1, 2018. The merger between the subsidiaries of Yuanta Group is regarded as an organization restructure between the entities under common control. Thus, when Yuanta Commercial Bank Co., Ltd. prepared financial statements, the prior year financial statements have been retrospectively restated as if these entities had always been combined in accordance with related rules. Our opinion is not modified in respect of this matter.



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 follows:

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(8) and Note 12(4). Total bills discounted and loans (including adjustment for discounts) and their allowance for credit losses as at December 31, 2018, were NTD 742,936,170 thousand and NTD 11,906,235 thousand, respectively.

The impairment evaluation of bills discounted and loans is conducted in accordance with IFRS 9, 'Financial Instruments', "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and relevant regulations. The management's considerations on bills discounted and loans impairment appropriation are primary based on reasonable and supportable information about past events, current conditions, and forecasts of future economics. At each financial reporting date, bills discounted and loans are categorized into one of the following three stages based on whether there has been significant increase in credit risk since initial recognition: no significant increase in credit risk or low credit risk at balance sheet date, significant increase in credit risk and credit-impaired and considered relevant laws and regulations of the allowance for credit losses. Because the amount of bills discounted and loans is material with respect to the total consolidated assets and impairment evaluation involves management's professional judgment and is highly uncertain, we have thus included the impairment evaluation of bills discounted and loans as one of the key audit matters.

How our audit addressed the matter

We obtained and gained an understanding of Yuanta Commercial Bank Co., Ltd.'s policies, internal controls, and operation procedures in relation to the credit risk management and the impairment evaluation of bills discounted and loans and performed sample tests. We conducted the following procedures on the impairment evaluation of bills discounted and loans as at December 31, 2018: sample examined the classifications of each stage for expected credit losses recognized; sample tested the parameters calculation of the probability of default, loss given default, and exposure at default; sample examined documents regarding management's individual evaluation of future cash flows and collateral value; and evaluated whether the provision for impairment loss 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(15) and 4(16); 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 and accumulated impairment loss as at December 31, 2018, were NTD 10,622,771 thousand and NTD 1,437,309 thousand.

Management of Yuanta Commercial Bank Co., Ltd. periodically performs impairment assessments on goodwill at the end of each year. Such assessments are based on cash generating units identified through operating segments and the specialists are engaged to assist in measuring the recoverable amounts of cash generating units based on future cash flows. Since the amount of goodwill is material and the parameters used to determine the recoverable amount are subject to the management's professional judgement and are critical accounting estimates, we have thus included the impairment evaluation 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; inspecting the authorization procedures for impairment testing reports, and assessing management's identification of cash generating units and estimation process for future cash flows. In addition, we and our valuation specialist reviewed the management's prior year operation plan execution result; sample assessed the reasonableness of key assumptions used in impairment testing models, and examined the calculation formulas of impairment testing models.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with emphasis of matter on the parent company only financial statements of Yuanta Commercial Bank Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

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' 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' 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' 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 14, 2019

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 financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | ASSETS | Notes | December 31, 2018 | | (After restatement) December 31, 2017 | |
|-------|---|----------------|-------------------------|------------|--|------------|
| | | | AMOUNT | % | AMOUNT | % |
| 11000 | Cash and cash equivalents | 6(1) | \$ 19,529,183 | 2 | \$ 26,172,942 | 2 |
| 11500 | Due from Central Bank and call loans to other banks | 6(2) | 48,216,712 | 4 | 54,390,950 | 4 |
| 12000 | Financial assets at fair value through profit or loss | 6(3) and 12(9) | 134,709,206 | 10 | 114,446,191 | 9 |
| 12100 | Financial assets at fair value through other comprehensive income | 6(4) | 107,072,776 | 8 | - | - |
| 12200 | Investments in debt instruments at amortised cost | 6(5) | 180,208,887 | 14 | - | - |
| 12500 | Bills and bonds purchased under resale agreements | 6(6) | - | - | 9,180,000 | 1 |
| 13000 | Receivables – net | 6(7) | 26,471,731 | 2 | 25,822,208 | 2 |
| 13200 | Current income tax assets | | 2,426,227 | - | 2,486,626 | - |
| 13300 | Assets (or disposal groups) classified as held for sale | 6(14) | 910,934 | - | - | - |
| 13500 | Bills discounted and loans – net | 6(8) | 731,029,935 | 57 | 729,645,514 | 55 |
| 14000 | Available-for-sale financial assets – net | 12(9) | - | - | 260,594,686 | 20 |
| 14500 | Held-to-maturity financial assets – net | 12(9) | - | - | 26,743,729 | 2 |
| 15500 | Other financial assets – net | 6(9) | 136,630 | - | 34,780,031 | 3 |
| 18500 | Property and equipment – net | 6(10) | 12,390,152 | 1 | 12,775,897 | 1 |
| 18700 | Investment property- net | 6(11) | 867,763 | - | 1,159,501 | - |
| 19000 | Intangible assets – net | 6(12) | 11,285,222 | 1 | 12,908,241 | 1 |
| 19300 | Deferred income tax assets | 6(36) | 611,830 | - | 383,565 | - |
| 19500 | Other assets – net | 6(13) | 12,233,100 | 1 | 3,387,081 | - |
| | Total Assets | | <u>\$ 1,288,100,288</u> | <u>100</u> | <u>\$ 1,314,877,162</u> | <u>100</u> |

(Continued)

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| LIABILITIES AND EQUITY | Notes | December 31, 2018 | | (After restatement) December 31, 2017 | | |
|-------------------------------------|--|-------------------|-------------------------|--|-------------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| LIABILITIES | | | | | | |
| 21000 | Due to Central Bank and other banks | 6(15) | \$ 22,047,274 | 2 | \$ 13,520,162 | 1 |
| 22000 | Financial liabilities at fair value through profit or loss | 6(16) | 4,823,707 | - | 7,107,229 | 1 |
| 22500 | Bills and bonds sold under repurchase agreements | 6(6) | 16,226,824 | 1 | 11,240,704 | 1 |
| 23000 | Payables | 6(17) | 13,008,154 | 1 | 13,565,951 | 1 |
| 23200 | Current income tax liabilities | | 801,009 | - | 688,059 | - |
| 23300 | Liabilities of assets (or disposal groups) classified as held for sale | 6(14) | 2,115 | - | - | - |
| 23500 | Deposits and remittances | 6(18) | 1,062,903,982 | 83 | 1,089,415,938 | 83 |
| 24000 | Financial debentures payable | 6(19) | 38,000,000 | 3 | 43,500,000 | 3 |
| 25500 | Other financial liabilities | 6(20) | 10,762,290 | 1 | 16,261,911 | 1 |
| 25600 | Provisions | 6(21) and (22) | 1,860,508 | - | 2,788,530 | - |
| 29300 | Deferred income tax liabilities | 6(36) | 392,512 | - | 198,927 | - |
| 29500 | Other liabilities | 6(23) | 1,620,799 | - | 2,410,521 | - |
| | Total Liabilities | | <u>1,172,449,174</u> | <u>91</u> | <u>1,200,697,932</u> | <u>91</u> |
| EQUITY | | | | | | |
| 31000 | Equity attributable to owners of the parent company | | | | | |
| 31100 | Share capital | | | | | |
| 31101 | Common stock | 6(24) | 73,940,390 | 6 | 42,652,845 | 3 |
| 31500 | Capital surplus | 6(25) | 25,960,441 | 2 | 6,038,882 | - |
| 32000 | Retained earnings | 6(26) | | | | |
| 32001 | Legal reserve | | 8,907,771 | 1 | 6,895,084 | 1 |
| 32003 | Special reserve | | 61,541 | - | 507,785 | - |
| 32011 | Unappropriated earnings | | 5,863,446 | - | 6,708,957 | 1 |
| 32500 | Other equity interest | 6(27) | 917,525 | - | 9,603 | - |
| 36000 | The equity of attributable to former owner of business combination under common control | | - | - | 51,366,074 | 4 |
| | Total Equity | | <u>115,651,114</u> | <u>9</u> | <u>114,179,230</u> | <u>9</u> |
| TOTAL LIABILITIES AND EQUITY | | | <u>\$ 1,288,100,288</u> | <u>100</u> | <u>\$ 1,314,877,162</u> | <u>100</u> |

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

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items | Notes | For the years ended December 31, | | | | Changes Percentage (%) |
|-------|---|----------------------------------|------------|-----------------------------|--------------|------------------------------|
| | | 2018 | | (After restatement) 2017 | | |
| | | AMOUNT | % | AMOUNT | % | |
| 41000 | Interest income | \$ 23,037,613 | 105 | \$ 22,844,096 | 98 | 1 |
| 51000 | Less: Interest expense | (9,021,599) | (41) | (8,212,759) | (35) | 10 |
| | Net interest income | <u>14,016,014</u> | <u>64</u> | <u>14,631,337</u> | <u>63</u> | (4) |
| | Net non-interest income | | | | | |
| 49100 | Net service fee and commission income | 5,371,303 | 24 | 5,363,860 | 23 | - |
| 49200 | Gain on financial assets and financial liabilities at fair value through profit or loss | (581,601) | (3) | 2,598,367 | 11 | (122) |
| 49300 | Realized gain on available-for-sale financial assets | - | - | 483,939 | 2 | (100) |
| 49310 | Realized gain on financial assets at fair value through other comprehensive income | 1,024,447 | 5 | - | - | - |
| 49600 | Foreign exchange loss | 3,445,430 | 16 | (714,750) | (3) | (582) |
| 49700 | Reversal of impairment loss on asset | (1,427,154) | (7) | (20,713) | - | 6790 |
| | | | | | | |
| 49800 | Other non-interest income | 117,906 | 1 | 250,938 | 1 | (53) |
| 49813 | Gain on bond investments without active market | - | - | 631,474 | 3 | (100) |
| | Net revenue | <u>21,966,345</u> | <u>100</u> | <u>23,224,452</u> | <u>100</u> | (5) |
| 58200 | Provision for bad debt expenses, commitment and guarantee reserve | (666,380) | (3) | (525,154) | (2) | 27 |
| | Operating expenses | | | | | |
| 58500 | Employee benefit expense | (6,645,643) | (30) | (7,947,001) | (34) | (16) |
| 59000 | Depreciation and amortization expenses | (754,259) | (3) | (766,566) | (4) | (2) |
| 59500 | Other general and administrative expenses | (3,855,897) | (18) | (4,250,183) | (18) | (9) |
| 61001 | Income from continuing operations before income tax | <u>10,044,166</u> | <u>46</u> | <u>9,735,548</u> | <u>42</u> | <u>3</u> |
| 61003 | Income tax expense | (1,438,055) | (7) | (1,486,972) | (6) | (3) |
| 62500 | Gain (loss) on discontinued operations | <u>1,489</u> | <u>-</u> | <u>(350,195)</u> | <u>(2)</u> | <u>(100)</u> |
| 64000 | Net income | <u>\$ 8,607,600</u> | <u>39</u> | <u>\$ 7,898,381</u> | <u>34</u> | <u>9</u> |

(Continued)

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items | Notes | For the years ended December 31, | | | | Changes Percentage (%) |
|---|--|----------------------------------|---------------------|-----------------------------|---------------------|------------------------------|
| | | 2018 | | (After restatement) 2017 | | |
| | | 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 | 6(22) | (\$ 3,551) | - | \$ 35,560 | - (110) |
| 65204 | Unrealized gain on investments in equity instruments at fair value through other comprehensive income | 6(4) and (27) | 438,743 | 2 | - | - |
| 65205 | Change in fair value of financial liability attributable to change in credit risk of liability | 6(16) and (27) | (846) | - (| 3,017) | - (72) |
| 65220 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(27) and (36) | (3,124) | - (| 6,205) | - (50) |
| 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(27) | (84,406) | - (| 101,952) | - (17) |
| 65302 | Unrealized gain or loss on available-for-sale financial assets | | - | - | 1,008,940 | 4 (100) |
| 65303 | Gains on effective portion of cash flow hedges | | - | - | 220 | - (100) |
| 65309 | Unrealized loss on investments in debt instruments at fair value through other comprehensive income | 6(4) and (27) | (1,296,127) | (6) | - | - |
| 65310 | Impairment loss for debt instruments at fair value through other comprehensive income | 6(4) and (27) | (25,772) | - | - | - |
| 65319 | Equity related to assets (or disposal groups) classified as held for sale | 6(14) | - | - | 47,648 | - (100) |
| 65320 | Income tax relating to components of other comprehensive income | 6(27) and (36) | 2,456 | - (| 25,418) | - (110) |
| 65000 | Other comprehensive (loss) income (net of tax) | | <u>(\$ 972,627)</u> | <u>(4)</u> | <u>\$ 955,776</u> | <u>4 (202)</u> |
| 66000 | Total comprehensive income | | <u>\$ 7,634,973</u> | <u>35</u> | <u>\$ 8,854,157</u> | <u>38 (14)</u> |
| Net income attributable to: | | | | | | |
| 67101 | Profit attributable to the parent | | \$ 8,607,600 | 39 | \$ 6,743,007 | 29 (28) |
| 67105 | Income from continuing operations, attributable to former owner of business combination under common control | | - | - | 1,455,408 | 6 (100) |
| | Loss from discontinued operations, attributable to former owner of business combination under common control | | - | - (| 199,781) | (1) (100) |
| 67111 | Non-controlling interests | | - | - | (100,253) | - (100) |
| | | | <u>\$ 8,607,600</u> | <u>39</u> | <u>\$ 7,898,381</u> | <u>34 9</u> |
| Comprehensive income attributable to | | | | | | |
| 67301 | Profit attributable to the parent | | \$ 7,634,973 | 35 | \$ 7,198,349 | 31 6 |
| 67305 | Income from continuing operations, attributable to former owner of business combination under common control | | - | - | 1,908,194 | 8 (100) |
| | Loss from discontinued operations, attributable to former owner of business combination under common control | | - | - (| 152,133) | (1) (100) |
| 67311 | Non-controlling interests | | - | - | (100,253) | - (100) |
| | | | <u>\$ 7,634,973</u> | <u>35</u> | <u>\$ 8,854,157</u> | <u>38 (14)</u> |
| Basic and Diluted earnings per share | | | | | | |
| Profit attributable to the parent | | | | | | |
| | Income from continuing operations, attributable to former owner of business combination under common control | 6(37) | \$ 1.16 | \$ 0.91 | | |
| | Loss from discontinued operations, attributable to former owner of business combination under common control | | - | - | 0.20 | |
| | | | - | - (| 0.03) | |
| | Income, attributable to former owner of business combination under common control | | \$ - | \$ 0.17 | | |
| | Basic and Diluted earnings per share | | <u>\$ 1.16</u> | <u>\$ 1.08</u> | | |

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

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Equity attributable to owners of the parent | | | | | | | Non-controlling interests | Total equity | | |
|---|---|-----------------|---------------|-----------------|-------------------|-----------------------|---|---------------------------|---------------|--------------|----------------|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Retained Earnings | Other equity interest | Change in fair value of financial liability attributable to change in credit risk | | | | |
| (After restatement) | | | | | | | | | | | |
| For the year ended December 31, 2017 | | | | | | | | | | | |
| Balance at January 1, 2017 | \$ 41,521,815 | \$ 6,038,882 | \$ 5,216,597 | \$ 256,661 | \$ 5,699,712 | (\$ 122,691) | \$ - | \$ 2 | \$ 50,420,375 | \$ 3,011,853 | \$ 111,686,106 |
| Appropriation and distribution of 2016 earnings | - | - | 1,678,487 | - | (1,678,487) | - | - | - | - | - | - |
| Legal reserve appropriated | - | - | - | - | - | - | - | - | - | - | - |
| Special reserve appropriated | - | - | - | 251,124 | (251,124) | - | - | - | - | - | - |
| Stock dividends of ordinary shares | 1,131,030 | - | - | (1,131,030) | - | - | - | - | - | - | - |
| Cash dividends of ordinary shares | - | - | - | (2,639,071) | - | - | - | - | (814,267) | - | (3,453,338) |
| Changes in ownership interests in subsidiaries | - | - | - | - | - | - | - | - | 3,905 | - | 3,905 |
| Purchase of treasury shares | - | - | - | - | - | - | - | - | - | (75,222) | (75,222) |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | (2,836,378) | (2,836,378) |
| Net income for the year | - | - | - | - | 6,743,007 | - | - | - | - | - | 6,743,007 |
| Other comprehensive income (loss) for the year | - | - | - | - | (34,050) | (104,391) | 593,785 | (2) | 500,434 | - | 955,776 |
| Total comprehensive income for the year | - | - | - | - | 6,708,957 | (104,391) | 593,785 | (2) | 1,756,061 | (100,253) | 8,854,157 |
| Balance, December 31, 2017 | \$ 42,652,845 | \$ 6,038,882 | \$ 6,895,084 | \$ 507,785 | \$ 6,708,957 | (\$ 227,082) | \$ 236,685 | \$ - | \$ 51,366,074 | \$ - | \$ 114,179,230 |
| For the year ended December 31, 2018 | | | | | | | | | | | |
| Balance, January 1, 2018 | \$ 42,652,845 | \$ 6,038,882 | \$ 6,895,084 | \$ 507,785 | \$ 6,708,957 | (\$ 227,082) | \$ 236,685 | \$ - | \$ 51,366,074 | \$ - | \$ 114,179,230 |
| Effects of retrospective application and retrospective restatement | - | - | - | - | (2,471,313) | - | (411,826) | 1,862,564 | - | - | (1,020,575) |
| Balance, January 1, 2018 after adjustments | 42,652,845 | 6,038,882 | 6,895,084 | 507,785 | 4,237,644 | (227,082) | (175,141) | 1,862,564 | 51,366,074 | - | 113,158,655 |
| Appropriation and distribution of 2017 earnings | - | - | - | - | (2,012,687) | - | - | - | - | - | - |
| Legal reserve appropriated | - | - | - | - | (446,244) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | (5,142,514) | - | - | - | - | - | (5,142,514) |
| Cash dividends of ordinary shares | - | - | - | - | 8,607,600 | - | - | - | - | - | 8,607,600 |
| Net income for the year | - | - | - | - | 5,080 | (84,406) | (892,455) | (846) | - | - | (972,627) |
| Other comprehensive income (loss) for the year | - | - | - | - | 8,612,680 | (84,406) | (892,455) | (846) | - | - | 7,634,973 |
| Total comprehensive income for the year | - | - | - | - | (277,921) | - | - | 277,921 | - | - | - |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | 31,287,545 | 19,921,559 | - | - | (19,017) | 175,141 | - | - | (51,366,074) | - | - |
| Effects of reorganization | - | - | - | - | (330,505) | \$ - | \$ 1,248,030 | \$ - | \$ - | \$ - | \$ - |
| Balance, December 31, 2018 | \$ 73,940,390 | \$ 25,960,441 | \$ 8,907,771 | \$ 61,541 | \$ 5,863,446 | (\$ 330,505) | \$ - | \$ - | \$ - | \$ - | \$ 115,651,114 |

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

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | For the years ended December 31, | |
|---|----------------------------------|-----------------------------|
| | 2018 | (After restatement) 2017 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Profit from continuing operations before tax | \$ 10,044,166 | \$ 9,735,548 |
| Profit (loss) from discontinued operations before tax | 1,489 | (348,997) |
| Profit before tax | 10,045,655 | 9,386,551 |
| Adjustments | | |
| Income and expenses having no effect on cash flows | | |
| Depreciation | 340,634 | 296,165 |
| Amortization | 413,625 | 485,675 |
| Provision for bad debt expense, commitment and guarantee reserve | 1,609,372 | 243,780 |
| Interest expense | 9,021,599 | 8,212,759 |
| Interest income | (23,037,613) | (22,844,096) |
| Dividend income | (313,147) | (139,688) |
| Loss (gain) from disposal or retirement of property and equipment | 16,849 | (166,176) |
| Property and equipment transferred to expenses | - | 125 |
| Gain on disposal of investment property | (3,283) | - |
| Loss on disposal or retirement of intangible assets | - | 9,095 |
| Loss on disposal or retirement of other assets | - | 26,126 |
| Loss on disposal of assets (or disposal groups) classified as held for sale | - | 144,456 |
| Reversal of impairment loss on financial assets | (13,014) | - |
| Reversal of impairment loss on non-financial assets | 1,440,168 | 20,713 |
| Rental expense | 35,473 | - |
| Changes in assets/liabilities relating to operating activities | | |
| Changes in operating assets | | |
| Decrease(increase) in due from Central Bank and call loans to other banks | 1,251,296 | (2,557,161) |
| Increase in financial assets at fair value through profit or loss | (20,263,015) | (43,187) |
| Decrease in financial asset at fair value other comprehensive income | 46,094,609 | - |
| Increase in financial assets at amortised cost | (10,977,807) | - |
| (Increase) decrease in receivables | (643,864) | 13,077,678 |
| (Increase) decrease in bills discounted and loans | (4,919,903) | 39,834,807 |
| Increase in available-for-sale financial assets | - | (97,276,695) |
| Increase in held-to-maturity financial assets | - | (12,006,340) |
| (Increase) decrease in other financial assets | (145,575) | 14,831,496 |
| (Increase) decrease in other assets | (903,091) | 1,879,668 |
| Net changes in liabilities relating to operating activities | | |
| Increase (decrease) in due to Central Bank and other banks | 8,527,112 | (15,326,160) |
| Increase (decrease) in financial liabilities at fair value through profit or loss | 860,382 | (2,680,111) |
| Decrease in payables | (674,583) | (12,119,165) |
| (Decrease) increase in deposits and remittances | (26,511,956) | 16,676 |
| (Decrease) increase in other financial liabilities | (5,499,172) | 1,516,092 |
| (Decrease) increase in provisions | (910,253) | 490,970 |
| (Decrease) increase in other liabilities | (789,722) | 871,853 |
| Cash outflow generated from operations | (15,949,224) | (73,814,094) |
| Interest received | 22,346,611 | 22,727,087 |
| Dividend received | 313,147 | 139,688 |
| Interest paid | (8,904,813) | (8,105,648) |
| Income tax paid | (1,014,143) | (499,053) |
| Net cash flows used in operating activities | (3,208,422) | (59,552,020) |

(Continued)

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | For the years ended December 31, | |
|---|----------------------------------|-----------------------------|
| | 2018 | (After restatement) 2017 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Proceeds from disposal of assets (or disposal groups) classified as held for sale | \$ - | \$ 4,364,783 |
| Acquisition of property and equipment | (486,473) | (1,356,731) |
| Proceeds from disposal of property and equipment | 1,010 | 348,697 |
| Acquisition of intangible assets | (102,670) | (53,707) |
| Proceeds from disposal of investment properties | 28,119 | - |
| Increase in other assets | (8,201,000) | - |
| Net cash flows (used in) from investing activities | (8,761,014) | 3,303,042 |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Repayments of financial debentures | (5,500,000) | (6,380,000) |
| Increase in bills and bonds sold under repurchase agreements | 4,986,120 | 786,628 |
| Decrease in financial liabilities designated as at fair value through profit or loss on initial recognition | (3,153,250) | (3,787,590) |
| Repayments of preference share liabilities | - | (4,000,000) |
| Decrease in lease payables | (449) | (1,289) |
| Cash dividends paid | (5,142,514) | (3,453,338) |
| Purchase of treasury shares | - | (117,287) |
| Decrease in non-controlling interests | - | (2,790,408) |
| Net cash flows used in financing activities | (8,810,093) | (19,743,284) |
| Net effect of foreign exchange rate changes on cash and cash equivalents | 32,828 | (450,708) |
| Net decrease in cash and cash equivalents | (20,746,701) | (76,442,970) |
| Cash and cash equivalents at beginning of year | 62,196,636 | 138,639,606 |
| Cash and cash equivalents at end of year | \$ 41,449,935 | \$ 62,196,636 |
| <u>The components of cash and cash equivalents</u> | | |
| Cash and cash equivalents as per consolidated balance sheet | \$ 19,529,183 | \$ 26,172,942 |
| Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7 | 21,920,752 | 26,843,694 |
| Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7 | - | 9,180,000 |
| Cash and cash equivalents at end of reporting period | \$ 41,449,935 | \$ 62,196,636 |

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

YUANTA COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN thousands of New Taiwan dollars)

1. History and organization

- (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 operations 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. With the approval of the 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 economic scale, enhance marketing integration, 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. was resolved at the meeting of the Board of Directors on January 21, 2016. The effective date was set for 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”) was 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 for January 1, 2018. The surviving company in the merger was the Bank and the dissolved company in the merger was Ta Chong Bank.
- (5) The head office directs company-wide operations and opened domestic as well as overseas branches to promote business. As of December 31, 2018, the Bank has a trust department, an international banking department, an insurance agency department, an offshore banking unit, Hong Kong branch and 145 branches including the business department and 1 overseas representative offices.

(6) As of December 31, 2018, the number of the Bank’s and subsidiaries’ (collectively referred herein as the “Consolidated Company”) employees was 4,736.

(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 14, 2019.

3. Application of new standards, amendments and interpretations

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

New standards, interpretations and amendments endorsed by 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 | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’ | January 1, 2017 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’ | January 1, 2018 |
| 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’s financial condition and financial performance based on the Consolidated Company’s assessment.

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 amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless the Consolidated Company make an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity investment that is not held for trading in 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. Interest revenue before the impairment would be calculated on the book value of gross carrying amount, and interest revenue after the impairment would be calculated on the book value of net carrying amount.

The Consolidated Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(9).

(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 2019 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 9, 'Prepayment features with negative compensation' | January 1, 2019 |
| IFRS 16, 'Leases' | 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's financial condition and financial performance based on the Consolidated

Company's assessment.

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.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by \$10,667,472 and \$2,512,002, respectively, and other net assets and liabilities and retained earnings will be decreased by \$8,178,889 and \$23,419, respectively.

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective Date by International Accounting Standards Board</u> |
|---|---|
| Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material' | January 1, 2020 |
| Amendments to IFRS 3, 'Definition of a business' | January 1, 2020 |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2021 |

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.

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) Financial assets and liabilities at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.
 - (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).
- E. In adopting IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’) and related financial reporting interpretations. Please refer to Note 12(9) for details of significant accounting policies and significant accounts.

F. On September 14, 2016, the Board of Directors resolved to merge with Ta Chong Bank, and the merger date was set on January 1, 2018. According to Interpretation (100)390 issued by the Accounting Research and Development Foundation of ROC (ARDC), the merger between the Bank and subsidiary of Yuanta Group is viewed as a group restructuring since the acquired equity is under common control. This merger is accounted for using the carrying amount of the Yuanta Group's long-term investment in the equity of the acquired entity. In addition, according to Interpretation (105)321 issued by the ARDC, the equity of a subsidiary of the Yuanta Group under common control is viewed as consolidated from the beginning, and the prior period financial statements should be restated to reflect this. On March 22, 2016, Ta Chong Bank became a subsidiary of Yuanta Financial Holdings, therefore the date March 22, 2016 is viewed as the starting date of consolidation. The equity under common control is presented as pre-acquisition equity under common control, and the recognition and accounting treatment of related assets and liabilities are adjusted accordingly after the restructuring.

(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 unrealized 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:

| Investor | Name of Subsidiary | Main Business Activities | Ownership (%) | | Note |
|----------|--|------------------------------------|-------------------|-------------------|------|
| | | | December 31, 2018 | December 31, 2017 | |
| 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 | |
| ” | Yuanta Savings Bank (Korea) Inc. (“Yuanta Savings Bank (Korea)”) | Deposits and loans of savings bank | 100.00 | 100.00 | Note |

Note: 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.

F. Subsidiaries that have non-controlling interests that are material to the Consolidated 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 purchased under resale agreements or sold under repurchase

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 categories: “bills discounted and loans”, “receivables”, “financial assets at fair value through profit or loss”, “financial assets at fair value through other comprehensive income”, and “investments in debt instruments at amortised cost”.

(A) Regular way purchase or sale

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

(B) Bills discounted and loans

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

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

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

(C) Receivables

Receivables include those that were originated and not originated by the entity. Receivables originated by the entity refer to cash, products or services directly provided to debtors by the Consolidated Company. Receivables not originated by the entity refer to those other than whom were originated by the entity. Receivables shall be measured at amortised cost using the effective interest rate method. However short-term receivables without bearing interest are measured at initial invoice amount if the effect of discounting is immaterial.

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

- a. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- b. At initial recognition and subsequent measurement, the Consolidated Company measures the financial assets at fair value and recognizes the gain or loss in profit or loss.
- c. The Consolidated Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Consolidated Company and the amount of the dividend can be measured reliably.

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

- a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Consolidated Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Consolidated Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- b. At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. The Consolidated Company subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Consolidated Company and the amount of the dividend can be measured reliably.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(F) Investments in debt instruments at amortised cost

- a. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Consolidated Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- b. At initial recognition, the Consolidated Company's measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

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 amortised cost.

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

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

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

- a. Hybrid (combined) contracts; or
- b. They eliminate or significantly reduce a measurement or recognition inconsistency; or

- c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

At initial recognition, the Consolidated Company measures the financial liabilities at fair value. The Consolidated Company subsequently measures these financial liabilities at fair value and recognized in profit or 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 amortised cost

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

C. Derecognition of financial assets

The 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 derecognizes an original financial liability and recognizes 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) Offsetting Financial instruments

Financial assets and liabilities are offset and reported 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

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost (including bills discounted and loans and receivables), loan commitments, letters of credit and financial guarantee contracts at each reporting date, the Consolidated Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime ECLs if such credit risk has increased since initial recognition or if asset is already credit impaired after taking into consideration all reasonable and verifiable information that includes forecasts.

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

(10) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

(11) Assets (or disposal groups) classified as held for sale

A. Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

B. The income (loss) of assets (or disposal groups) classified as held for sale is excluded from the consolidated statement of comprehensive income effective the date on which assets (or disposal groups) classified as held for sale meets the criteria to be classified as held for sale. The assets, liabilities and equity related to the assets (or disposal groups) classified as held for sale shall be presented separately in the consolidated balance sheet. Assets (or disposal groups) classified as held for sale shall be measured at the lower of carrying amount and fair value less costs to sell

on the date which meet the criteria to be classified as held for sale. The carrying amounts of the liabilities shall be measured in accordance with applicable Statements of Financial Accounting Standards to determine the amounts of total assets.

- C. If the assets (or disposal groups) classified as held for sale meet the definition of discontinued operations, the results of their operations before being classified to the accounts relating to assets (or disposal groups) classified as held for sale and the impairment loss recognized when being classified to the accounts relating to disposal groups classified as held for sale shall be combined to the net profit or loss after tax of discontinued operations.

(12) 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 follows:

| | |
|--------------------------|------------|
| Buildings and structures | 5~60 years |
| Office equipment | 1~10 years |
| Transportation equipment | 2~6 years |
| Miscellaneous equipment | 1~21 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.

(13) 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 amortised 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.

(14) 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.

(15) 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 amortised over its estimated useful life. The computer software's estimated useful life is three to five years.

(16) 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 amortised historical cost would have been if the impairment had not been recognized.

(17) Financial bonds payable

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

(18) 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.

(19) Financial guarantee contract and loan commitment

- A. Financial guarantee contract is a contract that requires the Consolidated Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
- B. The 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 amortised through straight-line method during the contract term.

- C. Subsequently, the Consolidated Company measures the financial guarantee contract issued at the greater of the following two accounts:
- (A) Allowance for losses in accordance with IFRS 9 as endorsed by the FSC.
 - (B) The amount initially recognized less, when appropriate, cumulative effect recognized in accordance with IFRS 15.
- D. The Consolidated Company's assessment of provisions for losses for loan commitments and financial guarantee contracts is described in Note 4(9). The increase in liabilities due to financial guarantee contracts and loan commitments is recognized in "bad debt expenses, commitments and guaranty policy reserve".
- E. In addition to the assessment of provisions for losses for financial guarantee contract described above, the Consolidated Company also assesses provisions for losses in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" and other applicable laws. The greater of the two amounts is recognized and included in the guaranty policy reserve.

(20) 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 Bank 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 is 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.

(21) 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 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.

(22) 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.

(23) 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 amortised or included in the calculation

of effective interest rate of loans and receivables during the service period.

(24) 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.

(25) 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) Expected credit losses of bills discounted and loans

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

For a description and measurement of expected credit losses, please refer to Note 12(4)2.

(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

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|----------------------------|--------------------------|--------------------------|
| Cash on hand | \$ 5,927,123 | \$ 5,222,323 |
| Due from other banks | 11,013,190 | 18,306,709 |
| Checks for clearing | 2,582,879 | 2,628,455 |
| Futures trading guarantees | 5,991 | 15,455 |
| Total | <u>\$ 19,529,183</u> | <u>\$ 26,172,942</u> |

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

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Reserve for deposits - account A | \$ 15,998,321 | \$ 18,741,857 |
| Reserve for deposits - account B | 26,044,008 | 27,221,589 |
| Call loans to other banks | 1,073,679 | 4,470,290 |
| Deposits by foreign subsidiary to designated accounts of respective local central banks | 1,919,157 | 1,803,496 |
| Due from Central Bank | <u>3,181,547</u> | <u>2,153,718</u> |
| Total | <u>\$ 48,216,712</u> | <u>\$ 54,390,950</u> |

A. 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.

B. Information relating to credit risk is provided in Note 12(4).

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

| <u>Financial assets mandatorily measured at fair value through profit or loss</u> | <u>December 31, 2018</u> |
|---|--------------------------|
| Corporate bonds | \$ 50,402,625 |
| Commercial paper | 28,666,087 |
| Financial bonds | 19,694,356 |
| Government bonds | 18,927,069 |
| Convertible corporate bonds | 6,530,089 |
| Stocks of companies listed on TSE or OTC | 3,999,711 |
| Interest rate structured products | 2,000,000 |
| Beneficiary securities | 5,289 |
| Valuation adjustment | (109,271) |
| Derivative financial instruments | <u>4,593,251</u> |
| Total | <u>\$ 134,709,206</u> |

A. As of December 31, 2018, the Consolidated Company has no financial assets at fair value through profit or loss undertaken for pledged as collaterals.

B. Information on December 31, 2017 is provided in Note 12(9).

C. Please refer to Note 6(30) for the amounts recognized in profit or loss in relation to the financial assets at fair value through profit or loss.

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

| <u>Debt instruments</u> | <u>December 31, 2018</u> |
|---|--------------------------|
| Bonds (including government bonds, corporate bonds and financial bonds) | \$ 101,288,285 |
| Short-term transactions instruments | 770,596 |
| Valuation adjustment | (62,302) |
| Subtotal | <u>101,996,579</u> |
| <u>Equity instruments</u> | |
| Listed stocks | 1,920,600 |
| Unlisted stocks | 1,904,951 |
| Valuation adjustment | <u>1,250,646</u> |
| Subtotal | <u>5,076,197</u> |
| Total | <u>\$ 107,072,776</u> |

A. The Consolidated Company elects to classify strategic equity investments not held for trading as financial assets at fair value through other comprehensive income. As of December 31, 2018, the fair value of such investments was \$5,076,197.

B. The Consolidated Company sold the equity shares in order to avoid systematic risk resulting from structural changes in the industry. The fair value of the equity instruments sold was \$1,517,467, and the cumulative loss on disposal was \$227,921.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | <u>For the year ended December 31, 2018</u> |
|--|---|
| <u>Equity instruments at fair value through other comprehensive income</u> | |
| Fair value change recognized in other comprehensive income | <u>\$ 438,743</u> |
| Cumulative losses reclassified to retained earnings due to derecognition | <u>\$ 277,921</u> |
| Dividend income recognized in profit or loss | |
| Held at end of period | \$ 216,547 |
| Derecognized during the period | <u>34,983</u> |
| | <u>\$ 251,530</u> |
| <u>Debt instruments at fair value through other comprehensive income</u> | |
| Fair value change recognized in other comprehensive income | <u>(\$ 536,156)</u> |
| Cumulative other comprehensive income reclassified to profit or loss | |
| Reclassified due to impairment recovery | (\$ 12,826) |
| Reclassified due to derecognition | <u>(772,917)</u> |
| | <u>(\$ 785,743)</u> |
| Interest income recognized in profit or loss | <u>\$ 2,592,303</u> |

D. Details of the Consolidated Company's financial assets at fair value through other comprehensive income pledged to others as collateral as of December 31, 2018 are provided in Note 8.

E. Information relating to credit risk is provided in Note 12(4).

F. Information of the Consolidated Company's available-for-sale financial assets on December 31, 2017 is provided in Note 12(9).

G. Details of the Consolidated Company's available-for-sale financial assets pledged to others as collateral as of December 31, 2017 is provided in Note 8.

(5) Investments in debt instruments at amortised cost

| | <u>December 31, 2018</u> |
|------------------------------|--------------------------|
| Government bonds | \$ 64,669,523 |
| Corporate bonds | 3,013,181 |
| Time deposits | <u>112,526,281</u> |
| Subtotal | 180,208,985 |
| Less: Accumulated impairment | (98) |
| Total | <u>\$ 180,208,887</u> |

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

| | <u>For the year ended December 31, 2018</u> |
|---------------------------------|---|
| Interest income | \$ 1,634,629 |
| Gains on reversal of impairment | <u>188</u> |
| | <u>\$ 1,634,817</u> |

B. Details of the Consolidated Company's investments in debt instruments at amortised cost pledged to others as collateral as of December 31, 2018, are provided in Note 8.

C. Information relating to credit risk is provided in Note 12(4).

D. Information of the Consolidated Company's held-to-maturity financial assets on December 31, 2017 are provided in Note 12(9).

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

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Bills and bonds purchased under resale agreement | \$ - | \$ 9,180,000 |
| Interest rate range | - | 0.31%~0.42% |
| Contract resale amount | <u>\$ -</u> | <u>\$ 9,182,469</u> |
| | | |
| Bills and bonds sold under repurchase agreement | <u>\$ 16,226,824</u> | <u>\$ 11,240,704</u> |
| Interest rate range | 2.25%~3.15% | 1.30%~1.81% |
| Contract repurchase amount | <u>\$ 16,385,401</u> | <u>\$ 11,310,017</u> |

(7) Receivables - net

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Credit card receivables | \$ 10,840,137 | \$ 12,130,890 |
| Factoring receivables | 6,799,757 | 6,283,483 |
| Interest receivable | 3,421,310 | 2,730,308 |
| Spot exchange receivables | 2,583,784 | 2,544,986 |
| Accounts receivable | 2,542,268 | 1,015,376 |
| Acceptances receivables | 503,674 | 1,246,742 |
| Other receivables | <u>833,965</u> | <u>301,984</u> |
| Subtotal | 27,524,895 | 26,253,769 |
| Less: Allowance for bad debts accounts | (1,053,139) | (424,587) |
| Adjustment for discount | (25) | (6,974) |
| Total | <u>\$ 26,471,731</u> | <u>\$ 25,822,208</u> |

A. Details of the Consolidated Company's receivables pledged to others as collateral as of December 31, 2018 are provided in Note 8.

B. Information relating to credit risk is provided in Note 12(4).

C. The Consolidated Company recognized appropriate allowance for bad debts for the receivables. For the year ended December 31, 2018, please refer to Note 12(4).

D. For details and changes in allowance for bad debts in relation to receivables for the year ended December 31, 2017, please refer to Note 12(9).

(8) Bills discounted and loans – net

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Bills discounted | \$ 289,927 | \$ 203,290 |
| Overdrafts | 179,762 | 191,802 |
| Short-term loans | 71,480,504 | 68,539,908 |
| Short-term loans secured | 78,349,380 | 77,554,379 |
| Medium-term loans | 151,187,753 | 138,343,110 |
| Medium-term loans secured | 132,732,118 | 141,131,638 |
| Long-term loans | 8,413,501 | 8,857,060 |
| Long-term loans secured | 298,124,820 | 302,102,407 |
| Import- export negotiations | 33,411 | 64,447 |
| Accounts receivable factoring | 586,722 | 1,160,284 |
| Loans transferred to non-accrual loans | 1,566,905 | 1,686,754 |
| Subtotal | <u>742,944,803</u> | <u>739,835,079</u> |
| Less: Allowance for bad debts | (11,906,235) | (10,181,599) |
| Adjustment for discount | (8,633) | (7,966) |
| Total | <u>\$ 731,029,935</u> | <u>\$ 729,645,514</u> |

A. The Consolidated Company recognized appropriate allowance for bad debts for the bills discounted and loans. For the year ended December 31, 2018, please refer to Note 12(4).

B. The details and changes in allowance for bad debts in relation to bills discounted and loans for the year ended December 31, 2017, please refer to Note 12(9).

(9) Other financial assets – net

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Advance | \$ 18,308 | \$ 29,329 |
| Non-loans reclassified to non-performing loans | 539,339 | 553,606 |
| Others | 130,350 | 122,704 |
| Bond investments without active market (Note) | - | 34,525,143 |
| Subtotal | <u>687,997</u> | <u>35,230,782</u> |
| Less: Allowance for bad debts | (551,367) | (450,751) |
| Total | <u>\$ 136,630</u> | <u>\$ 34,780,031</u> |

A. The Consolidated Company recognized interest income on bond investments without active market amounting to \$ 927,968 in profit or loss for the year ended December 31, 2017.

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

C. The Consolidated Company recognized appropriate allowance for bad debts for the other financial assets, for the year ended December 31, 2018, please refer to Note 12(4).

D. For details and changes in allowance for bad debts in relation to other financial assets for the year ended December 31, 2017, please refer to Note 12(9).

Note: In accordance with IFRS 9, the Consolidated Company reclassified investments in debt instruments without active market to investments in debt instruments at amortised cost and financial assets at fair value through other comprehensive income.

(Blank below)

(10) Property and equipment - net

Change in property and equipment of the Consolidated Company is as follows:

| Cost | Land | Buildings and structures | Office equipment | Transportation equipment | Miscellaneous equipment | Leasehold improvements | Construction in progress and Prepayments for business facilities | Total |
|--------------------------------------|---------------|--------------------------|------------------|--------------------------|-------------------------|------------------------|--|---------------|
| At January 1, 2018 | \$ 10,028,460 | \$ 2,677,313 | \$ 625,210 | \$ 81,438 | \$ 148,454 | \$ 286,351 | \$ 160,723 | \$ 14,007,949 |
| Additions | - | - | 58,353 | 9,774 | 30,794 | 41,048 | 346,504 | 486,473 |
| Disposals | - | - | (86,726) | (19,766) | (31,035) | (94,855) | (448) | (232,830) |
| Reclassifications | 127,035 | 26,869 | 102,314 | - | (4,320) | 252,971 | (233,891) | 270,978 |
| Assets reclassified as held for sale | (621,380) | (212,407) | - | - | - | - | - | (833,787) |
| Translation difference | - | (1,764) | (742) | (145) | (564) | (43) | 623 | (2,635) |
| At December 31, 2018 | \$ 9,534,115 | \$ 2,490,011 | \$ 698,409 | \$ 71,301 | \$ 143,329 | \$ 485,472 | \$ 273,511 | \$ 13,696,148 |
| Accumulated depreciation | | | | | | | | |
| At January 1, 2018 | \$ - | \$ 723,828 | \$ 248,030 | \$ 41,268 | \$ 68,460 | \$ 150,466 | \$ - | \$ 1,232,052 |
| Depreciation | - | (61,927) | (141,238) | (10,563) | (24,828) | (95,803) | - | (334,359) |
| Disposals | - | - | 86,708 | 14,936 | 27,979 | 84,991 | - | 214,614 |
| Reclassifications | - | 5,848 | (4,567) | - | (4,567) | (73,241) | - | (67,393) |
| Assets reclassified as held for sale | - | 112,013 | - | - | - | - | - | 112,013 |
| Translation difference | - | 581 | 482 | 144 | 231 | 41 | - | 1,479 |
| At December 31, 2018 | \$ - | \$ 667,313 | \$ 306,645 | \$ 36,751 | \$ 60,511 | \$ 234,478 | \$ - | \$ 1,305,698 |
| Accumulated impairment | | | | | | | | |
| At January 1, 2018 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Derecognition | - | - | - | - | - | 357 | - | 357 |
| Reclassifications | - | - | - | - | - | (655) | - | (655) |
| At December 31, 2018 | \$ - | \$ - | \$ - | \$ - | \$ - | (298) | \$ - | \$ (298) |
| Net carrying amount | \$ 9,534,115 | \$ 1,822,698 | \$ 391,764 | \$ 34,550 | \$ 82,818 | \$ 250,696 | \$ 273,511 | \$ 12,390,152 |

| Cost | Land | Buildings and structures | Office equipment | Transportation equipment | Miscellaneous equipment | Leasehold improvements | Prepayments for business facilities | Total |
|--------------------------------------|---------------|--------------------------|------------------|--------------------------|-------------------------|------------------------|-------------------------------------|-----------------|
| | | | | | | | | |
| At January 1, 2017 | \$ 9,479,813 | \$ 2,709,408 | \$ 640,197 | \$ 79,206 | \$ 192,339 | \$ 391,633 | \$ 123,954 | \$ 13,616,550 |
| Additions | - | 251 | 100,665 | 9,700 | 36,869 | 26,357 | 1,182,889 | 1,356,731 |
| Disposals | (161,442) | (6,789) | (65,382) | (7,117) | (81,590) | (86,064) | - | (408,384) |
| Reclassifications | 795,925 | 140,759 | 75,843 | - | 183 | 8,280 | (1,146,045) | (125,055) |
| Assets reclassified as held for sale | (86,478) | (158,055) | (122,371) | - | - | (53,662) | (33) | (420,599) |
| Translation difference | 642 | (8,261) | (3,742) | (351) | 653 | (193) | (42) | (11,294) |
| At December 31, 2017 | \$ 10,028,460 | \$ 2,677,313 | \$ 625,210 | \$ 81,438 | \$ 148,454 | \$ 286,351 | \$ 160,723 | \$ 14,007,949 |
| Accumulated depreciation | | | | | | | | |
| At January 1, 2017 | \$ - | (\$ 709,101) | (\$ 281,584) | (\$ 34,208) | (\$ 121,439) | (\$ 217,642) | - | (\$ 1,363,974) |
| Depreciation | - | (61,381) | (126,092) | (10,800) | (26,911) | (63,359) | - | (288,543) |
| Disposals | - | 3,191 | 55,178 | 3,428 | 80,282 | 83,784 | - | 225,863 |
| Reclassifications | - | (6,284) | - | - | - | - | - | (6,284) |
| Assets reclassified as held for sale | - | 46,996 | 102,209 | - | - | 46,559 | - | 195,764 |
| Translation difference | - | 2,751 | 2,259 | 312 | (392) | 192 | - | 5,122 |
| At December 31, 2017 | \$ - | (\$ 723,828) | (\$ 248,030) | (\$ 41,268) | (\$ 68,460) | (\$ 150,466) | - | (\$ 1,232,052) |
| Net carrying amount | \$ 10,028,460 | \$ 1,953,485 | \$ 377,180 | \$ 40,170 | \$ 79,994 | \$ 135,885 | \$ 160,723 | \$ 12,775,897 |

(11) Investment property - net

Change in investment property of the Consolidated Company is as follows:

| <u>Cost</u> | <u>Land and land improvements</u> | <u>Buildings</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------|-------------------|-------------------|
| At January 1, 2018 | \$ 1,053,148 | \$ 250,657 | \$ 1,303,805 |
| Disposals | (24,836) | - | (24,836) |
| Reclassifications | (99,979) | (3,442) | (103,421) |
| Assets reclassified as held for sale | (140,218) | (12,882) | (153,100) |
| At December 31, 2018 | <u>788,115</u> | <u>234,333</u> | <u>1,022,448</u> |
| <u>Accumulated depreciation</u> | | | |
| At January 1, 2018 | - | (38,961) | (38,961) |
| Depreciation | - | (6,275) | (6,275) |
| Reclassifications | - | (8,052) | (8,052) |
| Assets reclassified as held for sale | - | 3,921 | 3,921 |
| At December 31, 2018 | <u>-</u> | <u>(49,367)</u> | <u>(49,367)</u> |
| <u>Accumulated impairment</u> | | | |
| At January 1, 2018 | (105,343) | - | (105,343) |
| Recovery | 25 | - | 25 |
| At December 31, 2018 | <u>(105,318)</u> | <u>-</u> | <u>(105,318)</u> |
| Net carrying amount | <u>\$ 682,797</u> | <u>\$ 184,966</u> | <u>\$ 867,763</u> |

| <u>Cost</u> | <u>Land and land improvements</u> | <u>Buildings</u> | <u>Total</u> |
|---------------------------------|---------------------------------------|-------------------|---------------------|
| At January 1, 2017 | \$ 961,119 | \$ 263,003 | \$ 1,224,122 |
| Reclassifications | 92,029 | (12,346) | 79,683 |
| At December 31, 2017 | <u>1,053,148</u> | <u>250,657</u> | <u>1,303,805</u> |
| <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 | <u>-</u> | <u>(38,961)</u> | <u>(38,961)</u> |
| <u>Accumulated impairment</u> | | | |
| At January 1, 2017 | (105,388) | - | (105,388) |
| Recovery | 45 | - | 45 |
| At December 31, 2017 | <u>(105,343)</u> | <u>-</u> | <u>(105,343)</u> |
| Net carrying amount | <u>\$ 947,805</u> | <u>\$ 211,696</u> | <u>\$ 1,159,501</u> |

A. The fair value of the investment property held by the Consolidated Company as of December 31, 2018 and 2017 was \$963,693 and \$1,237,814, 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, 2018 and 2017, rental income from the investment property were \$33,648 and \$22,099, respectively. For the years ended December 31, 2018 and 2017, direct operating expenses arising from the investment property amounted to \$3,018 and \$2,855, respectively. And direct operating expenses arising from the investment property that did not generate rental income amounted to \$503.

(12) Intangible assets - net

Change in intangible assets of the Consolidated Company is as follows:

| Cost | Goodwill | Computer software | Other intangible asset | Total |
|--------------------------------------|---------------|-------------------|------------------------|---------------|
| At January 1, 2018 | \$ 10,628,894 | \$ 1,187,468 | \$ 2,438,845 | \$ 14,255,207 |
| Additions | - | 102,670 | - | 102,670 |
| Disposals | - | (761,588) | - | (761,588) |
| Reclassifications | - | 42,953 | - | 42,953 |
| Translation difference | (6,123) | 1,543 | (71) | (4,651) |
| At December 31, 2018 | 10,622,771 | 573,046 | 2,438,774 | 13,634,591 |
| <u>Accumulated amortization</u> | | | | |
| At January 1, 2018 | - | (939,887) | (401,650) | (1,341,537) |
| Amortization | - | (99,602) | (226,054) | (325,656) |
| Disposals | - | 756,159 | - | 756,159 |
| Translation difference | - | (1,034) | 8 | (1,026) |
| At December 31, 2018 | - | (284,364) | (627,696) | (912,060) |
| <u>Accumulated impairment</u> | | | | |
| At January 1, 2018 | - | (5,429) | - | (5,429) |
| Impairment recognition | (1,437,309) | - | - | (1,437,309) |
| Disposals | - | 5,429 | - | 5,429 |
| At December 31, 2018 | (1,437,309) | - | - | (1,437,309) |
| Net carrying amount | \$ 9,185,462 | \$ 288,682 | \$ 1,811,078 | \$ 11,285,222 |
| | | | | |
| Cost | Goodwill | Computer software | Other intangible asset | Total |
| At January 1, 2017 | \$ 10,612,055 | \$ 1,254,799 | \$ 2,438,650 | \$ 14,305,504 |
| Additions | - | 53,707 | - | 53,707 |
| Disposals | - | (109,378) | - | (109,378) |
| Reclassifications | - | 58,174 | - | 58,174 |
| Assets reclassified as held for sale | - | (65,628) | - | (65,628) |
| Translation difference | 16,839 | (4,206) | 195 | 12,828 |
| At December 31, 2017 | 10,628,894 | 1,187,468 | 2,438,845 | 14,255,207 |
| <u>Accumulated amortization</u> | | | | |
| At January 1, 2017 | - | (948,431) | (175,581) | (1,124,012) |
| Amortization | - | (139,661) | (226,049) | (365,710) |
| Disposals | - | 100,283 | - | 100,283 |
| Reclassifications | - | (10,152) | - | (10,152) |
| Assets reclassified as held for sale | - | 55,934 | - | 55,934 |
| Translation difference | - | 2,140 | (20) | 2,120 |
| At December 31, 2017 | - | (939,887) | (401,650) | (1,341,537) |
| <u>Accumulated impairment</u> | | | | |
| At January 1, 2017 | - | - | - | - |
| Impairment recognition | - | (5,429) | - | (5,429) |
| At December 31, 2017 | - | (5,429) | - | (5,429) |
| Net carrying amount | \$ 10,628,894 | \$ 242,152 | \$ 2,037,195 | \$ 12,908,241 |

A. Test of impairment for goodwill of the Bank:

For the year ended December 31, 2018

The Consolidated Company merged 18 branches of Chin Fon Bank and Ta Chong Bank in 2010 and 2018, respectively, which arose goodwill amounting to \$10,201,810, in order to expand the scale of operation and enhance market competitiveness and overall profitability. The Consolidated Company shall test annually for impairment of goodwill acquired from business combination in accordance with IAS 36. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units that are expected to benefit from the synergies of the business combination. Whether or not to provide impairment losses is determined by calculating value in use and carrying amount of net assets of each cash-generating unit which are Corporate Finance, Offshore Banking, Consumer Finance, Wealth Management and Financial Trading.

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

Recoverable amount of the five aforementioned cash generating units is assessed based on value-in-use, which is calculated by estimating 5-year pre-tax cash flows. Cash flow exceeded 5 years is calculated using the following estimated growth rate.

(B) For the year ended December 31, 2018, the discount rate and growth rate of key assumptions used in calculating value-in-use of Corporate Finance and Consumer Finance were 7.70% and 2.00%, respectively, and of Offshore Banking, Wealth Management and Financial Trading were 9.60% and 2.00%, respectively.

(C) The Consolidated Company proceeded to organization restructure and business integration following the merge with Ta Chong Bank. Operating results on Consumer Finance did not meet the expectation due to the continued easy monetary policy from the Central Bank, changes on the credit policy and customer group of the Consolidated Company, and decline on loan scale. The Consolidated Company engaged external expert to issue the asset impairment evaluation report, and based on the report, goodwill impairment loss of \$1,437,309 was recognized for the year ended December 31, 2018, due to the recoverable amount was less than the carrying amount, which was presented as 'Reversal of impairment loss on asset' in the statements of comprehensive income. Details are provided in Note 6(31).

For the year ended December 31, 2017

(A) Chin Fon 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:

Calculations of discount rate 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, and calculation of growth rate are based on the conservatively estimated future cash flow over 10 years.

c. For the year ended December 31, 2017, the discount rate and growth rate of key assumptions used in calculating value-in-use of Chin Fon Bank were 10.23% and 0.00%, respectively.

(B) Ta Chong Bank:

- a. The basis of determining the recoverable amount of cash generating unit:

Recoverable amount is assessed by the value-in-use, which is calculated by estimated pre-tax cash flow in five years. Cash flow for more than 5 years shall adopt the following estimated growth rate.

- b. For the year ended December 31, 2017, the discount rate and growth rate of key assumptions used in calculating value-in-use of Ta Chong Bank were 10.00% and 2.00%, respectively.

(C) There is no impairment for the year ended December 31, 2017.

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:

Calculations of discount rate 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, and calculations of growth rate are based on OECD Korea GDP growth rate for the past three years.

(C) For the years ended December 31, 2018 and 2017, the discount rate and growth rate of key assumptions used in calculating value-in-use of Yuanta Savings Bank (Korea) were 8.60%, 3.00% and 10.90%, 3.70%, respectively.

(13) Other assets - net

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---------------------------|--------------------------|--------------------------|
| Prepaid rental | \$ 8,167,893 | \$ 6,532 |
| Refundable deposits - out | 3,477,843 | 2,514,127 |
| Prepaid expenses | 95,155 | 188,316 |
| Other deferred expenses | 218,904 | 328,191 |
| Indemnification assets | 110,673 | 112,283 |
| Others | 162,632 | 237,632 |
| Total | <u>\$ 12,233,100</u> | <u>\$ 3,387,081</u> |

A. The Consolidated Company won a bid of superficies right, amounting to \$8,201,000, recognized in prepaid rental, from National Property Administration, Ministry of Finance on September 3, 2018. The estimation of total contract price was referred to the use value and the appraisal report issued by the real estate appraiser.

B. Details of indemnification assets are provided in Note 9(2)(A).

(14) Assets classified as held for sale

A. In order to improve the efficiency of assets utilization, the Consolidated Company approved the sale of its own real estate by the Board of Directors on October 25 and November 8, 2018, and the relevant assets were reclassified to "assets held for sale". After remeasuring the original assets at the lower of its carrying amount or fair value less costs to sell, the balance of assets held for sale is \$868,288, resulting in the impairment loss of \$2,665. Details are provided in Note 6(31).

The fair value of the assets held for sale is based on the result of valuation by independent valuation experts, which was categorized within Level 2 in the fair value hierarchy.

- B. The Board of Directors of Yuanta International Leasing resolved on November 8, 2018 on behalf of stockholders to spin off operating business relating to “Medical Devices and Supplies Wholesale and Retail Industries”, including operating assets and liabilities, to Yuanta Asset Management Co., Ltd. The aforementioned assets and liabilities amounting to \$42,646 and \$2,115, respectively, have been reclassified as disposal group held for sale and presented as discontinued operations as it has met the definition of discontinued operations. The transaction is expected to complete by 2019.

(A) The cash flow information of discontinued operations is as follows:

| | For the years ended December 31, | |
|----------------------|----------------------------------|----------|
| | 2018 | 2017 |
| Operating cash flows | \$ 6,347 | \$ 8,462 |
| Total cash flows | \$ 6,347 | \$ 8,462 |

(B) Analysis of the result of discontinued operations, and the result recognized on the remeasurement of assets or a disposal group: For the years ended December 31, 2018 and 2017, profit after tax of discontinued operations were both from finance lease income amounting to \$1,489 and \$1,862, respectively.

- C. To improve asset utilisation, the Board of Directors approved the sale of property and reclassified such property as assets held for sale, amounting to \$35,451. This transaction was completed in October 2017. Details are provided in Note 7(3)J(G). The fair value of investment properties held by the Consolidated Company which was valued by independent valuation experts, categorized within Level 2 in the fair value hierarchy.
- D. The assets and liabilities related to Ta Chong Securities have been reclassified as held for sale and presented as discontinued operations as it has met the definition of discontinued operations following the approval of Ta Chong Bank’s Board of Directors on March 10, 2017 to sell Ta Chong Securities, and the settlement was completed on August 28, 2017 (the date that control ceased). The assets and liabilities related to Ta Chong Securities have been derecognized, and gain or loss on disposal is recognized.

(A) Analysis of the result of discontinued operations, and the result recognized on the remeasurement of assets or a disposal group, is as follows:

| | From January 1, 2017 to August 28, 2017 (the date that control ceased) | |
|--|--|----------|
| Net interest income | \$ | 91,387 |
| Net service fee and commission income | | 223,374 |
| Gain on financial assets and financial liabilities at fair value through profit and loss | | 101 |
| Foreign exchange loss or profit | (| 2,539) |
| Other non-interest loss or profit | | 7,516 |
| Net profit | | 319,839 |
| Operating loss | (| 525,602) |
| Loss before tax of discontinued operations | (| 205,763) |
| Income tax expense | (| 816) |
| Loss after tax of discontinued operations | (| 206,579) |
| Pre-tax loss recognized on the remeasurement of assets of disposal group | | - |
| Pre-tax loss recognized on the disposal of assets of disposal group | (| 145,478) |
| Income tax | | - |
| After-tax loss recognized on the remeasurement of assets of disposal group | (| 145,478) |
| Loss on discontinued operations | (\$ | 352,057) |

(B) Profit from continuing and discontinued operations attributable to owners of the Ta Chong Bank amounted to \$1,255,627.

(15) Due to Central Bank and other banks

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| Due to other banks | \$ 10,054 | \$ 10,054 |
| Overdrafts from other banks | 2,470,385 | 136,640 |
| Call loans from other banks | 14,239,532 | 7,682,577 |
| Redeposit from the directorate general of postal remittance | 5,327,303 | 5,690,891 |
| Total | <u>\$ 22,047,274</u> | <u>\$ 13,520,162</u> |

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

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| <u>Financial liabilities held for trading</u> | | |
| Derivative financial instruments | \$ 4,823,707 | \$ 3,903,357 |
| <u>Financial liabilities designated at fair value through profit or loss on initial</u> | | |
| Financial bonds | - | 3,144,750 |
| Valuation adjustment of financial liabilities designated as at fair value through profit or loss on initial recognition | - | 59,122 |
| Subtotal | <u>-</u> | <u>3,203,872</u> |
| Total | <u>\$ 4,823,707</u> | <u>\$ 7,107,229</u> |

A. Please refer to Note 6(30) for the amounts recognized in profit or loss in relation to the financial liabilities at fair value through profit or loss.

B. For the year ended December 31 2017, the accumulated movement of fair value attributable to the movement of credit risk of financial liabilities at fair value through profit or loss was loss of \$3,017.

(17) Payables

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-----------------------------------|--------------------------|--------------------------|
| Bonus payable | \$ 2,597,281 | \$ 2,544,390 |
| Checks for clearing | 2,582,721 | 2,629,283 |
| Demand remittance payables | 2,582,520 | 2,545,526 |
| Interest payable | 1,762,311 | 1,645,525 |
| Factoring payables | 792,050 | 891,398 |
| Accounts payable | 715,142 | 466,265 |
| Accrued expenses | 600,916 | 651,015 |
| Bankers' acceptances payables | 503,674 | 1,246,742 |
| Collections payable for customers | 252,135 | 259,728 |
| Other payables | 619,404 | 686,079 |
| Total | <u>\$ 13,008,154</u> | <u>\$ 13,565,951</u> |

(18) Deposits and remittances

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|------------------------------------|--------------------------|--------------------------|
| Checking deposits | \$ 5,162,797 | \$ 5,138,091 |
| Demand deposits | 134,446,708 | 146,140,308 |
| Time deposits | 341,291,830 | 355,740,320 |
| Negotiable certificates of deposit | 44,647,500 | 44,209,000 |
| Savings deposits | 537,013,130 | 537,813,143 |
| Remittances | 342,017 | 375,076 |
| Total | <u>\$ 1,062,903,982</u> | <u>\$ 1,089,415,938</u> |

(19) Financial debentures payable

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|----------------------------------|--------------------------|--------------------------|
| Subordinate financial debentures | <u>\$ 38,000,000</u> | <u>\$ 43,500,000</u> |

The details of financial debentures as of December 31, 2018 were as follows:

| <u>Third series of subordinate financial debentures in 2011(debenture B)</u> | |
|--|------------------------------------|
| Par value | \$4,500,000 |
| Stated interest rate | Fixed interest rate at 1.95% |
| Period | Ten years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |
| <u>First series of subordinate financial debentures in 2012</u> | |
| Par value | \$1,000,000 |
| Stated interest rate | Fixed interest rate at 2.15% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |
| <u>Second series of subordinate financial debentures in 2012</u> | |
| Par value | \$1,000,000 |
| Stated interest rate | Fixed interest rate at 2.05% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |
| <u>Third series of subordinate financial debentures in 2012</u> | |
| Par value | \$1,500,000 |
| Stated interest rate | Fixed interest rate at 1.90% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |
| <u>First series of subordinate financial debentures in 2014(debenture A)</u> | |
| Par value | \$1,600,000 |
| Stated interest rate | Fixed interest rate at 1.80% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |

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 subordinate financial debentures in 2014

| | |
|---------------------------|------------------------------------|
| Par value | \$3,500,000 |
| Stated interest rate | Fixed interest rate at 2.05% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |

Fourth series of subordinate financial debentures in 2014

| | |
|---------------------------|------------------------------------|
| Par value | \$900,000 |
| Stated interest rate | Fixed interest rate at 2.00% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |

Fifth series of subordinate financial debentures in 2014

| | |
|---------------------------|------------------------------------|
| Par value | \$600,000 |
| Stated interest rate | Fixed interest rate at 2.00% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |

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 |

Sixth series of subordinate financial debentures in 2015

| | |
|---------------------------|------------------------------------|
| Par value | \$2,000,000 |
| Stated interest rate | Fixed interest rate at 2.08% |
| Period | Seven years |
| Interest payment date | Payable annually |
| Term of principal payment | Repaid on maturity |
| Issue price | Priced at face value on issue date |

First 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 |

(20) Other financial liabilities

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|----------------------------------|--------------------------|--------------------------|
| Principal of structured products | \$ 10,740,531 | \$ 16,207,985 |
| Appropriated loan fund | 21,684 | 53,402 |
| Lease payables | <u>75</u> | <u>524</u> |
| Total | <u>\$ 10,762,290</u> | <u>\$ 16,261,911</u> |

(21) Provisions

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| Provisions for employee benefits | \$ 1,338,037 | \$ 2,294,327 |
| Provisions for guarantee liabilities | 197,579 | 275,664 |
| Provisions for loan commitments and letters of credit | 53,568 | - |
| Provisions for litigation losses | 203,080 | 112,283 |
| Other provision | 68,244 | 106,256 |
| Total | <u>\$ 1,860,508</u> | <u>\$ 2,788,530</u> |

A. Information relating to credit risk of guarantee liability and provisions for loan commitments is provided in Note 12(4).

B. The details of provisions for litigation losses are provided in Note 9(2)(A).

(22) Provisions for employee benefits

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|----------------------|--------------------------|--------------------------|
| Prepaid pension cost | <u>\$ -</u> | <u>\$ 94,988</u> |

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-----------------------------------|--------------------------|--------------------------|
| Post-employment benefit plans | \$ 728,588 | \$ 815,691 |
| Termination benefits | 609,449 | 1,465,674 |
| Other long-term employee benefits | - | 12,962 |
| Total | <u>\$ 1,338,037</u> | <u>\$ 2,294,327</u> |

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 45~55 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The 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, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 1,714,236 | \$ 1,884,567 |
| Fair value of plan assets | (995,019) | (1,174,844) |
| Net defined benefit liability | <u>\$ 719,217</u> | <u>\$ 709,723</u> |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|--|--|------------------------------|----------------------------------|
| <u>2018</u> | | | |
| Balance at January 1 | \$ 1,884,567 | (\$ 1,174,844) | \$ 709,723 |
| Current service cost | 29,914 | - | 29,914 |
| Interest expense (income) | <u>24,145</u> | <u>(15,249)</u> | <u>8,896</u> |
| | <u>1,938,626</u> | <u>(1,190,093)</u> | <u>748,533</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | (3,935) | (3,935) |
| Change in demographic assumptions | (34,474) | - | (34,474) |
| Change in financial assumptions | (21,012) | - | (21,012) |
| Experience adjustments | <u>61,165</u> | <u>-</u> | <u>61,165</u> |
| | 5,679 | (3,935) | 1,744 |
| Pension fund contribution | - | (19,706) | (19,706) |
| Pension paid | <u>(230,069)</u> | <u>218,715</u> | <u>(11,354)</u> |
| Balance at December 31 | <u>\$ 1,714,236</u> | <u>(\$ 995,019)</u> | <u>\$ 719,217</u> |
| | | | |
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| <u>2017</u> | | | |
| Balance at January 1 | \$ 2,214,420 | (\$ 1,063,830) | \$ 1,150,590 |
| Past service cost | (184,490) | - | (184,490) |
| Current service cost | 33,522 | - | 33,522 |
| Interest expense (income) | <u>30,616</u> | <u>(14,760)</u> | <u>15,856</u> |
| | <u>2,094,068</u> | <u>(1,078,590)</u> | <u>1,015,478</u> |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 4,541 | 4,541 |
| Change in demographic assumptions | (115,053) | - | (115,053) |
| Change in financial assumptions | 28,168 | - | 28,168 |
| Experience adjustments | <u>45,224</u> | <u>-</u> | <u>45,224</u> |
| | (41,661) | 4,541 | (37,120) |
| Pension fund contribution | - | (258,017) | (258,017) |
| Pension paid | <u>(167,840)</u> | <u>157,222</u> | <u>(10,618)</u> |
| Balance at December 31 | <u>\$ 1,884,567</u> | <u>(\$ 1,174,844)</u> | <u>\$ 709,723</u> |

- (D) The Bank recognized pension costs amounting to \$38,810 and (\$135,112) in consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, 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 instruments, 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, 2018 and 2017 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, | |
|-----------------------------|----------------------------------|-------------|
| | 2018 | 2017 |
| Discount rate | 1.10% | 1.25%~1.30% |
| Future salary increase rate | 2.00% | 2.00%~2.50% |

For the years ended December 31, 2018 and 2017, 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% |
| <u>December 31, 2018</u> | | | | |
| Effect on present value of defined benefit obligation | <u>(\$ 46,780)</u> | <u>\$ 48,563</u> | <u>\$ 44,717</u> | <u>(\$ 43,349)</u> |
| <u>December 31, 2017</u> | | | | |
| Effect on present value of defined benefit obligation | <u>(\$ 53,586)</u> | <u>\$ 55,708</u> | <u>\$ 51,379</u> | <u>(\$ 49,741)</u> |

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 analyzing 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, 2019 amounts to \$16,577.

(H) As of December 31, 2018, the weighted average duration of that retirement plan is 10.8 ~ 12 years.

B. Pension plans of foreign subsidiaries:

(A) The pension plan for Yuanta Savings Bank (Philippines) is in compliance with the above-mentioned pension plan. As of December 31, 2018 and 2017, the pension liability was \$6,036 and \$6,235, respectively, while pension expenses recognized in comprehensive income for the years ended December 31, 2018 and 2017 were \$1,662 and \$1,862, respectively, the actuarial gains and losses on defined benefit plans were \$227 and (\$350), respectively.

(B) The pension plan for Yuanta Savings Bank (Korea) is in compliance with the above-mentioned pension plan. As of December 31, 2018, and 2017, the pension liability was \$3,335 and \$4,745, respectively, while pension expenses recognized in comprehensive income for the years ended December 31, 2018 and 2017 were \$7,282 and \$5,922, respectively, the actuarial gains and losses on defined benefit plans were (\$2,034) and (\$1,210), respectively.

C. Defined contribution plans of the Bank and its domestic subsidiaries:

(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, 2018 and 2017 were \$211,123 and \$214,701, respectively.

D. Other long-term employee benefit plans

Pursuant to “Statute Governing the payment to Retirement, Surviving dependents at the death of staff and Severance pay”, if a currently employed staff of Ta Chang Bank dies from an illness or accident, surviving dependents at the death of staff payment is paid according to the retirement standard for employee who is eligible for the retirement and if not, the payment is paid according to the severance standard. The present value of other long-term employee benefit plan is calculated by the qualified actuary.

The amounts of liabilities arising from other long-term employee benefit plans in the balance sheet are as follows:

| | |
|---|--------------------------|
| | <u>December 31, 2017</u> |
| Present value of other long-term employee benefit | \$ 12,962 |
| Fair value of plan asset | - |
| Short of contribution | <u>12,962</u> |
| Other long-term employee benefit | <u>\$ 12,962</u> |
| (recongized in employee benefit provision) | |

As of December 31, 2017, Ta Chang Bank did not set aside plan assets in terms of abovementioned other long-term benefits.

Movements in other long-term employee benefit liabilities are as follows:

| | <u>December 31, 2017</u> |
|---|--------------------------|
| Other long-term employee benefit at beginning of period | \$ 16,759 |
| Current service cost | (4,006) |
| Interest cost | <u>209</u> |
| Other long-term employee benefit at end of period | <u>\$ 12,962</u> |

The main assumptions used in actuarial valuation at the measurement date are set out below:

| | <u>December 31, 2017</u> |
|---------------------------------|--|
| Discount rate (%) | 1.25 |
| Future salary increase rate (%) | 2.00 |
| Future mortality rate | based on the 5th Chart of Life Span Estimate, used by the Taiwan Life Insurance Enterprises |
| Employee turnover rate (%) | 0.00~18.00 |

E. Termination benefits

Ta Chong Bank's share conversion agreement with the Company on March 22, 2016 includes the relevant terms guaranteeing the rights and interests of employees. After the approval of the FSC, Ta Chong Bank has accrued termination provisions of \$609,449 and \$1,465,674, respectively in 2018 and 2017 (recognized in termination provisions). The present value of the termination provision obligation was calculated by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---------------------------------|--------------------------|--------------------------|
| Discount rate (%) | 1.10 | 1.25 |
| Future salary increase rate (%) | 2.00 | 2.00 |
| Total application rate (%) | 80.00 | 80.00 |

(23) Other liabilities

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--------------------------|--------------------------|--------------------------|
| Collections in advance | \$ 1,210,840 | \$ 1,067,604 |
| Refundable deposits - in | 288,361 | 1,274,703 |
| Others | <u>121,598</u> | <u>68,214</u> |
| Total | <u>\$ 1,620,799</u> | <u>\$ 2,410,521</u> |

(24) Share capital

A. On January 1, 2018, the Bank issued 3,128,754 thousand common shares with a par value of \$10 as part of a share swap transaction to acquire Ta Chong Bank. According to the merger agreement approved by the Board of Directors, the swap ratio was one common share of Ta Chong Bank for 0.8602 shares of the Bank. The share premium, amounting to \$19,921,559, was the difference between the total issuance amount and the net assets of Ta Chong Bank as of December 31, 2017. As of December 31, 2018, authorized capital and paid-in capital were \$80,000,000 and \$73,940,390, respectively, equivalent to 8,000,000 thousand and 7,394,039 thousand shares, respectively, with a par value of \$10 dollars per share. 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.

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.

(25) Capital surplus

As of December 31, 2018 and 2017, additional paid-in capital is composed of the following:

| December 31, 2018 | | | |
|-------------------|------------------------|--|---------------|
| Share premium | Employee stock options | Change in equity of investee company accounted for under equity method | Total |
| \$ 25,912,534 | \$ 47,783 | \$ 124 | \$ 25,960,441 |
| December 31, 2017 | | | |
| 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.

(26) Retained Earnings

A. Legal reserve

The Bank's Articles of Incorporation states that 30% of the 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 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 dated May 25, 2016, 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 the stockholders’ meeting whereas share dividends distribution shall be approved by the Financial Supervisory Commission. Furthermore, any matter relating 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 on behalf of stockholders for the year 2017 on May 24, 2018 and the distribution of earnings for the year 2016 and the retained earnings transferred to capital for the year 2017 on May 25, 2017. Details are shown as follows:

| | 2017 earnings | | 2016 earnings | |
|-----------------|---------------------|--|---------------------|--|
| | Amount | Stock dividends per Share (in dollars) | Amount | Stock dividends per Share (in dollars) |
| Legal reserve | \$ 2,012,687 | | \$ 1,678,487 | |
| Special reserve | (446,244) | | 251,124 | |
| Cash dividends | 5,142,514 | \$ 0.6955 | 2,639,071 | \$ 0.6356 |
| Stock dividends | - | - | 1,131,030 | 0.2724 |
| Total | <u>\$ 6,708,957</u> | | <u>\$ 5,699,712</u> | |

(D) Earnings distribution for the year 2018 with the approval of the Board of Directors on March 14, 2019 is as follows:

| | 2018 earnings | |
|-----------------|---------------------|--|
| | Amount | Stock dividends per share (in dollars) |
| Legal reserve | \$ 1,759,034 | |
| Special reserve | 29,317 | |
| Cash dividends | <u>4,075,095</u> | \$ 0.5511 |
| Total | <u>\$ 5,863,446</u> | |

The appropriation of the Bank's 2018 earnings is pending until the confirmation from the Board of Directors on behalf of stockholders.

(E) Information about appropriation 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.

(27) Other equity items

| | Translation gain and loss on the financial statements of foreign operating entities | Unrealized gain on financial assets at fair value through other comprehensive income | Unrealized gain on valuation of 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, 2018 | (\$ 227,082) | \$ - | \$ 236,685 | \$ - | \$ 9,603 |
| Effects of retrospective and retrospective restatement | - | 1,862,564 | (411,826) | - | 1,450,738 |
| Balance, January 1, 2018 after adjustments | (227,082) | 1,862,564 | (175,141) | - | 1,460,341 |
| Financial assets at fair value through other comprehensive income | | | | | |
| - Evaluation adjustment in the period | - | (97,413) | - | - | (97,413) |
| - Evaluation transferred to profit or loss | - | (785,743) | - | - | (785,743) |
| - Evaluation transferred to retained earnings | - | 277,921 | - | - | 277,921 |
| Changes in translation difference of foreign operating entities | (84,406) | - | - | - | (84,406) |
| Evaluation of credit risk | - | - | - | (846) | (846) |
| Effects on income tax | - | (9,299) | - | - | (9,299) |
| Reorganization | (19,017) | - | 175,141 | 846 | 156,970 |
| Balance, December 31, 2018 | <u>(\$ 330,505)</u> | <u>\$ 1,248,030</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 917,525</u> |
| | Translation gain and loss on the financial statement of foreign operating entities | Unrealized gain on valuation of 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> | |

(28) Net interest income

| | For the years ended December 31, | |
|--|----------------------------------|----------------------|
| | 2018 | 2017 |
| <u>Interest income</u> | | |
| Interest income on bills discounted and loans | \$ 18,085,699 | \$ 18,004,790 |
| Interest income on securities investment | 4,256,248 | 3,988,287 |
| Recurring interest income from credit cards | 258,402 | 271,557 |
| Interest income from placement and call loans to other banks | 238,840 | 348,543 |
| Interest income of factoring receivables | 116,982 | 82,331 |
| Other interest income | 81,442 | 148,588 |
| Subtotal | <u>23,037,613</u> | <u>22,844,096</u> |
| <u>Interest expense</u> | | |
| Interest expense of deposits | (6,874,857) | (6,696,597) |
| Coupon of financial debentures | (954,716) | (1,045,523) |
| Interest expense of structured instruments | (648,144) | (59,470) |
| Interest expense of Central Bank and other banks' deposits | (295,976) | (193,073) |
| Interest expense on bills and bonds sold under repurchase agreements | (237,598) | (108,199) |
| Liability interest expense of preferred stocks | - | (97,338) |
| Other interest expense | (10,308) | (12,559) |
| Subtotal | <u>(9,021,599)</u> | <u>(8,212,759)</u> |
| Total | <u>\$ 14,016,014</u> | <u>\$ 14,631,337</u> |

(29) Net service income

| | For the years ended December 31, | |
|---|----------------------------------|---------------------|
| | 2018 | 2017 |
| <u>Service fee and commission income</u> | | |
| Service fee income on trust business | \$ 2,261,526 | \$ 1,986,081 |
| Service fee income on insurance brokerage | 1,775,289 | 1,683,299 |
| Service fee income on credit cards | 1,657,621 | 1,747,980 |
| Service fee income on credit extension | 1,096,165 | 1,362,494 |
| Service fee income on foreign exchange | 101,270 | 119,435 |
| Deposits and remittance and other service fee income | 276,773 | 213,088 |
| Subtotal | <u>7,168,644</u> | <u>7,112,377</u> |
| <u>Service fee expenses and commission expense</u> | | |
| Service fee expense on trust business | (6,774) | (14,508) |
| Service fee expense on credit cards | (1,417,590) | (1,398,704) |
| Service fee expense on credit extension | (20,182) | (14,767) |
| Service fee expense on foreign exchange | (41,249) | (30,544) |
| Deposits and remittance and other service fee expense | (311,546) | (289,994) |
| Subtotal | <u>(1,797,341)</u> | <u>(1,748,517)</u> |
| Total | <u>\$ 5,371,303</u> | <u>\$ 5,363,860</u> |

Note 1: For the years ended December 31, 2018 and 2017, the fee income arising from engaging in electronic payment business amounted to \$6,995 and \$2,680, respectively.

Note 2: Due to the Bank concurrently engaging in electronic payment business, for the years ended December 31, 2018 and 2017, the interest earned from utilising funds received from users, which was calculated according to Article 4 of “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”, were \$8.1 and \$7.9, respectively.

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

| | For the year ended December 31, 2018 |
|---|---|
| <u>Realized gain or loss on financial assets and liabilities at fair value through profit or loss</u> | |
| Bonds | \$ 1,655,677 |
| Commercial papers | 209,619 |
| Stocks | 66,879 |
| Time deposits | 14,694 |
| Beneficiary certificates | (4,515) |
| Financial debentures payable | (23,121) |
| Equity-linked instruments | 49,752 |
| Interest rate-linked instruments | (351,440) |
| Exchange rate-linked instruments | (1,371,852) |
| Subtotal | <u>245,693</u> |
| <u>Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss</u> | |
| Bonds | (675,999) |
| Commercial papers | 5,292 |
| Stocks | 90,341 |
| Time deposits | (5,518) |
| Beneficiary securities | 51 |
| Beneficiary certificates | (6) |
| Financial debentures payable | 10,982 |
| Equity-linked instruments | 38,297 |
| Interest rate-linked instruments | 551,769 |
| Exchange rate-linked instruments | (842,503) |
| Subtotal | <u>(827,294)</u> |
| Total | <u><u>(\$ 581,601)</u></u> |

A. The realized gains (losses) on the financial assets and liabilities at fair value through profit and loss of the Consolidated Company for the year ended December 31, 2018, including net interest income, the gain (loss) on disposal and dividend income, are as follows:

| | For the year ended December 31, <u>2018</u> |
|---------------------|---|
| Net interest income | \$ 1,593,737 |
| Losses on disposal | (1,409,661) |
| Dividend income | 61,617 |
| Total | <u>\$ 245,693</u> |

B. For the year ended December 31, 2017, the details of the Consolidated Company's gain or loss on financial assets and liabilities at fair value through profit or loss, please refer to Note 12(9).

C. Exchange rate-linked instruments include forward exchange contracts, foreign exchange swap contracts, cross currency swap contracts, non-delivery forwards contracts, foreign exchange options and other exchange rate-related instruments.

D. Interest-linked instruments include interest rate swap contracts, structured interest rate instruments, interest rate options, interest rate futures and other interest-related instruments.

E. Equity-linked instruments include structural equity instruments and embedded structural equity instruments.

F. 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 or loss on financial assets at fair value through profit or loss".

(31) Impairment (losses) and reversal gains of assets – net

| | For the years ended December 31, | |
|--|----------------------------------|--------------------|
| | <u>2018</u> | <u>2017</u> |
| Recovery on investments in debt instruments at fair value through other comprehensive income | \$ 12,826 | \$ - |
| Recovery on investments in debt instruments at amortised cost | 188 | - |
| Impairment loss on assets classified as held for sale | (2,665) | - |
| Recovery on investment property | 25 | 45 |
| Impairment loss on intangible assets | (1,437,309) | (5,429) |
| Impairment loss on other assets | (219) | (15,329) |
| Total | <u>(\$ 1,427,154)</u> | <u>(\$ 20,713)</u> |

(32) Other non-interest income

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2018 | 2017 |
| Gains on default fine of loans | \$ 109,012 | \$ 26,127 |
| Rental income | 34,077 | 30,468 |
| Gains on disposal of investment property | 3,283 | - |
| Gains on disposal of non-performing loans | 9,460 | - |
| Loss on trade/disposal of property | (16,849) | 131,977 |
| Reversal of (provision for) indeterminate indemnity reserve | (13,322) | 50,000 |
| Other net gains or losses | (7,755) | 12,366 |
| Total | <u>\$ 117,906</u> | <u>\$ 250,938</u> |

(33) Employee benefit expense

| | For the years ended December 31, | |
|---------------------------------|----------------------------------|---------------------|
| | 2018 | 2017 |
| Wages and salaries | \$ 5,655,944 | \$ 6,328,790 |
| Labor and health insurance fees | 380,198 | 425,175 |
| Pension costs | 258,877 | 87,373 |
| Termination benefits expenses | - | 729,882 |
| Other personnel expenses | 350,624 | 375,781 |
| Total | <u>\$ 6,645,643</u> | <u>\$ 7,947,001</u> |

- 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 minus 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, 2018 and 2017, employees' compensation (bonus) was accrued at \$46,638 and \$28,400, respectively. The amounts were recognized in salary expenses. For the year ended December 31, 2018, 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 2017 as resolved at the meeting of the Board of Directors was in agreement with the amount recognized in the 2017 financial statements amounting to \$28,400.

(34) Depreciation and amortization

| | For the years ended December 31, | |
|-------------------------------------|----------------------------------|-------------------|
| | 2018 | 2017 |
| Property and equipment depreciation | \$ 334,359 | \$ 275,534 |
| Investment property depreciation | 6,275 | 6,996 |
| Other assets depreciation | - | 769 |
| Intangible assets amortization | 325,656 | 363,300 |
| Deferred assets amortization | 87,969 | 119,967 |
| Total | <u>\$ 754,259</u> | <u>\$ 766,566</u> |

(35) Other general and administrative expenses

| | For the years ended December 31, | |
|-------------------------|----------------------------------|---------------------|
| | 2018 | 2017 |
| Tax | \$ 1,006,406 | \$ 1,072,167 |
| Rental expense | 893,661 | 962,835 |
| Insurance expense | 327,575 | 310,521 |
| Repairs and maintenance | 252,638 | 318,561 |
| Postage expense | 193,146 | 202,980 |
| Professional expense | 180,768 | 198,677 |
| Others | 1,001,703 | 1,184,442 |
| Total | <u>\$ 3,855,897</u> | <u>\$ 4,250,183</u> |

(36) Income tax

A. Income tax expense

(A) Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|---------------------|
| | 2018 | 2017 |
| Current tax: | | |
| Income tax from current income | \$ 1,184,640 | \$ 841,868 |
| Prior year income tax overestimation | (27,929) | (196,797) |
| Total current tax | <u>1,156,711</u> | <u>645,071</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 370,627 | 841,901 |
| Impact of change in tax rate | (89,283) | - |
| Total deferred tax | <u>281,344</u> | <u>841,901</u> |
| Income tax expense | <u>\$ 1,438,055</u> | <u>\$ 1,486,972</u> |

(B) The income tax related to components of other comprehensive income is as follows:

| | <u>For the years ended December 31,</u> | |
|--|---|-------------|
| | <u>2018</u> | <u>2017</u> |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | | |
| Change in fair value of equity instruments at fair value through other comprehensive income | \$ 6,367 | \$ - |
| Losses on remeasurements of defined benefit plans | (280) | 6,205 |
| Effect of tax rate changes | (2,963) | - |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss | | |
| Unrealized gains (losses) on valuation of available-for-sale financial assets | - | 8,531 |
| Change in fair value of debt instruments at fair value through other comprehensive income | (2,456) | - |
| Exchange differences on translation of foreign financial statements | - | 16,837 |
| Fair value changes of hedging instruments for cash flow hedges | - | 50 |

B. Reconciliation between income tax expense and accounting profit:

| | <u>For the years ended December 31,</u> | |
|--|---|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Income tax from pretax income calculated at regulated tax rate | \$ 2,045,362 | \$ 1,651,512 |
| Temporary differences not recognized as deferred tax assets | 4,199 | (33,205) |
| Taxable loss not recognized as deferred tax assets | 10,515 | 24,040 |
| Change in assessment of realization of deferred tax assets | - | 347,636 |
| Prior year income tax overestimation | (27,929) | (196,797) |
| Net operating loss carryforwards deducted from the current year's use | (26,989) | (21,189) |
| Alternative Minimum Tax effects | 218,318 | 268,635 |
| Effect from changes in tax regulation | (89,283) | - |
| Effects of items not recognized under relevant regulations, exemption and other income | (696,138) | (553,660) |
| Income tax expense | <u>\$ 1,438,055</u> | <u>\$ 1,486,972</u> |

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

| | 2018 | | | | |
|--|-------------------|---------------------------------------|---|-------------------|-------------------|
| | January 1 | Recognized in profit or loss (Note 1) | Recognized in other comprehensive income (Note 1) | Others (Note 2) | December 31 |
| Temporary differences: | | | | | |
| - Deferred tax asset: | | | | | |
| Allowance for credit losses in excess of tax limitation | \$ 146,471 | (\$ 75,410) | \$ - | \$ 285,197 | \$ 356,258 |
| Employee benefit liabilities reserve | 138,200 | 18,253 | 8,631 | (18) | 165,066 |
| Unrealized exchange gain or loss | 78,814 | (78,814) | - | - | - |
| Estimated non-leaving bonus | 8,706 | 2,274 | - | - | 10,980 |
| Deferred revenue of credit cards | 3,283 | (436) | - | - | 2,847 |
| Net operating loss carryforward | 936 | 777 | - | 121 | 1,834 |
| Unrealized gain or loss on available-for-financial assets | 406 | - | - | (406) | - |
| Unrealized gain or loss on financial assets at fair value through profit or loss | 240 | 12,785 | - | - | 13,025 |
| Valuation gain or loss on foreign taxable products | 86 | 1,769 | - | - | 1,855 |
| Unrealized gain or loss on financial assets at fair value through other comprehensive income | - | - | 3,293 | 689 | 3,982 |
| Ta Chong Bank amortization of goodwill (accumulated impairment included) | - | 48,237 | - | - | 48,237 |
| Other | 6,423 | 947 | 86 | 290 | 7,746 |
| Subtotal | <u>383,565</u> | <u>(69,618)</u> | <u>12,010</u> | <u>285,873</u> | <u>611,830</u> |
| - Deferred tax liability: | | | | | |
| Chin Fon Bank amortization of goodwill (accumulated impairment included) | (\$ 103,050) | (\$ 2,721) | \$ - | \$ 30,868 | (\$ 74,903) |
| Reserve for land value increment tax | (40,278) | - | - | - | (40,278) |
| Unrealized gain or loss on available-for-financial assets | (30,985) | - | - | 30,985 | - |
| Unrealized gain or loss on financial assets at fair value through profit or loss | (22,200) | 21,886 | - | - | (314) |
| Unrealized exchange gain or loss | (23) | (227,552) | - | (6) | (227,581) |
| Unrealized gain or loss on financial assets at fair value through other comprehensive income | - | - | (12,354) | (30,888) | (43,242) |
| Amortization of other intangible asset | - | (5,730) | - | - | (5,730) |
| Other | (2,391) | 2,391 | (324) | (140) | (464) |
| Subtotal | <u>(198,927)</u> | <u>(211,726)</u> | <u>(12,678)</u> | <u>30,819</u> | <u>(392,512)</u> |
| Total | <u>\$ 184,638</u> | <u>(\$ 281,344)</u> | <u>\$ 668</u> | <u>\$ 316,692</u> | <u>\$ 219,318</u> |

Note 1: Including the impact of change in the tax rate.

Note 2: Including the impact of an adjustment in IFRS 9.

| | 2017 | | | | | |
|---|---------------------|------------------------------------|---|-------------------------------------|------------------|-------------------|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | Reclassified as held for sale | Others | December 31 |
| Temporary differences: | | | | | | |
| - Deferred tax asset: | | | | | | |
| Allowance for credit losses in excess of tax limitation | \$ 522,136 | (\$ 374,143) | \$ - | \$ - | (\$ 1,522) | \$ 146,471 |
| Employee benefit liabilities reserve | 332,737 | (180,436) | (6,205) | (7,775) | (121) | 138,200 |
| Net operating loss carryforward | 142,331 | (140,559) | - | - | (836) | 936 |
| Unrealized exchange gain or loss | 54,425 | 41,226 | (16,837) | - | - | 78,814 |
| Unrealized gain or loss on financial at fair value through profit or loss | 48,610 | (48,370) | - | - | - | 240 |
| Estimated non-leaving bonus | 4,744 | 3,962 | - | - | - | 8,706 |
| Deferred revenue of credit cards | 4,065 | (782) | - | - | - | 3,283 |
| Valuation gain or loss on foreign taxable products | 2,874 | (2,788) | - | - | - | 86 |
| Unrealized gain or loss on available-for-sale financial assets | - | - | 411 | - | (5) | 406 |
| Other | 116,694 | (109,473) | (50) | (748) | - | 6,423 |
| Subtotal | <u>1,228,616</u> | <u>(811,363)</u> | <u>(22,681)</u> | <u>(8,523)</u> | <u>(2,484)</u> | <u>383,565</u> |
| - Deferred tax liability: | | | | | | |
| Amortization of goodwill | (\$ 139,117) | (\$ 20,610) | \$ - | \$ - | \$ 56,677 | (\$ 103,050) |
| Unrealized gain or loss on available-for-sale financial assets | (22,037) | - | (8,942) | - | (6) | (30,985) |
| Reserve for land value increment tax | (20,956) | - | - | - | (19,322) | (40,278) |
| Land revaluation surplus | (11,853) | 11,900 | - | - | (47) | - |
| Unrealized exchange gain or loss | (2,725) | 2,688 | - | - | 14 | (23) |
| Unrealized gain or loss on financial at fair value through profit or loss | (75) | (22,125) | - | - | - | (22,200) |
| Other | - | (2,391) | - | - | - | (2,391) |
| Subtotal | <u>(196,763)</u> | <u>(30,538)</u> | <u>(8,942)</u> | <u>-</u> | <u>37,316</u> | <u>(198,927)</u> |
| Total | <u>\$ 1,031,853</u> | <u>(\$ 841,901)</u> | <u>(\$ 31,623)</u> | <u>(\$ 8,523)</u> | <u>\$ 34,832</u> | <u>\$ 184,638</u> |

D. As of December 31, 2018, the Yuanta Savings Bank (Philippines)'s unused loss deduction was \$106,813. The validity period for the loss deduction pursuant to local regulations was before 2021.

E. As of December 31, 2018, Yuanta Savings Bank (Korea)'s unused loss carry forward was \$510,184. The validity period for the loss carry forward pursuant to local regulations was before 2026.

F. As of December 31, 2018, the assessment information on the Consolidated Company's income tax returns are as follows:

| | Assessment Information |
|-----------------------------------|------------------------|
| Yuanta Bank | Assessed through 2014 |
| Ta Chong Bank | Assessed through 2016 |
| Yuanta Savings Bank (Philippines) | Assessed through 2013 |
| Yuanta Savings Bank (Korea) | Assessed through 2011 |
| Yuanta International Leasing | Assessed through 2016 |

G. The Bank's annual income tax returns for 2012 to 2014 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. Under the amendments to the Income Tax Act which were promulgated by the President of the Republic of China on February 7, 2018, the applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. The Consolidated Company has recognized the impact of the change in income tax rate.

(37) Earnings per share

A. Basic earnings per share

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

| | <u>For the year ended December 31, 2018</u> | | |
|---|---|--|---------------------------------------|
| | <u>Amount after tax</u> | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic and Diluted earnings per share</u> | | | |
| Profit attributable to the parent | <u>\$ 8,607,600</u> | 7,394,039 | <u>\$ 1.16</u> |

| | <u>For the year ended December 31, 2017</u> | | |
|---|---|--|---------------------------------------|
| | <u>Amount after tax</u> | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| <u>Basic and Diluted earnings per share</u> | | | |
| Profit attributable to the parent | <u>\$ 6,743,007</u> | | <u>\$ 0.91</u> |
| Income from continuing operations, attributable to former owner of business combination under common control | \$ 1,455,408 | | \$ 0.20 |
| Loss from discontinued operations, attributable to former owner of business combination under common control | (199,781) | | (0.03) |
| Income, attributable to former owner of business combination under common control | <u>1,255,627</u> | | <u>0.17</u> |
| Basic and Diluted earnings per share | <u>\$ 7,998,634</u> | 7,394,039 | <u>\$ 1.08</u> |

The above weighted-average outstanding stocks have been adjusted retrospectively according to the ratio of capital increase from the issuance of new shares on January 1, 2018. The Bank's basic earnings per share before the adjustment was \$1.58 for the year ended December 31, 2017.

Ta Chong Bank's basic earnings per share before the adjustment was (\$0.18) for the year ended December 31, 2017.

7. Related party transactions

(1) Parent and ultimate controlling party

Yuanta Financial Holdings is the 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. ("Yuanta Securities Investment Trust") | Affiliated company in the same group |
| Yuanta Futures Co., Ltd. ("Yuanta Future") | Affiliated company in the same group |
| Yuanta Life Insurance Co., Ltd. ("Yuanta Life Insurance") | Affiliated company in the same group |
| Yuanta Venture Capital Co., Ltd. ("Yuanta Venture") | Affiliated company in the same group |
| Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management") | Affiliated company in the same group |
| Yuanta Asia Investment Limited ("Yuanta Asia Investment") | 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 | Funds managed by the same group |
| Yuanta Construction Development Co., Ltd. ("Yuanta Construction Development") | A director of Yuanta Group holds a key managing position |
| Yung Chin International Investment Co., Ltd. ("Yung Chin International Investment") | A director of Yuanta Group holds a key managing position |
| Asia Carbons & Technology Inc. ("Asia Carbons") | Related party in substance |

| | |
|--|--|
| Lo Sheng Feng Co., Ltd. ("Lo Sheng Feng") | Major shareholder of Yuanta Group |
| He Xing Construction Co., Ltd. ("He Xing Construction") | Others - The close relative of the Bank's chairman (Note) |
| Yuanta Cultural & Education Foundation | A director of Yuanta Group holds a key managing position |
| Polaris Research Institute | 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 |

Note: It was no longer a related party after merging with Ta Chong Bank on January 1, 2018.

(3) Significant transactions and balances with related parties

A. Deposit

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

| December 31, 2017 | | | |
|---------------------|----------------|----------------------------|-------------------|
| Name | Ending balance | Percentage of deposits (%) | Interest rate (%) |
| All related parties | \$ 47,270,287 | 4.34 | 0.00~6.50 |

Apart from an interest rate limit on staff demand savings deposits of 6.065% for both the years ended December 31, 2018 and 2017, the range of interest rate on other related parties' demand savings deposits were 0.00%~5.39% and 0.00%~6.50%, respectively. The interest rates and other terms provided to the above related parties were the same as those offered to the general public.

For the years ended December 31, 2018 and 2017, interest expense on the above deposits was \$329,480 and \$238,640, respectively.

(Blank below)

B. Loans

December 31, 2018

(Expressed in 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 | 357 | \$ 65,348 | \$ 37,967 | \$ 37,967 | - | Credit loans, movables and deposits | None |
| Home mortgage loans | 460 | 3,998,401 | 3,098,014 | 3,098,014 | - | Real estate | None |
| | He's Education Foundation | 27,000 | 27,000 | 27,000 | - | Deposits | None |
| | Yung Chin International Investment | 35,800 | 33,907 | 33,907 | - | Real estate | None |
| Other loans | Asia Carbons | 2,083 | - | - | - | Guarantee of the Small and Medium Enterprise Credit Guarantee Fund | None |
| | Lo Sheng Feng | 22,000 | 22,000 | 22,000 | - | Real estate | None |
| | 95 | 339,560 | 172,994 | 172,994 | - | Stock, deposits, policy and real estate | None |
| Total | | | 3,391,882 | 3,391,882 | - | | |

December 31, 2017

(Expressed in 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 | 291 | \$ 56,221 | \$ 32,872 | \$ 32,872 | - | Credit loans, movables and deposits | None |
| Home mortgage loans | 456 | 4,005,331 | 3,223,943 | 3,223,943 | - | Real estate | None |
| | He's Education Foundation | 27,000 | 27,000 | 27,000 | - | Deposits | None |
| | Yung Chin International Investment | 37,692 | 35,800 | 35,800 | - | Real estate | None |
| Other loans | Asia Carbons | 3,000 | 2,083 | 2,083 | - | Guarantee of the Small and Medium Enterprise Credit Guarantee Fund | None |
| | 74 | 265,058 | 167,029 | 167,029 | - | Stock, deposits, policy and real estate | None |
| Total | | | 3,488,727 | 3,488,727 | - | | |

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 0.00% to 2.52% and 1.80% to 2.80%, the interest rates on the remaining loans are ranging from 0.00% to 8.58% and 0.00% to 5.88% for the years ended December 31, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2018 and 2017, interest income resulting from the above loans amounted to \$55,055 and \$56,640, respectively.

C. Service fee and commission

| Names of related parties | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2018 | 2017 |
| Parent company: | | |
| Yuanta Financial Holdings | \$ 171 | \$ - |
| Fellow subsidiary: | | |
| Yuanta Life Insurance | 729,150 | 541,700 |
| Yuanta Securities Investment Trust | 9,254 | 13,172 |
| Yuanta Securities | 1,035 | 122 |
| Yuanta Futures | 281 | 157 |
| Yuanta Construction Development | 201 | - |
| Yuanta Asia Investment | 125 | 136 |
| Yuanta Securities Investment Consulting | - | 1 |
| Total | <u>\$ 740,217</u> | <u>\$ 555,288</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, 2018 | December 31, 2017 |
|------------------------------------|-------------------|-------------------|
| Fellow subsidiary: | | |
| Yuanta Life Insurance | \$ 66,513 | \$ 29,376 |
| Yuanta Securities Investment Trust | 380 | 400 |
| Total | <u>\$ 66,893</u> | <u>\$ 29,776</u> |

D. Rental revenue

| Names of related parties | Purpose | For the years ended December 31, | |
|---------------------------|--------------------------------------|----------------------------------|------------------|
| | | 2018 | 2017 |
| Parent company: | | | |
| Yuanta Financial Holdings | Office rental/ Parking lot rental | \$ 6,714 | \$ 4,054 |
| Fellow subsidiary: | | | |
| Yuanta Securities | Office rental/ Venue rental | 7,606 | 7,146 |
| Yuanta Futures | Venue rental | 1,733 | 1,734 |
| Yuanta Life Insurance | Office rental/ Parking lot rental | 961 | 130 |
| Total | | <u>\$ 17,014</u> | <u>\$ 13,064</u> |

Above-mentioned terms are settled according to the contracts signed between parties, the related

refundable deposits-in were as follows:

| Names of related parties | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Parent company: | | |
| Yuanta Financial Holdings | \$ 1,151 | \$ 675 |
| Fellow subsidiary: | | |
| Yuanta Securities | 1,390 | 1,477 |
| Yuanta Futures | 288 | 420 |
| Yuanta Life Insurance | 160 | 23 |
| Total | \$ 2,989 | \$ 2,595 |

E. Rent expense

| Names of related parties | Purpose | For the years ended December 31, | |
|---------------------------|--------------------------------|----------------------------------|------------|
| | | 2018 | 2017 |
| Fellow subsidiary: | | | |
| Yuanta Securities | Office rental/ Venue rental | \$ 121,178 | \$ 105,979 |
| Yuanta Securities Finance | Office rental | 2,537 | 2,537 |
| Other related parties: | | | |
| He Xing Construction | Office rental | - | 4,930 |
| Total | | \$ 123,715 | \$ 113,446 |

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

| Names of related parties | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Fellow subsidiary: | | |
| Yuanta Securities | \$ 6,077 | \$ 5,928 |
| Yuanta Securities Finance | 633 | 633 |
| Other related parties: | | |
| He Xing Construction | - | 250,000 |
| Total | \$ 6,710 | \$ 256,561 |

F. Donations

| Names of related parties | For the years ended December 31, | |
|--|----------------------------------|-----------|
| | 2018 | 2017 |
| Fellow subsidiary: | | |
| Yuanta Cultural & Education Foundation | \$ 28,300 | \$ 16,000 |
| Polaris Research Institute | 8,970 | 7,200 |
| Total | \$ 37,270 | \$ 23,200 |

G. Consulting fee

| Names of related parties | For the years ended December 31, | |
|---|----------------------------------|----------|
| | 2018 | 2017 |
| Fellow subsidiary: | | |
| Yuanta Securities Investment Consulting | \$ 12,780 | \$ 9,780 |

H. Commission expense

| Names of related parties | For the years ended December 31, | |
|---------------------------|----------------------------------|-----------|
| | 2018 | 2017 |
| Fellow subsidiary: | | |
| Yuanta Securities | \$ 27,137 | \$ 18,485 |
| Yuanta Securities (Korea) | 893 | 437 |
| Yuanta Futures | 1 | - |
| Total | \$ 28,031 | \$ 18,922 |

I. Current income tax assets/ liabilities

| Names of related parties | December 31, 2018 | December 31, 2017 |
|-------------------------------------|-------------------|-------------------|
| Parent company: | | |
| Yuanta Financial Holdings | | |
| Consolidated income tax receivables | \$ 2,275,250 | \$ 2,276,587 |
| Consolidated income tax payables | \$ 312,073 | \$ 477,017 |

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, 2018 | | |
|--------------------|--------------------------------------|----------------|---------------|
| | Type | Purchase Price | Selling Price |
| Fellow subsidiary: | | | |
| Yuanta Securities | Bonds | \$ 199,968 | \$ - |

| | For the year ended December 31, 2017 | | |
|--------------------|--------------------------------------|----------------|---------------|
| | Type | Purchase Price | Selling Price |
| Fellow subsidiary: | | | |
| Yuanta Securities | Bonds | \$ 508,141 | \$ 50,109 |

(B) Transactions of derivative financial instruments

| Names of related parties | Derivative Instrument Contract | Period | December 31, 2018 | | | |
|--------------------------|--------------------------------|--|-------------------|--------------------------|---|---------|
| | | | Notional Amount | Gain (Loss) on Valuation | Balance Sheet | |
| | | | | | Account | Balance |
| Yuanta Life Insurance | Asset swap contracts | Maturing between 2018.10.07-2019.04.19 | \$ 400,000 | \$ 623 | Financial assets at fair value through profit or loss | \$ 623 |

December 31, 2017

| Names of related parties | Derivative Instrument Contract | Period | Notional Amount | Gain (Loss) on Valuation | Balance Sheet | |
|--------------------------|--------------------------------|--|-----------------|--------------------------|---|---------|
| | | | | | Account | Balance |
| Others (Note) | Structured instruments | Maturing between 2013.03.04-2025.05.05 | \$ 34,347 | \$ 484 | Financial assets at fair value through profit or loss | \$ 484 |

Note: Each transaction is lower than 10% of the respective account balance.

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

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|----------------------------|--------------------------|--------------------------|
| Fellow subsidiary: | | |
| Yuanta Futures | | |
| Futures trading guarantees | \$ <u>5,991</u> | \$ <u>17,179</u> |

Service charges for trading of futures are as follows:

| | <u>For the years ended December 31,</u> | |
|--------------------|---|--------------|
| | <u>2018</u> | <u>2017</u> |
| Fellow subsidiary: | | |
| Yuanta Futures | | |
| Interest income | \$ <u>21</u> | \$ <u>9</u> |
| Service income | \$ <u>318</u> | \$ <u>50</u> |

- (D) As of December 31, 2018 and 2017, the Consolidated Company sold transportation equipment to Yuanta Life Insurance, the disposal price was \$450 and \$1,650, respectively, and the losses on disposal was \$95 and \$29, respectively.
- (E) As of December 31, 2017, the Consolidated Company sold transportation equipment amounting to \$1,300 to Yuanta Venture and resulted in gains on disposal in the amounts of \$70.
- (F) 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.
- (G) Ta Chong Bank sold assets held for sale in the amount of \$36,500 to Yuanta Securities in September 2017 and the transaction was settled in October 2017.
- (H) For the year ended December 31, 2017, Ta Chong Bank paid the dividends amounting to \$2,364,620 for private placed Class C registered convertible preferred stock to Yuanta Financial Holdings.
- (I) On August 17, 2017, the Board of Directors of Ta Chong Bank on behalf of ordinary and preferred shareholders amend to revise the Bank's Articles of Incorporation in order to repurchase Series C convertible preferred shares. On September 30, 2017, Series C convertible preferred shares have been repurchased at maturity.
- (J) On August 17, 2017, the Board of Directors of Ta Chong Bank adopted a resolution to purchase 17,765,300 shares of the common stock of Taiwan Depository & Clearing Corporation from

Yuanta Securities Finance for a total consideration totaled \$1,081,729. The transaction was approved by the competent authority on September 27, 2017 and settled on October 31, 2017.

K. Others

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|---|--------------------------|
| Receivables - Yuanta Securities | \$ 44 | \$ 19 |
| Receivables - Yuanta Life Insurance | 10 | - |
| Other assets - Yuanta Life Insurance | 7,127 | - |
| Payables - Yuanta Financial Holdings | 10,729 | 2,927 |
| Payables - Yuanta Securities | 7,331 | 7,416 |
| Payables - Yuanta Asset Management | 2,015 | - |
| Payables - Yuanta Life Insurance | 510 | - |
| | <u>For the years ended December 31,</u> | |
| | <u>2018</u> | <u>2017</u> |
| Miscellaneous revenues - Yuanta Securities | \$ 164 | \$ 164 |
| Miscellaneous revenues - Yuanta Futures | 164 | 164 |
| Operating expenses - Yuanta Life Insurance | 9,138 | 610 |
| Operating expenses - Yuanta Securities | 120 | 120 |

(4) Information on remunerations to the key management

| | <u>For the years ended December 31,</u> | |
|---|---|-------------------|
| | <u>2018</u> | <u>2017</u> |
| Salaries and other short-term employee benefits | \$ 926,608 | \$ 831,571 |
| Post-employment benefits | 34,993 | 17,435 |
| Termination benefits | 1,007 | - |
| Other long-term employee benefits | - | 422 |
| Total | <u>\$ 962,608</u> | <u>\$ 849,428</u> |

8. Pledged assets

As of December 31, 2018 and 2017, the Consolidated Company's assets pledged as collateral are as follows:

| Items | December 31, 2018 | Purpose of pledge |
|--|-------------------|--|
| <u>Investments in debt</u> | | |
| <u>instruments at amortised cost</u> | | |
| - Negotiable certificates of deposit of Central Bank | \$ 10,000,000 | Foreign currency clearing overdraft guarantee |
| - Time deposits | 1,342,500 | Foreign currency clearing overdraft guarantee |
| - Government bonds | 477,298 | Collateral for provisional seizure |
| - Government bonds | 186,813 | Trust fund reserve |
| - Government bonds | 110,460 | OTC EBTS for bond settlement reserves |
| - Government bonds | 80,587 | Operating guarantee deposits |
| - Government bonds | 55,230 | Deposit guarantees of bills merchants |
| - Government bonds | 44,184 | Operating guarantee deposits for securities underwriting |
| - Government bonds | 11,046 | Operating guarantee deposits for securities dealing |
| - Government bonds | 5,192 | VISA International card payment reserves |
| <u>Financial assets at fair value</u> | | |
| <u>through other comprehensive income</u> | | |
| - Government bonds | 31,102 | Collateral for provisional seizure |
| - Corporate bonds | 399,054 | Operating guarantee deposits |
| <u>Receivables</u> | 6,000 | Collateral for provisional seizure |
| Items | December 31, 2017 | Purpose of pledge |
| <u>Bond investments</u> | | |
| <u>without active market</u> | | |
| - Time deposits | \$ 320,530 | Foreign currency clearing overdraft guarantee |
| - Government bonds | 9,805,852 | Foreign currency clearing overdraft guarantee |
| - Government bonds | 339,891 | Collateral for provisional seizure |
| - Government bonds | 98,109 | OTC EBTS for bond settlement reserves |
| - Government bonds | 88,298 | Trust fund reserve |
| - Government bonds | 49,576 | Deposit guarantees of bills merchants |
| - Government bonds | 39,661 | Operating guarantee deposits for securities underwriting |
| - Government bonds | 9,915 | Operating guarantee deposits for securities dealing |
| - Government bonds | 4,452 | VISA International card payment reserves |
| <u>Available-for-sale financial assets</u> | | |
| - Government bonds | 165,733 | Guarantee deposits with the courts |
| - Government bonds | 60,426 | Trust fund reserve |
| - Government bonds | 50,355 | Deposits for guarantees in Central Bank |
| - Government bonds | 10,071 | Operating guarantees deposits in Bank of Taiwan |

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, 2018 and 2017, capital expenditures contracted for at the balance sheet date but not yet incurred were \$170,010 and \$231,057, respectively.

(2) Litigation case

A. 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. Information regarding the lawsuit as of December 31, 2018 is as follows:

In March 2016, Trust Investment (a borrower) petitioned to the Financial Services Commission of the Republic of Korea that Yuanta Savings Bank (Korea) overcharged expenses for prior loan cases and thus claimed Yuanta Savings Bank (Korea) should return ₩4 billion 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, 2018, recognized compensatory assets and contingent liabilities resulting from the litigation were ₩4,024,469 thousand, accounted respectively under "Other assets-net" and "liability reserves". On June 16, 2017, the aforementioned case was adjudicated in favour of the plaintiff, Yuanta Savings Bank (Korea), by the Seoul District Court, Korea; the defendant, Trust Investment, appealed to the Seoul High Court, Korea. On May 25, 2018, the Seoul High Court ruled in favour of Yuanta Savings Bank (Korea). Trust Investment has appealed to the Supreme Court of Korea. As of December 31, 2018, the aforementioned litigation is still under the judicial review of the Supreme Court of Korea. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

B. Ta Chong Bank had conducted foreign exchange derivatives transactions with Sino United International Co., Ltd. and Plosa International Co., Ltd. (collectively referred herein as "the SINO and PLOSA companies"). As the SINO and PLOSA companies disputed the losses incurred from Target Redemption Forward transactions, they filed a complaint against the Yuanta Bank in the Taiwan Taipei District court, seeking reimbursements for the losses incurred (underlying claim: US\$3,123 thousand and its interest; secondary claim: US\$ 1,445 thousand and its interest). Yuanta Bank has taken on the lawsuit after acquiring Ta Chong Bank. On January 26, 2018, the first instance court ruled in favour of Ta Chong Bank. The SINO and PLOSA companies were dissatisfied with the decisions and filed an appeal. On March 12, 2019, the court of the second instance adjudicated in favour of Yuanta Bank.

C. Yuanta Savings Bank (Korea) exercised its pledge right to acquire a 33.3% interest equity of Pentagon City because Yuanta Savings Bank (Korea) provided a credit loan to Pentagon City from 2006 to 2008. In September 2008, Pentagon City implemented the capital reduction, which was originally held by Yuanta Savings Bank (Korea) and another shareholder, and Pentagon City returned cash of ₩28 billion to Yuanta Savings Bank (Korea). Pentagon City claimed that Yuanta Savings Bank (Korea) breached the 10% holding limit for an unlisted company made by Korea Investment Savings Bank, and thus claimed Yuanta Savings Bank (Korea) should return ₩19,599,160 thousand as unjustly received benefit, which is over the 10% holding limit. On

November 2, 2018, Yuanta Savings Bank received the notice of court session. As of December 31, 2018, the case is still under the assessment of the Seoul District Court. The subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

(3) Others

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Irrevocable loan commitments | \$ 28,439,091 | \$ 27,594,788 |
| Unused credit commitments on credit cards | 121,759,033 | 65,790,040 |
| Unused letters of credit balance | 4,570,325 | 4,413,112 |
| Other guarantees | 15,773,127 | 17,018,912 |
| Consignment collection for others | 18,940,103 | 13,984,791 |
| Trust assets | 202,757,553 | 126,214,752 |
| Items under custody | 33,312,553 | 37,197,302 |
| Commitment of securities under repurchase agreements | 16,385,401 | 11,310,017 |
| Commitment of securities under resale agreements | - | 9,182,469 |

Note: Amounts as of December 31, 2017 did not include Ta Chong Bank.

(4) Ta Chong Bank

As of December 31, 2017, Ta Chong Bank's commitments are as follows:

| | <u>December 31, 2017</u> |
|---|--------------------------|
| Irrevocable loan commitments | \$ 13,430,964 |
| Unused credit commitments on credit cards | 62,107,624 |
| Unused letters of credit balance | 450,561 |
| Other guarantees | 8,234,855 |
| Consignment collection for others | 7,742,286 |
| Trustee of agents loans | 7,742,286 |
| Trustee of agents in sale of traveler's check | 29,732 |
| Guarantee notes payable | 224,200 |
| Trust assets | 65,742,667 |
| Custody securities | 1,079,305 |

10. Significant losses from disasters

None.

11. Significant subsequent events

None.

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, financial assets at fair value through other comprehensive income, 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, 2018 | | | |
|--|-------------------|--------------|--------------|-----------|
| | 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 mandatorily measured at fair value through profit or loss | | | | |
| Stock investments | \$ 4,102,279 | \$ 4,102,279 | \$ - | \$ - |
| Bond investments | 95,340,260 | 20,534,945 | 74,805,315 | - |
| Short-term notes and bills | 28,667,657 | - | 28,667,657 | - |
| Others | 2,005,759 | 5,340 | 2,000,419 | - |
| Financial assets at fair value through other comprehensive income | | | | |
| Stock investments | 5,076,197 | 1,960,085 | - | 3,116,112 |
| Bond investments | 101,225,869 | 40,280,454 | 60,945,415 | - |
| Short-term notes and bills | 770,710 | - | 770,710 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 4,593,251 | \$ - | \$ 4,593,251 | \$ - |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | \$ 4,823,707 | \$ - | \$ 4,823,707 | \$ - |

| 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 | 66,726,502 | 18,076,064 | 48,650,438 | - |
| Others | 42,230,458 | 434,385 | 41,796,073 | - |
| Available-for-sale financial assets | | | | |
| Stock investments | 4,480,195 | 1,733,342 | - | 2,746,853 |
| Bond investments | 113,730,433 | 21,655,271 | 91,601,343 | 473,819 |
| Short-term notes and bills | 142,384,058 | - | 142,384,058 | - |
| Liabilities | | | | |
| Financial liabilities at fair value | | | | |
| through profit or loss | | | | |
| Financial liabilities designated as at fair value through profit or loss on initial recognition | \$ 3,203,872 | \$ - | \$ 2,057,532 | \$ 1,146,340 |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 4,101,333 | \$ 1,724 | \$ 2,389,758 | \$ 1,709,851 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | \$ 3,903,357 | \$ - | \$ 2,194,214 | \$ 1,709,143 |

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 have 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.

- c. Foreign government bonds, financial bonds, corporate bonds and securitized instruments: the quotations from Bloomberg information or OTC are adopted.
 - d. Listed stocks (TSE and OTC) and 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 and 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. NTD negotiable certificates of deposit, short-term commercial papers and treasury bills: TAIBIRO2 rate provided by Taiwan Depository Clearing Corporation 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 instruments and equity structured instruments: Interest valuation techniques elect valuation models for options to obtain reasonable theoretical prices.
 - f. Derivatives trading:
 - (a) Foreign exchange forward contract, currency swaps, interest rate swaps and cross currency swaps: quoted priced of Reuters on Bloomberg information is referenced and used to discount future cash flow.
 - (b) Options: Black-Scholes, Vanna-Volga, Local Volatility or stochastic volatility models are mainly adopted for valuation, and the quoted prices of Reuters are referenced.
 - (c) Foreign structured instruments: The quoted prices of Reuters are mainly referenced. Multi-factor models are adopted for valuation and the quoted prices from counterparties are also used.
 - g. 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

As of December 31, 2018, there were no transfers from Level 1 to 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. As of December 31, 2017, there were \$1,093,452 transferred 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:

| Items | For the year ended December 31, 2018 | | | | | | | |
|---|--------------------------------------|----------------------------|---------------------|-------------------------------|---------------------------|---------------------------------|---------------------|---------------------|
| | Gain and loss on valuation | | | | 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 assets at fair value through profit or loss | \$ 1,709,851 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,709,851 | \$ - |
| Financial assets at fair value through other comprehensive income | 3,945,813 | (7) | 14,925 | - | 24,929 | - | 1,198,960 | 3,116,112 |
| Total | <u>\$ 5,655,664</u> | <u>\$ 7</u> | <u>\$ 14,925</u> | <u>\$ -</u> | <u>\$ 24,929</u> | <u>\$ -</u> | <u>\$ 2,908,811</u> | <u>\$ 3,116,112</u> |
| Items | For the year ended December 31, 2017 | | | | | | | |
| | Gain and loss on valuation | | | | 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 assets at fair value through profit or loss | \$ 6,107,097 | \$ 998,296 | \$ - | \$ 740,414 | \$ - | \$ 4,139,436 | \$ (72) | \$ 1,709,851 |
| Available-for-sale financial assets | 2,610,301 | (61,479) | 1,093,886 | - | 546,628 | - | 113,861 | 3,220,672 |
| Total | <u>\$ 8,717,398</u> | <u>\$ 1,059,775</u> | <u>\$ 1,834,300</u> | <u>\$ -</u> | <u>\$ 4,686,064</u> | <u>\$ -</u> | <u>\$ 113,789</u> | <u>\$ 4,930,523</u> |

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of December 31, 2018 and 2017, the gains and losses on assets were gain of \$0 and \$ 2,040,991, respectively.

In relation to the above, valuation gains and losses are recognized in other comprehensive income. As of December 31, 2018 and 2017, the gains and losses on assets were gain of \$378,926 and \$225,462, 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:

| Items | For the year ended December 31, 2018 | | | | | |
|--|--------------------------------------|----------------------------|---------------------|-------------------------------|---------------------------|----------------|
| | Gain and loss on valuation | Addition | | Reduction | | Ending balance |
| | Beginning balance | Other comprehensive income | Purchased or issued | Transferred to Level 3 (Note) | Sold, disposed or settled | |
| Financial liabilities at fair value through profit or loss | \$ 2,855,482 | \$ 15,660 | \$ - | \$ - | \$ 1,162,000 | \$ 1,709,142 |
| | | \$ - | \$ - | \$ - | \$ - | \$ - |

| Items | For the year ended December 31, 2017 | | | | | |
|--|--------------------------------------|----------------------------|---------------------|-------------------------------|---------------------------|----------------|
| | Gain and loss on valuation | Addition | | Reduction | | Ending balance |
| | Beginning balance | Other comprehensive income | Purchased or issued | Transferred to Level 3 (Note) | Sold, disposed or settled | |
| Financial liabilities at fair value through profit or loss | \$ 6,206,365 | \$ 2,086,617 | \$ 2 | \$ - | \$ 1,264,339 | \$ 2,855,483 |
| | | \$ - | \$ - | \$ - | \$ - | \$ 72 |

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of December 31, 2018 and 2017, the gains and losses on liabilities were gain of \$0 and loss of \$ 2,274,971, respectively.

In relation to the above, valuation gains and losses are recognized in other comprehensive income. As of December 31, 2018 and 2017, the gains and losses on liabilities were loss of \$0 and \$2, 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. (Quotes provided by counterparties are excluded)

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 |
| <u>December 31, 2018</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through other comprehensive income | \$ - | \$ - | \$ 311,560 | (\$ 311,560) |
| <u>December 31, 2017</u> | | | | |
| <u>Assets</u> | | | | |
| Available-for-sale financial assets | \$ - | \$ - | \$ 274,634 | (\$ 274,634) |
| <u>Liabilities</u> | | | | |
| Financial liabilities at fair value through profit or loss | 114,644 | (114,644) | 10 | (10) |

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 financial assets at fair value through other comprehensive income - 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, 2018 | Valuation technique | Significant unobservable input | Range (Weight average) |
|---|---------------------------------|---------------------|--|-----------------------------------|
| Financial assets at fair value through other comprehensive income | | | | |
| Stock investments | \$ 3,115,600 | Market method | Price to earnings ratio multiple Price to book ratio multiple Discount for marketability | 12.29~29.66 0.80~2.86 ≤ 35% |
| Available-for-sale financial assets | | | | |
| Stock investments | \$ 2,746,334 | Market method | Price to earnings ratio multiple Price to book ratio multiple Discount for marketability | 11.97~30.33 0.75~2.81 ≤ 35% |
| Financial liabilities at fair value through profit or loss | | | | |
| Financial bonds | \$ 1,146,340 | Hybrid Model | Discount for marketability Credit Spread | 0% 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, 2018 | |
|--|-------------------|---------------|
| | Book value | Fair value |
| <u>Financial assets</u> | | |
| Investments in debt instruments at amortised cost (Note) | \$ 67,682,606 | \$ 69,330,951 |
| <u>Financial liabilities</u> | | |
| Financial debentures payable | 38,000,000 | 39,831,563 |

| 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> | | |
| Financial debentures payable | 43,500,000 | 45,377,900 |

Note: The government bonds, corporate bonds, and financial bonds which are classified as investments in debt instruments at amortised cost/ bond investments without active market.

B. Hierarchy of fair value estimation of financial instruments:

| Items | December 31, 2018 | | | |
|--|-------------------|--------------|--------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial assets</u> | | | | |
| Investments in debt instruments at amortised cost (Note) | \$69,330,951 | \$ 3,003,444 | \$66,327,507 | \$ - |
| <u>Financial liabilities</u> | | | | |
| Financial debentures payable | 39,831,563 | - | 39,831,563 | - |

| 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 | 25,961,789 | - |
| <u>Financial liabilities</u> | | | | |
| Financial debentures payable | 45,377,900 | - | 45,377,900 | - |

Note: The government bonds, corporate bonds, and financial bonds which are classified as investments in debt instruments at amortised cost/ bond investment 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, 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) Investments in debt instruments at amortised cost: NTD Central Government bonds 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.
- (D) 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.
- (E) 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 Consolidated Company engages in risk management under the principles of not only serving customers but also conforming to the Bank's operational goals, 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 Consolidated Company has established written risk management policies and guidelines which have been approved by the Board of Directors or senior management 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 related procedures, as well as monitoring the effectiveness of risk management systems. The Board delegates authority for monitoring the control of risks to the Audit Committee. The Risk Management Committee is responsible for risk management reporting, discussion of issues and the integration and execution of policies. 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 relevant committees to discuss issues regarding risk management; moreover, an emergency response team has been established, so that the Bank, when faced with crises or extraordinary events, is able 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 a 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 has divided its services into consumer finance services and corporate finance services according to the nature of services. With an emphasis on segregation of duties whereby the credit investigation is 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 is able to strengthen controls over consumer finance, raise the bar on credit reviewing, strengthen controls over credit limits, enhance the quality of credit assets, and 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 keep credit risk within the tolerable range, the Bank has set out a rule in its credit risk management guidelines 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 relevant guidelines. As for the more complex credit services, e.g. factoring, credit-linked derivatives, etc., tailored risk management mechanisms are incorporated into the relevant 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, which are 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 whose recovery is doubtful. Category Five for assets which 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, using statistical methods and expert professional judgment, as well as the 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 of various inputs is calibrated to optimize the calculation result.

Credit rating of corporate finance is categorized into 11 levels according to the risks assessment on each credit extension case. When a loan is granted, in addition to the credit quality of the client, fund purpose, and repayment source, the protection of claims and credit prediction should be considered, and 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 consumer finance is categorized by client category, 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 risk rating |
| Excellent | Level 1~6 | Excellent |
| Acceptable | Level 7~10 | Acceptable |
| Weak | Level 11~D | 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 related 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 between 1 and 6.
- (b) Acceptable: Exposure to instrument with a result of internal/ external credit rating level between 7 and 10.
- (c) Weak: Exposure to instrument with a result of internal/ external credit rating level between 11 and D.

(D) Expected credit losses calculation

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

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

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

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

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

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

(a) Credit business

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

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

(b) Investments in debt instruments

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

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

(c) Other financial assets

At the balance sheet date, other financial assets is determined to have significant increase in credit risk when the following condition is met:

- i. Refundable deposits: At the balance sheet date, the deposit has not been returned at maturity.
- ii. Call loans to (from) banks and due from the Central Bank, banks overdrafts, bills and bonds with a reverse repo and bond, commercial paper and time deposit and its interest receivable: At the balance sheet date, the date that the Consolidated Company received the payment from counterparties is over the collection date, unless the contractual terms specify it.
- iii. Remaining receivables: At the balance sheet date the number of past-due days is over 30 days, or the number of past-due days is not over 30 days but it meets the terms of default.

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

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

(a) Credit business

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

(b) Investments in debt instruments

An investment in a debt instrument by the Consolidated Company is considered credit-impaired if any of the following conditions apply.

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

(c) Other financial assets

- i. Refundable deposits: At the balance sheet date, the deposit has not been returned at maturity.
- ii. Call loans to (from) banks and due from the Central Bank, banks overdrafts, bills and bonds with a reverse repo, commercial paper and time deposit and its interest receivable: At the balance sheet date, the date that the Consolidated Company received the payment from counterparties is 30 days overdue from the collection date, unless the contractual terms specify it.
- iii. Remaining receivables: At the balance sheet date, the number of past-due days is over 90 days.

(d) Definition of default

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

c. Eliminating policy

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

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

d. Measurement of expected credit losses

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

(a) Credit business

i. Probability of default

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

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

ii. Loss given default

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

iii. Exposure at default (EAD)

- (i) On balance sheet - Loans and loan receivables: calculated from credit balance
- (ii) Off balance sheet - Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the "Calculation Method of

Equity Capital and Risky Assets and Accompanying Forms - Credit Risk Standard Rules.”

(b) Investments in debt instruments

- i. Probability of default: Calculated based on default rate tables published by external credit rating agencies, incorporating forecastable information.
- ii. Loss given default: Calculated based on the collateral and liquidity preference of the debt instrument, incorporating the average recovery rate disclosed by external credit rating agencies; or set in accordance with rules of the competent authority.
- iii. Exposure at default: Total carrying amount, including interest receivable. Total carrying amount is the amortised cost of the financial asset before any adjustment to the loss allowance.

(c) Other financial assets

- i. Probability of loss: Categorize the ending account balances of each year according to the stages they are in, then divide the impairment already recognized at the end of the period by the beginning balance.
- ii. Individual assessments for special cases with large balances may be considered.

e. Consideration of forecastable information

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

(a) For determining significant increase in credit risk

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

(b) For measuring expected credit losses

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

(c) Other

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

(E) Hedging 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.

(F) Management procedures of overseas branches and subsidiary

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.

(G) Maximum risk exposure of the Consolidated Company

a. 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(3) and (4) for the maximum credit risk exposure of the consolidated balance sheet.

b. 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 total carrying value of the Consolidated Company's financial assets with the maximum credit risk is as follows:

Bills discounted and loans (Note 1)

| December 31, 2018 | Stage 1 | Stage 2 | Stage 3 | Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
|--|---------------------------------|---------------------------------|---------------------------------|--|-----------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | | |
| Credit ratings | | | | | |
| Internal ratings - excellent | \$ 437,199,852 | \$ 1,233,621 | \$ 512,955 | \$ - | \$ 438,946,428 |
| Internal ratings - acceptable | 96,779,294 | 2,001,979 | 193,632 | - | 98,974,905 |
| Internal ratings - weak | 12,303,984 | 809,586 | 5,136,489 | - | 18,250,059 |
| Internal ratings - no rated | 187,156,305 | 629,943 | 81,562 | - | 187,867,810 |
| Total carrying amount | 733,439,435 | 4,675,129 | 5,924,638 | - | 744,039,202 |
| Allowance for bad debts | (1,587,172) | (907,633) | (2,609,700) | - | (5,104,505) |
| Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | - | - | - | (6,828,554) | (6,828,554) |
| Total | \$ 731,852,263 | \$ 3,767,496 | \$ 3,314,938 | (\$ 6,828,554) | \$ 732,106,143 |

Receivables and Other financial assets (Note 1)

| December 31, 2018 | Stage 1 | Stage 2 | Stage 3 | Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
|--|---------------------------------|---------------------------------|---------------------------------|--|----------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | | |
| Credit ratings | | | | | |
| Internal ratings- excellent | \$ 12,439,963 | \$ 20,622 | \$ 8,272 | \$ - | \$ 12,468,857 |
| Internal ratings- acceptable | 294,631 | 7,883 | 1,326 | - | 303,840 |
| Internal ratings- weak | 1,222,356 | 153,843 | 15,386 | - | 1,391,585 |
| Internal ratings- no rated | 11,299,008 | 36,130 | 1,619,073 | - | 12,954,211 |
| Total carrying amount | 25,255,958 | 218,478 | 1,644,057 | - | 27,118,493 |
| Allowance for bad debts | (21,829) | (82,067) | (1,381,389) | - | (1,485,285) |
| Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | - | - | - | (92,397) | (92,397) |
| Total | \$ 25,234,129 | \$ 136,411 | \$ 262,668 | (\$ 92,397) | \$ 25,540,811 |

Note 1: Amount of bills discounted and loans include interest receivables and advance was \$1,094,399, and following bad debt allowance was \$26,824.

Off-balance sheet items

| December 31, 2018 | Stage 1 | Stage 2 | Stage 3 | Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
|--|---------------------------------|---------------------------------|---------------------------------|--|-----------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | | |
| Credit ratings | | | | | |
| Internal ratings - excellent | \$ 250,217,124 | \$ 74,454 | \$ 1,695 | \$ - | \$ 250,293,273 |
| Internal ratings - acceptable | 16,523,999 | 9,140 | 135 | - | 16,533,274 |
| Internal ratings - weak | 2,643,624 | 90,336 | 112,465 | - | 2,846,425 |
| Internal ratings - no rated | 112,678,103 | 7,631 | 2,181 | - | 112,687,915 |
| Total carrying amount | <u>\$ 382,062,850</u> | <u>\$ 181,561</u> | <u>\$ 116,476</u> | <u>\$ -</u> | <u>\$ 382,360,887</u> |
| Provisions for loss (Note 2) | (\$ 53,547) | (\$ 19,502) | (\$ 55,824) | \$ - | (\$ 128,873) |
| Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | - | - | - | (125,474) | (125,474) |
| Total | <u>(\$ 53,547)</u> | <u>(\$ 19,502)</u> | <u>(\$ 55,824)</u> | <u>(\$ 125,474)</u> | <u>(\$ 254,347)</u> |

Note 2: Including provisions for guarantee liabilities, loan commitments and letters of credit.

Financial assets at fair value through other comprehensive income

| December 31, 2018 | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Credit ratings | | | | |
| Internal ratings - excellent | \$ 101,819,086 | \$ 200,000 | \$ - | \$ 102,019,086 |
| Internal ratings - acceptable | 39,795 | - | - | 39,795 |
| Total carrying amount | 101,858,881 | 200,000 | - | 102,058,881 |
| Valuation adjustment | (63,962) | 1,660 | - | (62,302) |
| Total | <u>\$ 101,794,919</u> | <u>\$ 201,660</u> | <u>\$ -</u> | <u>\$ 101,996,579</u> |

Investments in debt instruments at amortised cost

| December 31, 2018 | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------|
| | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | |
| Credit ratings | | | | |
| Internal ratings - excellent | \$ 180,157,633 | \$ - | \$ - | \$ 180,157,633 |
| Internal ratings - acceptable | 51,352 | - | - | 51,352 |
| Total carrying amount | 180,208,985 | - | - | 180,208,985 |
| Allowance for bad debts | (98) | - | - | (98) |
| Total | <u>\$ 180,208,887</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 180,208,887</u> |

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, 2018 | Collateral (Note) | Net-settled general agreement | Total |
|---|----------------------|----------------------------------|-------------|
| <u>For accounts on the balance sheet</u> | | | |
| Receivables | | | |
| - other | \$ 287,754 | \$ - | \$ 287,754 |
| Bills discounted and loans | 533,740,626 | - | 533,740,626 |
| Financial assets at fair value through profit or loss | 256,413 | 1,515,250 | 1,771,663 |
| <u>For accounts off the balance sheet</u> | | | |
| Irrevocable loan commitments | 4,092,019 | - | 4,092,019 |
| Unused letters of credit balance | 131,176 | - | 131,176 |
| Guarantees (including for non-performing loans) | 5,969,570 | - | 5,969,570 |
| | | | |
| December 31, 2017 | Collateral (Note) | Net-settled general agreement | Total |
| <u>For accounts on the balance sheet</u> | | | |
| Receivables | | | |
| - other | \$ 414,139 | \$ - | \$ 414,139 |
| Bills discounted and loans | 540,667,837 | - | 540,667,837 |
| Financial assets at fair value through profit or loss | 2,303,750 | 1,561,959 | 3,865,709 |
| <u>For accounts off the balance sheet</u> | | | |
| Irrevocable loan commitments | 8,674,365 | - | 8,674,365 |
| Unused letters of credit balance | 116,779 | - | 116,779 |
| Guarantees (including for non-performing loans) | 6,478,887 | - | 6,478,887 |

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

(H) Credit risk concentration

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

The credit risks of the 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, 2018 | | December 31, 2017 | |
|-----------------------------|-----------------------|---------------|-----------------------|---------------|
| | Amount | % | Amount | % |
| Privately owned businesses | \$ 349,029,932 | 46.98 | \$ 318,239,110 | 43.01 |
| Government-owned businesses | 194,965 | 0.03 | 1,223,900 | 0.17 |
| Non-profit organizations | 1,654,138 | 0.22 | 1,902,041 | 0.26 |
| Private individuals | 389,567,286 | 52.44 | 394,625,584 | 53.34 |
| Financial institutions | 839,840 | 0.11 | 22,373,603 | 3.02 |
| Others | 1,658,642 | 0.22 | 1,470,841 | 0.20 |
| Total | <u>\$ 742,944,803</u> | <u>100.00</u> | <u>\$ 739,835,079</u> | <u>100.00</u> |

b. Geography location

| Geography location | December 31, 2018 | | December 31, 2017 | |
|--------------------|-----------------------|---------------|-----------------------|---------------|
| | Amount | % | Amount | % |
| Republic of China | \$ 641,956,588 | 86.41 | \$ 635,198,557 | 85.86 |
| Asia | 89,584,018 | 12.06 | 56,184,898 | 7.59 |
| Others | 11,404,197 | 1.53 | 48,451,624 | 6.55 |
| Total | <u>\$ 742,944,803</u> | <u>100.00</u> | <u>\$ 739,835,079</u> | <u>100.00</u> |

c. Collateral (Note)

| Collateral | December 31, 2018 | | December 31, 2017 | |
|--------------------------|-----------------------|---------------|-----------------------|---------------|
| | Amount | % | Amount | % |
| Non-guaranteed | \$ 209,204,177 | 28.16 | \$ 122,173,357 | 24.71 |
| Guaranteed | | | | |
| - Stock collateral | 21,391,143 | 2.88 | 16,779,166 | 3.39 |
| - Bond collateral | 7,549,402 | 1.02 | 7,453,087 | 1.51 |
| - Real estate collateral | 455,885,745 | 61.36 | 302,715,888 | 61.24 |
| - Moveable collateral | 42,588,642 | 5.73 | 40,809,159 | 8.26 |
| - Notes receivable | 51,717 | 0.01 | - | - |
| - Guarantee | 4,014,078 | 0.54 | 3,334,879 | 0.67 |
| - Others | 2,259,899 | 0.30 | 1,084,527 | 0.22 |
| Total | <u>\$ 742,944,803</u> | <u>100.00</u> | <u>\$ 494,350,063</u> | <u>100.00</u> |

Note: Amounts as of December 31, 2017 did not include Ta Chong Bank.

(I) Changes in the Consolidated Company's allowance for bad debts and accumulative impairment

a. Credit business

For the years ended December 31, 2018, the reconciliation of the balance of allowance for bad debts is as follows:

(a) Bills discounted and loans

| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses (Stage 2) | Lifetime expected credit losses (Stage 3) | Impairment recognized in accordance with IFRS9 | Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
|--|---|---|---|---|--|---------------|
| For the year ended December 31, 2018 | \$ 2,134,945 | \$ 1,660,034 | \$ 3,570,605 | \$ 7,365,584 | \$ 5,403,989 | \$ 12,769,573 |
| Beginning balances | | | | | | |
| Changes from financial instruments recognized at the beginning | | | | | | |
| - Transferred to lifetime expected credit losses | (5,402) | 6,341 (939) | | - | - | - |
| - Transferred to credit-impaired financial asset | (17,935) | (6,776) | 24,711 | - | - | - |
| - Transferred to 12-month expected credit losses | 170,927 | (32,800) | (138,127) | - | - | - |
| - Financial assets derecognized in the current period | (741,293) | (50,643) | (835,061) | (1,626,997) | - | (1,626,997) |
| Impairment allowance for purchased or originated financial asset | 564,385 | 44,352 | 363,108 | 971,845 | - | 971,845 |
| Differences in impairment of financial assets provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans | | | | | 1,417,589 | 1,417,589 |
| Write-off as bad debt | (295,498) | (181,729) | (1,324,160) | (1,801,387) | - | (1,801,387) |
| Change in exchange and others | (226,459) | (531,468) | 933,539 | 175,612 | - | 175,612 |
| Ending balances | \$ 1,583,670 | \$ 907,311 | \$ 2,593,676 | \$ 5,084,657 | \$ 6,821,578 | \$ 11,906,235 |

For the year ended December 31, 2018, significant changes in the total carrying amount that affected allowance for bad debts are as follows:

| | 12-month expected credit losses (stage 1) | Lifetime expected credit losses (Stage 2) | Lifetime expected credit losses (Stage 3) | Total |
|--|---|---|---|----------------|
| Bills discounted and loans | | | | |
| Beginning balances | \$ 728,230,691 | \$ 4,927,682 | \$ 6,676,706 | \$ 739,835,079 |
| Changes from financial instruments recognized at the beginning | | | | |
| - Transferred to lifetime expected credit losses | (1,549,121) | 1,550,586 | (1,465) | - |
| - Transferred to credit-impaired financial asset | (2,011,420) | (405,095) | 2,416,515 | - |
| - Transferred to 12-month expected credit losses | 933,645 | (600,875) | (332,770) | - |
| - Financial assets derecognized in the current period | (269,692,153) | (2,667,596) | (1,548,334) | (273,908,083) |
| Purchased or originated financial asset | 318,211,066 | 2,246,809 | 612,646 | 321,070,521 |
| Write-off as bad debt | (295,498) | (181,729) | (1,324,160) | (1,801,387) |
| Change in exchange and others | (41,442,252) | (207,957) | (601,118) | (42,251,327) |
| The ending balances | \$ 732,384,958 | \$ 4,661,825 | \$ 5,898,020 | \$ 742,944,803 |

(Blank below)

(b) Receivables and other financial assets

| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses (Stage 2) | Lifetime expected credit losses (Stage 3) | Impairment recognized in accordance with IFRS9 | Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
|--|---|---|---|---|--|--------------|
| For the year ended December 31, 2018 | \$ 31,583 | \$ 43,181 | \$ 796,929 | \$ 871,693 | \$ 73,212 | \$ 944,905 |
| Beginning balances | | | | | | |
| Changes from financial instruments recognized at the beginning | | | | | | |
| - Transferred to lifetime expected credit losses | (221) | 2,836 | 2,615 | - | - | - |
| - Transferred to credit-impaired financial asset | (93) | (865) | 958 | - | - | - |
| - Transferred to 12-month expected credit losses | 68,151 | (24,644) | (43,507) | - | - | - |
| - Financial assets derecognized in the current period | (13,132) | (398) | (16,041) | (29,571) | (-) | (29,571) |
| Impairment allowance for purchased or originated financial asset | 11,545 | 5,905 | 18,193 | 35,643 | - | 35,643 |
| Differences in impairment of financial assets provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans | - | - | - | - | 26,161 | 26,161 |
| Write-off as bad debt | (85,332) | (27,211) | (65,327) | (177,870) | (-) | (177,870) |
| Change in exchange and others | 12,830 | 83,585 | 708,823 | 805,238 | - | 805,238 |
| Ending balances | \$ 25,331 | \$ 82,389 | \$ 1,397,413 | \$ 1,505,133 | \$ 99,373 | \$ 1,604,506 |

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

(c) Provisions for off-balance sheet items (Note)

| | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses (Stage 2) | Lifetime expected credit losses (Stage 3) | Impairment recognized in accordance with IFRS9 | Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans | Total |
|--|---|---|---|---|--|------------|
| For the year ended December 31, 2018 | \$ 94,392 | \$ 7,794 | \$ 64,956 | \$ 167,142 | \$ 162,925 | \$ 330,067 |
| Beginning balances | | | | | | |
| Changes from financial instruments recognized at the beginning | | | | | | |
| - Transferred to lifetime expected credit losses | (46) | 56 | (10) | - | - | - |
| - Transferred to credit-impaired financial asset | (1) | - | 1 | - | - | - |
| - Transferred to 12-month expected credit losses | 4,559 | (4,139) | (420) | - | - | - |
| - Financial assets derecognized in the current period | (56,826) | (3,214) | (22,027) | (82,067) | (82,067) | (82,067) |
| Impairment allowance for purchased or originated financial asset | 24,486 | 1,294 | 15,110 | 40,890 | - | 40,890 |
| Differences in impairment of financial assets provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans | - | - | - | - | (37,451) | (37,451) |
| Change in exchange and others | (13,017) | 17,711 | (1,786) | 2,908 | - | 2,908 |
| Ending balances | \$ 53,547 | \$ 19,502 | \$ 55,824 | \$ 128,873 | \$ 125,474 | \$ 254,347 |

Note: Including provisions for guarantee liabilities, loan commitments and letters of credit.

For the year ended December 31, 2018, there were no significant changes to provisions for guarantee liabilities, loan commitments and letters of credit.

b. Bills and bonds investments

For the years ended December 31, 2018, the reconciliation of the balance of accumulative impairment is as follows:

(a) Financial assets measured at fair value through other comprehensive income

| For the year ended December 31, 2018 | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses (Stage 2) | Lifetime expected credit losses (Stage 3) | Total |
|--|---|---|---|-----------|
| Beginning balances | \$ 59,649 | \$ - | \$ - | \$ 59,649 |
| Changes from financial instruments recognized at the beginning | | | | |
| - Transferred to credit-impaired financial asset | (2,770) | 2,770 | - | - |
| - Financial assets derecognized in the current period | (26,448) | - | - | (26,448) |
| Impairment allowance for purchased or originated financial asset | 3,423 | - | - | 3,423 |
| Change in exchange and others | (10,360) | 7,613 | - | (2,747) |
| Ending balances | \$ 23,494 | \$ 10,383 | \$ - | \$ 33,877 |

(b) Investments in debt instruments at amortised cost

| For the year ended December 31, 2018 | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses (Stage 2) | Lifetime expected credit losses (Stage 3) | Total |
|--|---|---|---|--------|
| Beginning balances | \$ 298 | \$ - | \$ - | \$ 298 |
| Impairment allowance for purchased or originated financial asset | 98 | - | - | 98 |
| Change in exchange and others | (298) | - | - | (298) |
| Ending balances | \$ 98 | \$ - | \$ - | \$ 98 |

For the year ended December 31, 2018, there were no significant changes to bills and bonds investments.

(J) 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, 2018 | | | | | December 31, 2017 | | | | | |
|----------------------------|------------------------------|--------------------------------|--------------------------------|---------------------------|---------------------------------|-------------------|--------------------------------|--------------------------------|---------------------------|---------------------------------|----------------|
| | Business / Items | Amount of non-performing loans | Gross loans | Non-performing loan ratio | Allowance for bad debts | Coverage ratio | Amount of non-performing loans | Gross loans | Non-performing loan ratio | Allowance for bad debts | Coverage ratio |
| Corporate banking | Secured loans | 939,335 | 175,895,660 | 0.53% | 2,665,875 | 283.80% | 684,238 | 191,475,581 | 0.36% | 1,200,808 | 175.50% |
| | Unsecured loans | 65,918 | 218,889,754 | 0.03% | 4,671,512 | 7,086.85% | 204,352 | 195,921,143 | 0.10% | 4,763,478 | 2,331.02% |
| Consumer banking | Residential mortgage loans | 415,050 | 189,849,280 | 0.22% | 2,879,961 | 693.88% | 586,457 | 196,873,426 | 0.30% | 2,991,797 | 510.15% |
| | Cash card services | 45 | 114,471 | 0.04% | 1,698 | 3,773.33% | 121 | 183,193 | 0.07% | 27,532 | 22,753.72% |
| Gross loan business | Small amount of credit loans | 73,906 | 10,540,959 | 0.70% | 168,060 | 227.40% | 68,559 | 13,472,844 | 0.51% | 877,825 | 1,280.39% |
| | Others | 241,161 | 145,108,656 | 0.17% | 1,493,450 | 619.28% | 263,526 | 139,989,906 | 0.19% | 317,501 | 120.48% |
| | | 144 | 2,546,023 | 0.01% | 25,679 | 17,832.64% | 552 | 1,918,986 | 0.03% | 2,658 | 481.52% |
| | | 1,735,559 | 742,944,803 | 0.23% | 11,906,235 | 686.02% | 1,807,805 | 739,835,079 | 0.24% | 10,181,599 | 563.20% |
| | | Amount of overdue accounts | Balance of accounts receivable | Overdue account ratio | Allowance for doubtful accounts | Coverage ratio | Amount of overdue accounts | Balance of accounts receivable | Overdue account ratio | Allowance for doubtful accounts | Coverage ratio |
| Credit card services | | 8,358 | 10,840,076 | 0.08% | 171,832 | 2,055.90% | 4,371 | 12,085,115 | 0.04% | 261,418 | 5,980.74% |
| Without recourse factoring | | - | 6,799,757 | - | 87,253 | - | - | 6,283,483 | - | 20,716 | - |

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, 2018 | | December 31, 2017 | |
|--|---|--|---|--|
| | Total amount of non-performing loans exempted from reporting to the competent authority | Total amount of overdue receivables exempted from reporting to the competent authority | Total amount of non-performing loans exempted from reporting to the competent authority | Total amount of overdue receivables exempted from reporting to the competent authority |
| Amounts exempted from reporting to the competent authority under debt negotiation (Note 1) | 106,237 | 52,718 | 147,069 | 67,751 |
| Perform in accordance with debt liquidation program and restructuring program (Note 2) | 1,171,921 | 355,916 | 1,190,294 | 363,016 |
| Total | 1,278,158 | 408,634 | 1,337,363 | 430,767 |

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory 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, 2018 | | | |
|---------------------|---|---|--|
| 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 – Real Estate Development | 4,744,660 | 4.10 |
| 2 | Company B – Real Estate Leasing | 3,500,000 | 3.03 |
| 3 | Company C – Seasoning Manufacturing | 3,482,500 | 3.01 |
| 4 | Company D – Real Estate Development | 3,423,370 | 2.96 |
| 5 | Company E – Real Estate Development | 3,325,750 | 2.88 |
| 6 | Group F – Ocean Water Transportation | 2,486,599 | 2.15 |
| 7 | Company G – Real Estate Development | 2,400,000 | 2.08 |
| 8 | Company H – Activities of Head Offices | 2,304,975 | 1.99 |
| 9 | Company I – Non-governmental Financing | 2,286,292 | 1.98 |
| 10 | Group J – Other Uncategorised Financial Industry | 2,151,310 | 1.86 |

(Expressed in Thousands of New Taiwan Dollars, %)

| December 31, 2017 (Note 4) | | | |
|----------------------------|---|---|---|
| Ranking (Note 1) | Name of Enterprise Group (Note 2) | Total Amounts of Outstanding Loans (Note 3) | Total Amounts of Outstanding Loans / Total Stockholders' Equity (Note 5) |
| 1 | Company A – Integrated Circuit | 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 | Group E – Real Estate Development | 2,448,000 | 3.90 |
| 6 | Group F – Non-governmental Financing | 2,395,654 | 3.81 |
| 7 | Company G – Other Electrical Equipment and Component Manufacturing | 2,125,178 | 3.38 |
| 8 | Company H – Metal Cutting Tools and Hand Tools Manufacturing | 2,117,000 | 3.37 |
| 9 | Company I – Gaming Industry | 2,089,360 | 3.33 |
| 10 | Group J – Other Uncategorised Financial Industry | 2,089,360 | 3.33 |

Ta Chong Bank - contract amounts of significant credit risk concentration

(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 (Note 6) |
| 1 | Group A – Real Estate Leasing | 3,500,000 | 8.24 |
| 2 | Group B – Real Estate Development | 2,377,532 | 5.60 |
| 3 | Group C – Real Estate Development | 2,254,218 | 5.31 |
| 4 | Group D – Other Non-classified Electronic components manufacturing | 1,735,884 | 4.09 |
| 5 | Group E – Other Non-classified Electronic Components Manufacturing | 1,500,000 | 3.53 |
| 6 | Group F – Locomotive Manufacturing | 1,442,400 | 3.40 |
| 7 | Group G – Fish-processing and Curing Storage Industry | 1,393,902 | 3.28 |
| 8 | Group H – Other Uncategorized Financial Industry | 1,332,959 | 3.14 |
| 9 | Group I – Real Estate Development | 1,271,078 | 2.99 |
| 10 | Group J – Semiconductor Assembly and Testing Industry | 1,000,000 | 2.35 |

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

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

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

Note 4: Amount as of December 31, 2017 did not include Ta Chong Bank.

Note 5: The ratio is calculated based on the Bank’s equity on December 31, 2017.

Note 6: The ratio is calculated based on Ta Chong Bank’s equity as of December 31, 2017.

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) The liquidity risk management units includes decision-making units, supervisory units (asset and liability committee), and executive unit (departments in charge of deposit and loan products and fund management units under the finance department in the Bank) for liquidity risk management. The supervisory unit appoints the general affairs division and risk management unit, regularly supervises the implementation processes of the executive unit, and conducts timely supervision of liquidity management indicators. The risk monitoring unit submits quarterly reports to the Board of Directors and the asset and liability committee to facilitate review and supervision of the state of liquidity management.
- (b) The finance department works with the risk management department 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 chairman with the authorization of the Board of Directors.
- (c) When liquidity risk exposure exceeds the ratio supervised by liquidity risk indicators, the 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 elements adverse to 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 procedures of overseas branches and subsidiaries

Plan and establish capital liquidity risk measurements and precautionary indicators for overseas branches and subsidiaries in order to control factors adverse to liquidity, decrease the degree of influence of the adverse factors, and implement cascading reporting procedures in accordance with requirements. In a timely manner 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, financial assets at fair value through other comprehensive income and investments in debt instruments at amortised cost, 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 corresponding 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 forwards, interest rate swaps, commodity options, hybrid embedded derivative instruments and other futures contracts.

(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 contracts, cross currency swaps, foreign exchange swaps, asset swaps, 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.

December 31, 2018

| | 0-30 days | 31-90 days | 91-180 days | 181 days ~ 1 year | Over 1 year | Total |
|---|----------------|----------------|----------------|-------------------|----------------|------------------|
| Financial assets | | | | | | |
| Non-derivative financial instruments | | | | | | |
| Cash and cash equivalents | \$ 19,246,738 | \$ 85,138 | \$ 52,604 | \$ 21,905 | \$ 122,798 | \$ 19,529,183 |
| Due from Central Bank and call loans to other banks | 24,958,689 | 4,047,120 | 4,161,834 | 6,715,858 | 8,333,211 | 48,216,712 |
| Financial assets at fair value through profit or loss | 130,115,955 | - | - | - | - | 130,115,955 |
| Financial assets at fair value through other comprehensive income | 2,882,383 | 690,311 | 1,412,078 | 9,730,875 | 92,357,129 | 107,072,776 |
| Investments in debt instruments at amortised cost | 95,705,617 | 2,256,060 | 2,546,522 | 562,387 | 79,138,399 | 180,208,985 |
| Receivables | 17,341,259 | 5,665,243 | 3,088,465 | 893,475 | 536,453 | 27,524,895 |
| Bills discounted and loans | 63,962,281 | 86,946,180 | 60,645,182 | 90,727,325 | 440,663,835 | 742,944,803 |
| Other financial assets | 130,635 | - | - | - | 557,362 | 687,997 |
| Other capital inflow upon maturity | 2,913,389 | 866 | - | 1,100 | 562,488 | 3,477,843 |
| Derivative financial instruments | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Gross settlement | | | | | | |
| Cash inflow | 40,337,081 | 30,938,261 | 11,001,892 | 14,899,126 | - | 97,176,360 |
| Cash outflow | (39,504,311) | (30,438,243) | (10,792,037) | (14,524,881) | - | (95,259,472) |
| Net settlement | 16,402 | 933,474 | 163,521 | 36,071 | 1,754,867 | 2,904,335 |
| Total | \$ 358,106,118 | \$ 101,124,410 | \$ 72,280,061 | \$ 109,063,241 | \$ 624,026,542 | \$ 1,264,600,372 |
| Financial liabilities | | | | | | |
| Non-derivative financial instruments | | | | | | |
| Due to Central Bank and other banks | \$ 17,326,180 | \$ 1,232,802 | \$ 2,838,050 | \$ 650,242 | \$ - | \$ 22,047,274 |
| Bills and bonds sold under repurchase agreements | 16,226,824 | - | - | - | - | 16,226,824 |
| Payables | 10,350,317 | 1,158,076 | 777,310 | 404,189 | 318,262 | 13,008,154 |
| Deposits and remittances | 202,779,283 | 166,585,210 | 165,715,258 | 244,625,705 | 283,198,526 | 1,062,903,982 |
| Financial debentures payable | - | 1,000,000 | 1,000,000 | 1,500,000 | 34,500,000 | 38,000,000 |
| Other financial liabilities | 1,095 | 6,031 | 2,340,643 | 981,005 | 7,433,516 | 10,762,290 |
| Other capital outflow upon maturity | 234,173 | - | - | - | 54,188 | 288,361 |
| Derivative financial instruments | | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | | |
| Gross settlement | | | | | | |
| Cash inflow | (37,862,906) | (29,124,163) | (12,755,048) | (12,866,879) | (282,334) | (92,891,330) |
| Cash outflow | 38,949,161 | 29,582,729 | 12,873,779 | 13,219,460 | 309,479 | 94,934,608 |
| Net settlement | 16,751 | 928,234 | 164,027 | 32,514 | 1,761,951 | 2,903,477 |
| Total | \$ 248,020,878 | \$ 171,368,919 | \$ 172,954,019 | \$ 248,546,236 | \$ 327,293,588 | \$ 1,168,183,640 |

December 31, 2017

| | 0-30 days | 31-90 days | 91-180 days | 181 days ~ 1 year | Over 1 year | Total |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Financial assets | | | | | | |
| Non-derivative financial instruments | | | | | | |
| Cash and cash equivalents | \$ 25,913,229 | \$ 24,556 | \$ 46,694 | \$ 107,874 | \$ 80,589 | \$ 26,172,942 |
| Due from Central Bank and call loans to other banks | 30,433,496 | 4,266,360 | 4,145,062 | 5,955,753 | 9,590,279 | 54,390,950 |
| Financial assets at fair value through profit or loss | 110,344,858 | - | - | - | - | 110,344,858 |
| Bills and bonds purchased under resale agreements | 9,180,000 | - | - | - | - | 9,180,000 |
| Receivables | 14,833,839 | 6,012,514 | 2,833,016 | 1,877,485 | 696,915 | 26,253,769 |
| Bills discounted and loans | 57,121,350 | 77,315,231 | 56,301,979 | 84,388,978 | 464,707,541 | 739,835,079 |
| Available-for-sale financial assets | 116,712,034 | 6,177,499 | 15,134,741 | 11,162,385 | 111,408,027 | 260,594,686 |
| Held-to-maturity financial assets | - | - | 88,859 | - | 26,654,870 | 26,743,729 |
| Other financial assets | 123,222 | 10,979 | 829,919 | 1,051,316 | 33,215,346 | 35,230,782 |
| Other capital inflow upon maturity | 1,654,655 | 1,681 | - | 1,200 | 856,591 | 2,514,127 |
| Derivative financial instruments | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Gross settlement | | | | | | |
| Cash inflow | 11,508,021 | 5,180,928 | 2,304,512 | 1,337,116 | 1,158,754 | 21,489,331 |
| 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 | \$ 366,934,564 | \$ 94,354,126 | \$ 79,952,339 | \$ 105,118,307 | \$ 648,657,219 | \$ 1,295,016,555 |
| Financial liabilities | | | | | | |
| Non-derivative financial instruments | | | | | | |
| Due to Central Bank and other banks | \$ 7,873,031 | \$ 1,924,356 | \$ 3,030,258 | \$ 682,517 | \$ 10,000 | \$ 13,520,162 |
| Financial liabilities at fair value through profit or loss | - | 3,203,872 | - | - | - | 3,203,872 |
| Bills and bonds sold under repurchase agreements | 5,671,592 | 3,901,910 | - | 1,667,202 | - | 11,240,704 |
| Payables | 9,222,806 | 2,846,718 | 628,410 | 499,420 | 368,597 | 13,565,951 |
| Deposits and remittances | 198,462,788 | 178,640,763 | 165,687,401 | 237,132,360 | 309,492,626 | 1,089,415,938 |
| Financial debentures payable | - | - | 2,450,000 | 3,050,000 | 38,000,000 | 43,500,000 |
| Other financial liabilities | 263,971 | 971,153 | 616,186 | 4,699,871 | 9,710,730 | 16,261,911 |
| Other capital outflow upon maturity | 1,264,466 | 19 | - | - | 10,218 | 1,274,703 |
| 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 | 11,300,346 | 8,463,100 | 3,484,571 | 2,738,203 | 1,785,898 | 27,772,118 |
| Net settlement | 2,494 | 3,936 | 6,145 | 3,503 | 289,051 | 305,129 |
| Total | \$ 223,518,189 | \$ 191,982,343 | \$ 172,920,760 | \$ 248,310,850 | \$ 359,063,803 | \$ 1,195,795,945 |

Maturity analysis for the above deposits and remittances are amortised to each period based on historical experience. Given that all the deposits and remittances have to be paid in the shortest possible time, as of December 31, 2018 and 2017, expenses during the period of 0~30 days will increase by \$388,481,437 and \$393,410,163, 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 commitments of the Consolidated Company include operating lease and finance lease.

Operating lease commitment refer to 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, 2018

| | Less than 1 year | 1 ~5 years | More than 5 years | Total |
|---|------------------|------------|-------------------|---------------|
| Off-balance sheet | | | | |
| Irrevocable loan commitments | \$ 28,439,091 | - | - | \$ 28,439,091 |
| Unused letters of credit balance | 4,570,325 | - | - | 4,570,325 |
| Guarantees | 15,773,127 | - | - | 15,773,127 |
| Lease contract commitment | | | | |
| Operating lease expense (lessee) | 662,754 | 1,153,743 | 2,411,161 | 4,227,658 |
| Operating income (lessor) | 50,183 | 79,694 | 7,233 | 137,110 |
| Total financial lease expense (lessee) | 79 | - | - | 79 |
| Present value of finance lease expense (lessee) | 75 | - | - | 75 |
| Total financial lease income (lessor) | 18,638 | - | - | 18,638 |
| Present value of finance lease income (lessor) | 18,613 | - | - | 18,613 |
| Capital expenditure commitment | 68,258 | 101,752 | - | 170,010 |

December 31, 2017 (Note)

| | 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 balance | 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 |
| Present value of finance lease expense (lessee) | 472 | 52 | - | 524 |
| Total financial lease income (lessor) | 34,918 | 42,312 | - | 77,230 |
| Present value of finance lease income (lessor) | 32,653 | 37,603 | - | 70,256 |
| Capital expenditure commitment | 132,256 | 2,700 | - | 134,956 |

Note: Amounts as of December 31, 2017 did not include Ta Chong Bank.

Ta Chong Bank

The maturity analysis of lease contract commitment:

| | |
|-------------------|-------------------|
| | December 31, 2017 |
| Less than 1 year | \$ 251,048 |
| 1 ~ 5 years | 491,262 |
| More than 5 years | 34,779 |
| Total | \$ 777,089 |

The maturity analysis of capital expenditure commitment:

| | |
|------------------|-------------------|
| | December 31, 2017 |
| Less than 1 year | \$ 96,101 |

Ta Chong Bank's Maturity Analysis Off-Balance Sheet Items (New Taiwan Dollars)

(Expressed in Thousands of New Taiwan Dollars)

| | Remaining Period to Maturity | | | | | | Total |
|---|------------------------------|--------------|---------------|-------------------|-------------|------------|-------|
| | 0 ~ 30 days | 31 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year | | |
| December 31, 2017 | | | | | | | |
| Irrevocable loan commitments | 112,737 | 134,153 | 185,822 | 4,850,693 | 8,147,559 | 13,430,964 | |
| Unused credit commitments on credit cards | 40,746,776 | 20,453,968 | 52,630 | 119,985 | 734,265 | 62,107,624 | |
| Unused letters of credit balance | - | 27,162 | 160,054 | 263,345 | - | 450,561 | |
| Guarantees | 116,540 | 170,092 | 2,568,797 | 3,380,781 | 1,998,645 | 8,234,855 | |
| Total | 40,976,053 | 20,785,375 | 2,967,303 | 8,614,804 | 10,880,469 | 84,224,004 | |

(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, 2018

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

December 31, 2017 (Note)

| | Total | (Expressed in Thousands of New Taiwan Dollars) | | | | |
|-------------------------------------|----------------|--|--------------|---------------|---------------|-------------------|
| | | 0 ~ 10 days | 11 ~ 30 days | 31 ~ 90 days | 91 ~ 180 days | 181 days ~ 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 |
| Primary funds outflow upon maturity | 903,967,735 | 38,783,797 | 73,136,767 | 132,378,180 | 122,772,728 | 200,465,802 |
| Gap | (166,702,695) | 98,229,100 | 1,441,843 | (90,470,788) | (81,149,719) | (135,315,577) |
| | | | | | | 40,562,446 |

Note: Amounts of Ta Chong Bank as of December 31, 2017 is not included, and the information of Ta Chong Bank is as follows:

Ta Chong Bank

December 31, 2017

| | Total | (Expressed in Thousands of New Taiwan Dollars) | | | | |
|-------------------------------------|----------------|--|---------------|---------------|---------------|-------------------|
| | | 0 ~ 10 days | 11 ~ 30 days | 31 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year |
| Primary funds inflow upon maturity | 417,907,475 | 86,759,499 | 36,162,236 | 48,692,105 | 45,599,554 | 32,344,994 |
| Primary funds outflow upon maturity | 518,789,215 | 15,649,120 | 50,389,310 | 85,392,334 | 93,443,444 | 96,583,227 |
| Gap | (100,881,740) | 71,110,379 | (14,227,074) | (36,700,229) | (47,843,890) | (64,238,233) |
| | | | | | | (8,982,693) |
| | | | | | | 168,349,087 |
| | | | | | | 177,331,780 |

b. Structure analysis of time to maturity (USD)

December 31, 2018

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

December 31, 2017 (Note)

| | Total | (Expressed in Thousands of US Dollars) | | | | |
|-------------------------------------|--------------|--|--------------|---------------|-------------------|--------------|
| | | 0 ~ 30 days | 31 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year |
| Primary funds inflow upon maturity | 3,903,625 | 997,632 | 457,761 | 172,393 | 101,299 | 2,174,540 |
| Primary funds outflow upon maturity | 5,187,520 | 1,278,980 | 1,322,059 | 923,476 | 835,112 | 827,893 |
| Gap | (1,283,895) | (281,348) | (864,298) | (751,083) | (733,813) | (1,346,647) |

Note: Amounts of Ta Chong Bank as of December 31, 2017 is not included, and the information of Ta Chong Bank is as follows:

Ta Chong Bank

December 31, 2017

| | Total | (Expressed in Thousands of US Dollars) | | | | |
|-------------------------------------|------------|--|--------------|---------------|-------------------|-------------|
| | | 0 ~ 30 days | 31 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year |
| Primary funds inflow upon maturity | 4,895,845 | 1,461,298 | 1,476,820 | 703,976 | 207,931 | 1,045,820 |
| Primary funds outflow upon maturity | 5,704,170 | 1,613,488 | 1,417,308 | 1,240,016 | 1,252,606 | 180,752 |
| Gap | (808,325) | (152,190) | (59,512) | (536,040) | (1,044,675) | (865,068) |

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 risks for the purpose of ensuring that market risk of all kinds can be controlled within an acceptable 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 the 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 a market risk information system to effectively monitor different limit controls, profit and loss assessments, analysis of sensitivity factors, implementation of stress testing and calculation of value at risk with respect to the positions of financial instruments held by the Bank. The relevant information is presented at risk control meetings and Board meetings for senior management’s reference in their strategic decision-making.

b. Policies and procedures

- (a) The Bank has established a clear market risk management system based on the risk management policies of its parent company, Yuanta Financial Holdings. This system includes risk management guidelines, risk management procedures and reasonable risk measurement methods. By implementing the 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 has defined the scope of market risk management covering the business domain to include 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, the risk management unit reviews and submits statements 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 the 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 department supervises trading positions of the business unit on a daily basis to produce supervision reports recording the utilization of limits, market value assessment and income statements, exposed positions, and the utilization of risk limits for the approval of 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 the audit committee and the Board of Directors to ensure that they are sufficiently informed on the Bank's market risk control status.
- (b) Exception management: The Bank established explicit early-warning and limit exceeding handling procedures, which have been set to stop losses if transactions overrun market risk limits or individual limits due to market changes. Those filing exception management applications due to business reasons shall state the reasons and handling plans clearly and report to 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 the business unit. In addition, risk limits on each portfolio of the 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 the 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(F) 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 rates 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 swaps, foreign exchange swaps, fixed income transactions, and interest rate futures.

(b) Interest rate risk management procedures for trading book

The Bank carefully chooses underlying investment targets through studies of the 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 limits and stop-loss limits on the 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

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

ii. The Bank measures the impact of interest rate risk on investment portfolios 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 the banking book position and interest rate risk faced by off-balance sheet transactions which are not classified into the trading book.

(a) Strategy

The Bank’s interest rate risk management strategy of the 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 the banking book.

(b) Management process

i. 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.

ii. Supervision and reporting

The risk management department 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 meeting of the 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 the effectiveness of improvement measures.

iii. 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 (Bonds Quoted in New Taiwan Dollars)

| | December 31, 2018 | December 31, 2017 |
|---|--|---|
| | Effects on other comprehensive Income | Effects on other comprehensive Income |
| Financial assets at fair value through other comprehensive income - Bond / Available-for-sale financial assets - Bond | Major yield- curve rises one basis point (\$ 17,288) | (\$ 25,732) |

c. Foreign exchange risk management

Foreign exchange risk refers to profit or loss resulting 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 limits and stop-loss limits on the trading room and trading representatives. The Bank also established annual maximum loss limits to control losses within an acceptable level.

(b) Measurement methods

- i. Please refer to Note 12(4)D(F) for assumptions and calculation methods for VaR.
- ii. Delta and Vega are used to measure the effect of foreign exchange risk on investment portfolios on a daily basis

For the Bank's foreign exchange risk, the Bank performs a stress testing on the assumptions of change in the exchange rates of major currencies on a quarterly basis at

least, and reports the results to 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 is to avoid material fluctuation that may worsen the Bank's financial position or cause loss on earnings and to promote 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 losses within an acceptable level. Additionally, for the stop-loss point set for individual shares, the Bank is required to handle individual shares that have met the stop-loss point in accordance with limit exceeding handling procedures for market risk.

(c) Measurement methods

- i. Price risk of equity securities is mainly controlled based on VaR
- ii. Delta is used to measure the impact of equity security risk on investment portfolios on a daily basis.

(E) Management procedures of overseas branches and 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)

A VaR model is used to measure the possible maximum potential losses in investment portfolios as a result of movement in market risk factor in a specified period and confidence level. In terms of trading positions, the VaR model is used as a major tool to control market risk. The Bank currently uses "confidence level of 99%" for estimating maximum possible losses on trading positions on a single day (that is VaR (99%, one day)) as a standard to measure market risk.

The Bank performs back testing of the VaR model on an ongoing basis to ensure that the model can continuously, reasonably, effectively measure maximum potential losses that may arise from investment portfolios.

| | December 31, 2018 | | | December 31, 2017 (Note) | | |
|-------------------|-------------------|---------|---------|--------------------------|---------|---------|
| | Average | Maximum | Minimum | Average | Maximum | Minimum |
| Foreign exchange | 35,657 | 49,057 | 6,729 | 11,664 | 25,332 | 5,057 |
| Interest rate | 40,489 | 64,133 | 29,368 | 49,390 | 64,865 | 26,818 |
| Equity securities | 9,466 | 15,971 | 2,756 | 1,362 | 2,891 | 191 |
| Total VaR | 46,264 | 67,511 | 33,922 | 50,018 | 66,644 | 29,528 |

Note: Amounts as of December 31, 2017 did not include Ta Chong Bank.

b. Stress testing

In addition to the VaR model, the Bank regularly measures stress losses the Bank may incur in extremely abnormal stress scenarios. For setting such stress scenarios, the Bank comprehensively considers the rationality and possibility of standard scenarios, historical scenarios and hypothetical scenarios to completely assess possible stress losses on positions.

When stress testing exceeds risk tolerance, the Bank shall carry out market risk analysis and risk warnings, then execute a counter strategy to contain risk within a reasonable scope.

(G)As of December 31, 2018 and 2017, 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, 2018 | | December 31, 2017 | |
|--|---------------------|--------------------------|---------------------|--------------------------|
| | USD position | Carrying amount (NTD) | USD position | Carrying amount (NTD) |
| Foreign currency denominated financial assets | | | | |
| Bills discounted and loans | <u>\$ 2,879,880</u> | <u>\$ 88,507,343</u> | <u>\$ 2,967,842</u> | <u>\$ 88,584,146</u> |
| Foreign currency denominated financial liabilities | | | | |
| Deposits and remittances | <u>\$ 4,098,959</u> | <u>\$ 125,973,295</u> | <u>\$ 4,787,714</u> | <u>\$ 142,903,690</u> |

Note: As of December 31, 2018 and 2017, USD to TWD exchange rates were 30.733 and 29.848, respectively.

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(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, 2018

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

December 31, 2017 (Note)

| Item | (Expressed in Thousands of New Taiwan Dollars, %) | | | | | Total |
|--|---|----------------|-------------------|-------------|--|-------------|
| | 1 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year | | |
| Interest-rate-sensitive assets | 480,785,682 | 25,096,528 | 9,386,240 | 156,961,788 | | 672,230,238 |
| Interest-rate-sensitive liabilities | 210,331,331 | 351,696,907 | 50,766,852 | 31,065,933 | | 643,861,023 |
| Interest-rate-sensitive gap | 270,454,351 (| 326,600,379) (| 41,380,612) (| 125,895,855 | | 28,369,215 |
| Total equity | | | | | | 59,805,723 |
| Ratio of interest-rate-sensitive assets to liabilities (%) | | | | | | 104.41 |
| Ratio of interest-rate-sensitive gap to equity (%) | | | | | | 47.44 |

Note: Amounts of Ta Chong Bank as of December 31, 2017 are not included; for the information of Ta Chong Bank, please see the chart below:

Ta Chong Bank

December 31, 2017

| Item | (Expressed in Thousands of New Taiwan Dollars, %) | | | | | Total |
|--|---|----------------|-------------------|-------------|--|-------------|
| | 1 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year | | |
| Interest-rate-sensitive assets | 276,023,542 | 17,649,090 | 10,607,542 | 24,932,197 | | 329,212,371 |
| Interest-rate-sensitive liabilities | 72,383,138 | 148,529,123 | 64,363,916 | 14,362,254 | | 299,638,431 |
| Interest-rate-sensitive gap | 203,640,404 | (130,880,033) | (53,756,374) | 10,569,943 | | 29,573,940 |
| Total equity | | | | | | 42,132,667 |
| Ratio of interest-rate-sensitive assets to liabilities (%) | | | | | | 109.87 |
| Ratio of interest-rate-sensitive gap to equity (%) | | | | | | 70.19 |

Note 1: The above amounts 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)

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

December 31, 2018

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

December 31, 2017 (Note)

| Item | (Expressed in Thousands of US Dollars, %) | | | | | Total |
|--|---|---------------|-------------------|-------------|--|-----------|
| | 1 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year | | |
| Interest-rate-sensitive assets | 2,489,819 | 102,125 | 29,136 | 1,024,824 | | 3,645,904 |
| Interest-rate-sensitive liabilities | 2,844,545 | 419,785 | 439,248 | - | | 3,703,578 |
| Interest-rate-sensitive gap | (354,726) | (317,660) | (410,112) | 1,024,824 (| | 57,674) |
| Total equity | | | | | | 100,574 |
| Ratio of interest-rate-sensitive assets to liabilities (%) | | | | | | 98.44 |
| Ratio of interest-rate-sensitive gap to equity (%) | | | | | | (57.34) |

Note: Amounts of Ta Chong Bank as of December 31, 2017 are not included; for the information of Ta Chong Bank, please see the chart below:

Ta Chong Bank

December 31, 2017

(Expressed in Thousands of US Dollars, %)

| Item | 1 ~ 90 days | 91 ~ 180 days | 181 days ~ 1 year | Over 1 year | Total |
|--|-------------|---------------|-------------------|-------------|-----------|
| Interest-rate-sensitive assets | 1,294,748 | 90,956 | 39,419 | 429,725 | 1,854,848 |
| Interest-rate-sensitive liabilities | 739,829 | 229,138 | 751,596 | 20,385 | 1,740,948 |
| Interest-rate-sensitive gap | 554,919 | (138,182) | (712,177) | 409,340 | 113,900 |
| Total equity | | | | | 8,516 |
| Ratio of interest-rate-sensitive assets to liabilities (%) | | | | | 106.54 |
| Ratio of interest-rate-sensitive gap to equity (%) | | | | | 1,337.48 |

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).

(Blank below)

(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 their entirety.

The information in the table below analyzes financial assets and their relevant financial liabilities that do not meet the requirements of derecognition in their entirety:

| Financial assets category | December 31, 2018 | |
|---|---|--|
| | 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 | \$ 11,884,917 | \$ 11,070,139 |
| Financial assets at fair value through other comprehensive income | | |
| Bond sold under repurchase agreements | 5,288,678 | 5,156,685 |
| | | |
| 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 |

(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, 2018 | | | | | | |
|--|---|---|---|--|--------------------------|------------------------|
| Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements | | | | | | |
| Description | Gross amounts of 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 | \$ 4,525,073 | \$ - | \$ 4,525,073 | \$ 1,515,250 | \$ 174,352 | \$ 2,835,471 |
| 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 | \$ 4,823,707 | \$ - | \$ 4,823,707 | \$ 1,515,250 | \$ 2,604,732 | \$ 703,725 |
| Bonds sold under repurchase agreements | 16,226,824 | - | 16,226,824 | 16,226,824 | - | - |
| 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 | \$ 4,092,159 | \$ - | \$ 4,092,159 | \$ 1,561,959 | \$ 1,186,093 | \$ 1,344,107 |
| 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 | \$ 3,904,320 | \$ - | \$ 3,904,320 | \$ 1,561,959 | \$ 1,332,027 | \$ 1,010,334 |
| Bonds purchased under resale agreements | 11,240,704 | - | 11,240,704 | 11,240,704 | - | - |

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 losses 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, in accordance with 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, is to identify, measure, monitor and report the discovery of major risks. In this way, the capital plans of the Consolidated Company can reflect its current financial status, and its capital profile shall be applicable to its services and the scope of business.
- (C) The Bank's capital management objectives shall be agreed to by the Board of Directors, based on the quarterly reports of the Bank's risk management status. The risk management department shall report to be Board of Directors summaries of the Bank's risk exposure and capital adequacy ratio, and shall evaluate whether the Bank's capital can sufficiently respond to various types of risk and meet the Bank's capital management objectives.
- (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, unamortised 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 minus the total amount of 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 minus the total amount of 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 financial assets at fair value through other comprehensive income, 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 refer to the amount of the provisions that the bank provided in excess of the expected loss assessed according to historical loss experience.

C. Capital adequacy ratio

| | | December 31, 2018 | December 31, 2017 (Note 3) | |
|-----------------------------------|---------------------------|--|----------------------------------|-------------|
| Eligible Capital | Common Equity Tier 1 | 102,190,820 | 58,769,676 | |
| | Additional Tier 1 Capital | 6,552,514 | 6,913,076 | |
| | Tier 2 Capital | 27,131,454 | 20,594,951 | |
| | Eligible Capital | 135,874,788 | 86,277,703 | |
| Total risk- weighted assets | Credit risk | Standardized Approach | 759,426,981 | 502,593,162 |
| | | Internal Ratings- Based Approach | - | - |
| | | Securitization | - | - |
| | Operational risk | Basic Indicator Approach | - | - |
| | | Standardized Approach / Alternative Standardized Approach | 41,023,677 | 24,185,623 |
| | | Advanced Measurement Approach | - | - |
| | Market risk | Standardized Approach | 62,686,325 | 50,058,350 |
| | | Internal Models Approach | - | - |
| Total risk-weighted assets | | 863,136,983 | 576,837,135 | |
| Capital adequacy ratio | | 15.74% | 14.96% | |
| Common Equity Tier 1 Ratio | | 11.84% | 10.19% | |
| Tier 1 Risk-based Capital Ratio | | 12.60% | 11.39% | |
| Leverage Ratio | | 8.22% | 7.08% | |

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

Note 3: Amounts of Ta Chong Bank as of December 31, 2017 is not included, and the information of Ta Chong Bank is as follows:

| | | December 31, 2017 | |
|---------------------------------|----------------------------|---|-------------|
| Eligible Capital | Common Equity Tier 1 | 39,556,966 | |
| | Additional Tier 1 Capital | - | |
| | Tier 2 Capital | 5,734,709 | |
| | Eligible Capital | 45,291,675 | |
| Total risk-weighted assets | Credit risk | Standardized Approach | 240,693,614 |
| | | Internal Ratings-Based Approach | 346,004 |
| | | Securitization | - |
| | Operational risk | Basic Indicator Approach | 16,409,645 |
| | | Standardized Approach / Alternative Standardized Approach | - |
| | | Advanced Measurement Approach | - |
| | Market risk | Standardized Approach | 21,598,888 |
| | | Internal Models Approach | - |
| | Total risk-weighted assets | | 279,048,151 |
| | Capital adequacy ratio | | 16.23% |
| Common Equity Tier 1 Ratio | | 14.18% | |
| Tier 1 Risk-based Capital Ratio | | 14.18% | |
| Leverage Ratio | | 8.64% | |

(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, 2018 | | | |
|-------------------------------------|-----------------------|---|-----------------------|
| Trust Balance Sheet | | | |
| <u>Trust assets</u> | | <u>Trust liabilities</u> | |
| Bank deposits | \$ 4,975,555 | Payable - Customers' securities under custody | \$ 25,002,568 |
| Stocks | 11,850,920 | Pecuniary trust | 139,792,745 |
| Funds (Note) | 95,471,044 | Securities trust | 5,150,539 |
| Bonds | 21,952,306 | Real estate trust | 24,558,465 |
| Structured product | 13,461,657 | Movables trust | 7,020,000 |
| Real estate | 23,023,503 | Money market mutual fund | - |
| Movables | 7,020,000 | Net income | 236,795 |
| Customers' securities under custody | 25,002,568 | Accumulated earnings | 996,441 |
| Total trust assets | <u>\$ 202,757,553</u> | Total trust liabilities | <u>\$ 202,757,553</u> |

| December 31, 2017 | | | |
|-------------------------------------|-----------------------|---|-----------------------|
| Trust Balance Sheet | | | |
| <u>Trust assets</u> | | <u>Trust liabilities</u> | |
| Bank deposits | \$ 5,076,850 | Payable - Customers' securities under custody | \$ 28,251,052 |
| Stocks | 10,867,199 | Pecuniary trust | 128,479,492 |
| Funds (Note) | 96,624,017 | Securities trust | 5,238,734 |
| Bonds | 17,871,750 | Real estate trust | 22,574,545 |
| Structured product | 4,262,500 | Movables trust | 6,750,000 |
| Real estate | 22,254,051 | Money market mutual fund | - |
| Movables | 6,750,000 | Net income | 293,854 |
| Customers' securities under custody | 28,251,052 | Accumulated earnings | 369,742 |
| Total trust assets | <u>\$ 191,957,419</u> | Total trust liabilities | <u>\$ 191,957,419</u> |

Note: Includes mutual funds in the monetary market.

| Trust Income Statement | | | | |
|----------------------------------|------|----------------|------|----------------|
| For the years ended December 31, | | | | |
| | 2018 | | 2017 | |
| Trust revenue | | | | |
| Interest income | \$ | 11,621 | \$ | 11,890 |
| Investment income (stock) | | 72,888 | | 306,200 |
| Investment income (fund) | | 644 | | 3,858 |
| Dividend Income | | 206,379 | | 54,738 |
| Rental income | | - | | 189 |
| | | <u>291,532</u> | | <u>376,875</u> |
| Trust expenses | | | | |
| Management fees | (| 20,910) | (| 51,886) |
| Tax expenses | (| 31,778) | (| 25,398) |
| Insurance expense | (| 1,907) | (| 383) |
| Loss on investment | (| 60) | (| 5,223) |
| | | <u>54,655</u> | | <u>82,890</u> |
| Loss before income tax | | 236,877 | | 293,985 |
| Income tax expense | (| 82) | (| 131) |
| Net loss | \$ | <u>236,795</u> | \$ | <u>293,854</u> |

Trust Property List

| Invested items | December 31, 2018 | December 31, 2017 |
|---------------------------------------|-----------------------|-----------------------|
| | Book value | Book value |
| Bank deposits | \$ 4,975,555 | \$ 5,076,850 |
| Stocks | 21,952,306 | 17,871,750 |
| Funds | 11,850,920 | 10,867,199 |
| Bonds | 13,461,657 | 4,262,500 |
| Structured products | 95,471,044 | 96,624,017 |
| Real estate - land | 16,518,032 | 19,797,665 |
| Real estate - construction in process | 6,505,471 | 1,636,230 |
| Real estate - building | - | 820,156 |
| Movables | 7,020,000 | 6,750,000 |
| Customers' securities under custody | 25,002,568 | 28,251,052 |
| | <u>\$ 202,757,553</u> | <u>\$ 191,957,419</u> |

The trust balance sheet and trust schedule of property as at December 31, 2018 and 2017 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 Holdings and its subsidiaries

A. In order to achieve integrated benefits for the 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 the "Yuanta Financial Holdings Company Group Cross-selling Marketing Rules" to regulate the Consolidated Company, 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, 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, 2018.

(8) Profitability

| Items | | For the years ended December 31, | |
|-----------------------------|------------|----------------------------------|-------|
| | | 2018 | 2017 |
| Return on total assets (%) | Before tax | 0.77 | 0.73 |
| | After tax | 0.66 | 0.59 |
| Return on equity (%) | Before tax | 8.78 | 8.62 |
| | After tax | 7.52 | 6.99 |
| Net profit margin ratio (%) | | 39.19 | 34.01 |

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

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

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

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

Note 5: Average total assets and average equity are calculated based on the amount on January 1, 2018 after reorganization and application of IFRS 9.

(9) Effects on initial application of IFRS 9

A. Summary of significant accounting policies as of December 31, 2017:

(A) 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

- i. 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.
- ii. Criteria to designate financial assets and financial liabilities as at fair value through profit or loss at initial recognition are as follows:
 - (i) The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
 - (ii) The performance of financial instruments is assessed by fair value; or
 - (iii) Hybrid (combined) instruments include embedded derivatives.

- iii. 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

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

(d) Available-for-sale financial assets

- i. Available-for-sale financial assets are measured by fair value plus the trading cost of acquisition upon initial recognition.
- ii. 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.
- iii. 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

- i. Held-to-maturity financial assets are measured by the fair value plus the trading cost of acquisition upon initial recognition.
- ii. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised 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 amortised cost.

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

- i. Including financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss upon initial recognition.

- ii. 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.
- iii. Criteria to designate financial liabilities as at fair value through profit or loss at initial recognition are as follows:
 - (i) The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
 - (ii) The performance of financial instruments is assessed by fair value; or
 - (iii) Hybrid (combined) instruments include embedded derivatives.
- iv. 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 amortised cost

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

c. Derecognition of financial assets

The 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 derecognizes an original financial liability and recognizes 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.

(B) 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.

(C) 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 amortised 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 amortised 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, fourth 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.

(D) 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.

(E) 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 amortised 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".
- B. The significant effects of applying the 2018 version IFRSs as of January 1, 2018 are summarized below:

| Affected items | 2017 version IFRSs amount | Effect of adoption of new standards | 2018 version IFRSs amount | Note |
|--|------------------------------|---|------------------------------|----------------------|
| <u>January 1, 2018</u> | | | | |
| Financial asset at fair value through other comprehensive income | \$ - | \$ 154,037,715 | \$ 154,037,715 | (2) |
| Investment in debt instruments at amortised cost | - | 169,230,892 | 169,230,892 | (2) |
| Receivables - net | 25,822,208 | 38,815 | 25,861,023 | (1) 、 (3) |
| Bills discounted and loans - net | 729,645,514 (| 2,587,885) | 727,057,629 | (1) 、 (3) |
| Available-for-sale financial assets | 260,594,686 (| 260,594,686) | - | (1) 、 (2) |
| Held-to-maturity financial assets | 26,743,729 (| 26,743,729) | - | (2) |
| Other financial assets - net | 34,780,031 (| 34,638,735) | 141,296 | (1) 、 (2) and (3) |
| Deferred tax assets | 383,565 | 157,019 | 540,584 | (1) 、 (3) |
| Deferred tax liabilities | 198,927 | 46 | 198,973 | (3) |
| Liabilities reserve | 2,788,530 | 54,403 | 2,842,933 | (3) |
| Retained earnings | 14,111,826 (| 2,471,313) | 11,640,513 | (2) 、 (3) |
| Other equity interest (Note) | 166,573 | 1,450,738 | 1,617,311 | (2) 、 (3) |

(1) Effects of the adjustments to the recognition and accounting treatment of related assets and liabilities on the Consolidated Company were due to restructuring.

(2) Please refer to Note 12(9)C for the reconciliations of carrying amount of financial assets.

(3) Please refer to Note 12(9)D for the reconciliation of allowance for impairment and provision.

Note: The amount includes the other equity interest of attributable to former owner of business combination under common control.

(Blank below)

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

| | Available-for-sale-equity | | Available-for-sale-debt | | Held-to-maturity | | Effects | | |
|---|---|---|---|---|----------------------------|---------------------------------------|---------|-------------------|---------------------|
| | Measured at fair value | | Measured at fair value | | Measured at fair value | | Total | Retained earnings | Others equity |
| | through other comprehensive income-equity | through other comprehensive income-debt | through other comprehensive income-debt | through other comprehensive income-debt | Measured at amortised cost | Bond investment without active market | | | |
| IAS 39 (Note 1) | \$ 4,480,195 | \$ 256,114,658 | \$ 26,743,729 | \$ 34,525,143 | \$ 321,863,725 | | | | |
| Transferred into measured at fair value through other comprehensive income-debt | - | 41,716,245 | (7,893,254) | (33,822,991) | - | | | | |
| Transferred into measured at amortised cost | - | (149,686,412) | 150,388,564 | (702,152) | - | | | | |
| IFRS9 Adjustment (Note 2) | - | 1,413,029 | (8,147) | - | 1,404,882 | (45,764) | | | 1,450,646 |
| IFRS 9 | <u>\$ 4,480,195</u> | <u>\$ 149,557,520</u> | <u>\$ 169,230,892</u> | <u>\$ -</u> | <u>\$ 323,268,607</u> | <u>\$ 45,764</u> | | | <u>\$ 1,450,646</u> |

Note 1: The amount includes the effects of reorganization.

Note 2: The amount includes the adjustment of fair value, amortised cost and expected credit losses.

- (1) The debt investments which were classified as available-for-sale financial assets and bond investments without active market under IAS 39, amounting to \$149,686,412 and \$702,152, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Consolidated Company holds these assets for the purpose of cash inflow, so they were reclassified as "Investments in debt instruments at amortised cost" on initial application of IFRS 9.
- (2) The debt instruments which were classified as available-for-sale financial assets, held-to-maturity financial assets and bond investments without active market under IAS 39, amounting to \$106,428,246, \$7,893,254, and \$33,822,991, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Consolidated Company holds these assets for the purpose of cash inflow and sale, so they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (3) The equity instruments, amounting to \$4,480,195, were classified as available-for-sale financial assets under IAS 39; however, as the Consolidated Company did not hold instruments for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.

- D. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

| Measurement classification | impairment under IAS 39 and recognized amount | | Remeasurements | Allowance for impairment under IFRS 9 |
|--|---|-------------|----------------|---|
| | under IAS 37 | | | |
| Receivables - net | \$ 424,587 | (\$ 50,681) | \$ | 373,906 |
| Bills discounted and loans | 10,181,599 | 2,587,974 | | 12,769,573 |
| Other financial assets - net | 450,751 | 120,248 | | 570,999 |
| Provisions | 275,664 | 54,403 | | 330,067 |
| Financial assets at fair value through other comprehensive income (Note) | - | 59,649 | | 59,649 |
| Investments in debt instrument at amortised cost (Note) | - | 298 | | 298 |

Note: For the effects of Financial assets at fair value through other comprehensive income and investments in debt instruments at amortised cost, please refer Note 12(9)C.

In line with the regulations under IFRS 9 on provision for impairment, loss allowance of receivables was decreased by \$50,681 and loss allowance of bills discounted and loans, other financial assets and provisions were increased by \$2,587,974, \$120,248 and \$54,403, respectively. Because the impact of tax, deferred tax assets and deferred tax liabilities were increased by \$286,533 and \$46, respectively, Retained earnings and other equity interest were decreased by \$2,425,549 and increased by \$92, accordingly.

- E. The significant accounts as of December 31, 2017, and for the year ended December 31, 2017 are as follows:

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

| | <u>December 31, 2017</u> |
|---|--------------------------|
| <u>Financial assets held for trading</u> | |
| Corporate bonds | \$ 41,488,347 |
| Commercial paper | 39,319,977 |
| Financial bonds | 11,854,984 |
| Government bonds | 10,428,832 |
| Convertible corporate bonds | 4,649,201 |
| Stocks of companies listed on TSE or OTC | 1,375,671 |
| Time deposits | 530,003 |
| Beneficiary certificates | 200,000 |
| Derivative financial instruments | 4,101,333 |
| Valuation adjustment of financial assets held for trading | 497,843 |
| Total | <u>\$ 114,446,191</u> |

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

| | |
|---|--------------------------|
| | <u>December 31, 2017</u> |
| Net gain on financial assets and liabilities held for trading | \$ 2,629,196 |
| Net loss on financial assets and liabilities designated as at fair value through profit or loss | (30,829) |
| | <u>\$ 2,598,367</u> |

a. Financial assets 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, the Consolidated Company has no financial assets held for trading undertaken for repurchase agreements or pledged as collaterals.

(B) Bills discounted and loans - net

Movements of allowance for bad debts

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

| | |
|---|---|
| <u>Bills discounted and Loans</u> | <u>For the year ended December 31, 2017</u> |
| Beginning balance | \$ 10,755,878 |
| Add: Provision | 674,821 |
| Reversal of write-off of loans and advances | 1,031,562 |
| Less: Write-off of loans and advances | (2,120,780) |
| Foreign exchange translation adjustment | (159,882) |
| Ending balance | <u>\$ 10,181,599</u> |

| | |
|---|---|
| <u>Receivables and other financial assets</u> | <u>For the year ended December 31, 2017</u> |
| Beginning balance | \$ 1,032,407 |
| Add: Provision | 148,225 |
| Reversal of write-off of loans and advances | 194,799 |
| Less: Write-off of loans and advances | (441,093) |
| Foreign exchange translation adjustment | (59,000) |
| Ending balance | <u>\$ 875,338</u> |

| | |
|---|---|
| <u>Provisions for guarantee liabilities</u> | <u>For the year ended December 31, 2017</u> |
| Beginning balance | \$ 492,159 |
| Less: Reversal | (215,690) |
| Foreign exchange translation adjustment | (805) |
| Ending balance | <u>\$ 275,664</u> |

(C) Available-for-sale financial assets – net

| | December 31, 2017 |
|--|-----------------------|
| Short-term transactions instruments | \$ 142,418,923 |
| Bonds (including government bonds, corporate bonds and financial bonds) | 113,279,887 |
| Listed stocks | 2,028,935 |
| Unlisted stocks | 1,536,151 |
| Valuation adjustments of available-for-sale financial assets | 1,340,587 |
| Subtotal | <u>260,604,483</u> |
| Less: Accumulated impairment | (9,797) |
| Total | <u>\$ 260,594,686</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:

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

- (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 gains on aforesaid government bonds that should be recognized in other comprehensive income would be gains of \$526,541 for the year ended December 31, 2017.
- b. The Consolidated Company recognized interest income of \$2,749,057 on debt instruments held for the year ended December 31, 2017.
- c. As of December 31, 2017, for the above available-for-sale financial assets pledged as collaterals, please refer to Note 8.

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

| | <u>December 31, 2017</u> |
|------------------|--------------------------|
| Government bonds | \$ 26,713,342 |
| Corporate bonds | 30,387 |
| Total | <u>\$ 26,743,729</u> |

- a. The Consolidated Company recognized interest income on held-to-maturity financial assets amounting to \$277,644 in profit or loss for the year ended December 31, 2017.
- b. As of December 31, 2017, 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 12(9)E(C).

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

| | <u>2017</u> |
|--|---------------------|
| Realized gain or loss on financial assets and liabilities at fair value through profit or loss | |
| Bonds | \$ 1,396,958 |
| Commercial papers | 223,832 |
| Time deposits | 103,009 |
| Stocks | 1,354 |
| Beneficiary certificates | 51 |
| Financial debentures payable | (220,756) |
| Exchange rate-linked instruments | 451,979 |
| Interest rate-linked instruments | 95,015 |
| Equity-linked instruments | 8,055 |
| Other derivative instruments | (622,641) |
| Subtotal | <u>1,436,856</u> |
| Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss | |
| Bonds | 203,046 |
| Commercial papers | (3,846) |
| Time deposits | (2,929) |
| Stocks | 14,451 |
| Beneficiary certificates | 6 |
| Financial debentures payable | 58,287 |
| Exchange rate-linked instruments | 137,975 |
| Interest rate-linked instruments | 33,098 |
| Equity-linked instruments | (124) |
| Other derivative instruments | 721,547 |
| Subtotal | <u>1,161,511</u> |
| Total | <u>\$ 2,598,367</u> |

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

| | <u>2017</u> |
|-----------------------|---------------------|
| Net interest income | \$ 1,284,240 |
| Gain on disposal | 149,293 |
| Stock dividend income | <u>3,323</u> |
| Total | <u>\$ 1,436,856</u> |

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

(F) Realized gain and loss on available-for-sale financial assets

| | <u>2017</u> |
|---|-------------------|
| Stock dividend income | \$ <u>136,365</u> |
| Gains on disposal | |
| Bonds (government bonds, corporate bonds and financial bonds) | 358,459 |
| Listed stocks | <u>13,688</u> |
| Subtotal | <u>372,147</u> |
| Loss on disposal | |
| Bonds (government bonds, corporate bonds and financial bonds) | (24,131) |
| Listed stocks | <u>(442)</u> |
| Subtotal | <u>(24,573)</u> |
| Total | <u>\$ 483,939</u> |

(G) Management objective and policy for 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:

i. 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.

ii. 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 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:

- i. Excellent: Exposure to instrument with a result of internal/ external credit rating level in between 1 to 6.
- ii. Acceptable: Exposure to instrument with a result of internal/ external credit rating level in between 7 to 8.
- iii. 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. With regard to 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, as the counterparties have good credit ratings, the credit risks are deemed extremely low.

The credit quality analysis for the rest of the financial assets is as follows:

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

| Items | Positions that are neither past due nor impaired | | | | | December 31, 2017 (Note 2) | | Total | | Recognized losses (D) | | Net |
|---|--|---------------|---------------|---------------|----------------|--|--------------|--|---|---|--|-----|
| | Positions that are neither past due nor impaired | | | | | Positions that are past due but not impaired (B) | | With individual objective evidence of impairment | | Without individual objective evidence of impairment | | |
| | Excellent | Acceptable | Weak | Unrated | Subtotal (A) | Impaired amount (C) | (A)+(B)+(C) | With individual objective evidence of impairment | Without individual objective evidence of impairment | (A)+(B)+(C)-(D) | | |
| Bills discounted and loans (Note 1) | \$ 360,405,676 | \$ 76,850,314 | \$ 10,263,096 | \$ 39,241,368 | \$ 486,760,454 | \$ 2,601,360 | \$ 5,604,737 | \$ 2,881,389 | \$ 3,605,401 | \$ 488,479,761 | | |
| Receivables and other financial assets | | | | | | | | | | | | |
| - Credit card service | 4,921,411 | 110,796 | 520,975 | 115,422 | 5,668,604 | 39,732 | 14,070 | 13,706 | 47,959 | 5,660,741 | | |
| - Bond investments without active market | 34,458,902 | 66,241 | - | - | 34,525,143 | - | - | 34,525,143 | - | 34,525,143 | | |
| - Other available-for-sale financial assets | 6,916,730 | 169,540 | - | 2,147,896 | 9,234,166 | - | 583,521 | 300,847 | 12,201 | 9,504,639 | | |
| - 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 | | |

Note 1: Total bills discounted and loans include interest receivable. As of December 31, 2017, the interest receivable on bills discounted and loans were \$616,488. In addition, allowances for doubtful interest receivable were \$2,365.

Note 2: The amounts as of December 31, 2017 did not include Ta Chong Bank; for information on Ta Chong Bank, please refer to (e) and (f).

- (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 (Note 2) | | | | | |
|-------------------------------|--|----------------------|----------------------|----------------------|-----------------------|
| By client | Positions that are neither past due nor impaired | | | | Total |
| | Excellent | Acceptable | Weak | Unrated (Note 1) | |
| 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 | <u>570,519</u> | <u>69,680</u> | <u>-</u> | <u>110,011</u> | <u>750,210</u> |
| Subtotal | <u>184,708,136</u> | <u>52,513,030</u> | <u>4,016,342</u> | <u>39,151,459</u> | <u>280,388,967</u> |
| Consumer finance | | | | | |
| - Mortgage loan | 151,195,654 | 18,091,968 | 575,217 | 3,426 | 169,866,265 |
| - Credit loan | 877,922 | 61,858 | 183,502 | 31,290 | 1,154,572 |
| - Automobile loan | 18,390,029 | 6,108,633 | 5,353,462 | 3,847 | 29,855,971 |
| - Others | <u>5,233,935</u> | <u>74,825</u> | <u>134,573</u> | <u>51,346</u> | <u>5,494,679</u> |
| Subtotal | <u>175,697,540</u> | <u>24,337,284</u> | <u>6,246,754</u> | <u>89,909</u> | <u>206,371,487</u> |
| Total | <u>\$ 360,405,676</u> | <u>\$ 76,850,314</u> | <u>\$ 10,263,096</u> | <u>\$ 39,241,368</u> | <u>\$ 486,760,454</u> |

Note 1: The above table is classified in accordance with “Credit rating model”. The loans that are classified as “Unrated” in the above table are those which have no applicable rating model due to lack of rating information or special business models.

Note 2: The amounts as of December 31, 2017 did not include Ta Chong Bank; for information on Ta Chong Bank, please refer to (e).

- (c) 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 (Note) | | |
|----------------------------|-------------------------------|------------------------|---------------------|
| | 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 |
| Non-guaranteed | | | |
| - 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 | <u>2,388,416</u> | <u>212,944</u> | <u>2,601,360</u> |
| Total | <u>\$ 2,426,722</u> | <u>\$ 214,370</u> | <u>\$ 2,641,092</u> |

Note: The amounts as of December 31, 2017 did not include Ta Chong Bank; for information on Ta Chong Bank, please refer to (h).

(Blank below)

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

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

| Items | | Bills discounted and loans (Note 1) | | Allowance for bad debts (Note 1) | |
|---|-----------------------|-------------------------------------|----------------------------|----------------------------------|----------------------------|
| | | December 31, 2017 (Note 2) | December 31, 2017 (Note 2) | December 31, 2017 (Note 2) | December 31, 2017 (Note 2) |
| With individual objective evidence of impairment | Individual assessment | Corporate loan | \$ 4,732,064 | \$ | 2,661,674 |
| | | Mortgage loan | 221,369 | | 9,732 |
| | Collective assessment | Corporate loan | 88,382 | | 34,833 |
| | | Mortgage loan | 377,524 | | 66,058 |
| | | Credit loan | 152,183 | | 92,591 |
| | | Automobile loan | 20,838 | | 10,326 |
| Others | 12,377 | | 6,175 | | |
| Without individual objective evidence of impairment | Individual assessment | Corporate loan | 279,726,103 | | 1,846,756 |
| | | Government-owned enterprises | 1,075,650 | | - |
| | Collective assessment | Mortgage loan | 170,937,834 | | 1,626,006 |
| | | Credit loan | 1,169,989 | | 12,453 |
| | | Automobile loan | 30,798,124 | | 35,766 |
| | | Others | 5,654,114 | | 84,420 |
| Total | | \$ 494,966,551 | \$ | 6,486,790 | |

| Items | | Receivables (Note 1) | | Allowance for bad debts (Note 1) | |
|---|-----------------------|----------------------------|----------------------------|----------------------------------|----------------------------|
| | | December 31, 2017 (Note 2) | December 31, 2017 (Note 2) | December 31, 2017 (Note 2) | December 31, 2017 (Note 2) |
| With individual objective evidence of impairment | Individual assessment | Others | \$ 583,279 | \$ | 300,640 |
| | | Credit card business | 14,070 | | 13,706 |
| | Collective assessment | Others | 242 | | 207 |
| Without individual objective evidence of impairment | Collective assessment | Credit card business | 5,708,336 | | 47,959 |
| | | Others | 98,454,923 | | 12,201 |
| Total | | \$ 104,760,850 | \$ | 374,713 | |

Note 1: As of December 31, 2017, 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, other financial assets and refundable deposits-out) not excluding allowance for bad debts and not excluding (including discount (premium) adjustment; the amounts not including interest receivable were \$616,488, respectively. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans were \$2,365.

Note 2: Amounts on December 31, 2017 did not include Ta Chong Bank; for information on Ta Chong Bank, please refer to (g).

(e) Ta Chong Bank's credit quality analysis on bills discounted and loans and receivables

| Items | Positions that are neither past due nor impaired | | | | | | Total | (Expressed in Thousand of New Taiwan Dollars) | | | | |
|------------------------------|--|--------------|------------|-----------|--------------|--|-----------|---|--|---|-----------------------|---------------------|
| | Excellent | Good | Acceptable | Others | Subtotal (A) | Positions that are past due but not impaired (B) | | Impaired amount (C) | With individual objective evidence of impairment (A)+(B)+(C) | Without individual objective evidence of impairment (D) | Recognized losses (D) | Net (A)+(B)+(C)-(D) |
| On-balance sheet items | | | | | | | | | | | | |
| Receivables | | | | | | | | | | | | |
| - Corporate banking | \$ 831,855 | \$ 1,393,200 | \$ 460,306 | \$ 2,125 | \$ 2,687,486 | \$ 2 | \$ 3,653 | \$ 2,691,141 | \$ - | \$ 23,295 | \$ 2,667,846 | |
| - Personal credit loans | 8,668 | 13,731 | 15,083 | 2,635 | 40,117 | 7,174 | 337 | 47,628 | - | - | 47,628 | |
| - Credit card | 2,663,850 | 1,711,022 | 1,508,513 | 1,586 | 5,884,971 | 121,394 | 351,815 | 6,358,180 | 158,424 | 40,928 | 6,158,828 | |
| - Cash card | 343 | 715 | 214 | - | 1,272 | 446 | 549 | 2,267 | - | - | 2,267 | |
| - Residential mortgage loans | 38,569 | 26,168 | 37,664 | - | 102,401 | 9,835 | 3,751 | 115,987 | - | - | 115,987 | |
| - Micro-enterprises | 26 | 7 | 36 | - | 69 | 27 | 99 | 195 | - | - | 195 | |
| - Others | - | - | - | - | 9,749,779 | - | - | 9,749,779 | - | - | 9,749,779 | |
| Bills discounted and loans | | | | | | | | | | | | |
| - Corporate banking | 4,777,674 | 48,373,439 | 46,065,605 | 2,622,843 | 101,839,561 | 3,623 | 1,096,667 | 102,939,851 | 377,932 | 986,374 | 101,575,545 | |
| - Residential mortgage loans | 50,360,776 | 31,044,466 | 45,042,466 | - | 126,447,708 | 3,113,434 | 515,466 | 130,076,608 | 259,301 | 1,621,791 | 128,195,516 | |
| - Personal credit loans | 3,388,167 | 3,607,348 | 2,809,471 | 763,274 | 10,568,260 | 449,152 | 1,127,497 | 12,144,909 | 236,848 | 175,614 | 11,732,447 | |
| - Cash card | 33,264 | 61,141 | 11,862 | - | 106,267 | 14,756 | 75,349 | 196,372 | 24,787 | 5,625 | 165,960 | |
| - Micro-enterprises | 66,575 | - | - | - | 66,575 | - | - | 66,575 | - | - | 66,575 | |
| - Deposits pledge loans | 12,514 | 4,959 | 30,025 | - | 47,498 | 1,711 | 11,492 | 60,701 | 7,668 | 1,234 | 51,799 | |
| Off-balance sheets items | | | | | | | | | | | | |
| - Commitments and guarantees | 1,156,776 | 3,967,539 | 3,503,309 | - | 8,627,624 | - | 47,947 | 8,675,571 | 959 | 97,134 | 8,577,478 | |

(f) Ta Chong Bank's credit quality analysis on other financial assets investments

(Expressed in Thousand of New Taiwan Dollars)

| Items | Neither Overdue Nor Impaired Amounts | | | Overdue but Not Impaired Amounts | | Total (A)+(B)+(C) | Provision Losses Amounts (D) | Net Amounts (A)+(B)+(C)-(D) |
|-------------------------------------|--------------------------------------|--------------|------------|----------------------------------|------|----------------------|---------------------------------|--------------------------------|
| | Excellent | Good | Acceptable | Subtotal (A) | (B) | | | |
| December 31, 2017 | | | | | | | | |
| Available-for-sale financial assets | | | | | | | | |
| Bonds | \$ 40,910,866 | \$ 2,261,505 | \$ - | \$ 43,172,371 | \$ - | \$ 43,172,371 | \$ - | \$ 43,172,371 |
| NCD | 73,943,117 | - | - | 73,943,117 | - | 73,943,117 | - | 73,943,117 |
| Treasury bills | 151,961 | - | - | 151,961 | - | 151,961 | - | 151,961 |
| Others financial assets | - | - | - | - | - | - | - | - |
| Equity investment | - | 1,149,145 | 1,149,145 | 1,149,145 | - | 1,173,706 | 8,566 | 1,165,140 |

(g) Ta Chong Bank's impairment assessment of bills discounted and loans and receivables

| Items | Bills discounted and loans | |
|---|----------------------------|-------------------------|
| | Total | Allowance for bad debts |
| | December 31, 2017 | December 31, 2017 |
| With individual objective evidence of impairment | \$ 1,096,667 | \$ 377,932 |
| Without individual objective evidence of impairment | 1,729,804 | 528,604 |
| | 242,658,545 | 2,790,638 |
| | Receivable | |
| | Total | Allowance for bad debts |
| | December 31, 2017 | December 31, 2017 |
| With individual objective evidence of impairment | \$ 387,260 | \$ 275,213 |
| Without individual objective evidence of impairment | 356,612 | 158,424 |
| | 8,954,144 | 64,223 |

Note: Includes other non-performing loans (recognized in other financial assets).

(h) Aging analysis of the overdue financial assets with no impairment of Ta Chong Bank:

| Items | December 31, 2017 | | Total |
|-----------------------------------|----------------------------------|---------------------------|-----------|
| | Overdue for less than 1 month | Overdue for 1~3 months | |
| Receivables | | | |
| Corporate banking | \$ 2 | \$ - | \$ 2 |
| Personal credit loans | 3,340 | 3,834 | 7,174 |
| Credit card | 84,481 | 36,913 | 121,394 |
| Residential mortgage loans | 6,582 | 3,253 | 9,835 |
| Cash card | 281 | 165 | 446 |
| Micro-enterprises | 6 | 21 | 27 |
| Bills discounted and loans | | | |
| Consumer Finance | | | |
| - Residential mortgage loan | 2,449,290 | 664,144 | 3,113,434 |
| - Cash card | 11,127 | 3,629 | 14,756 |
| - Micro-enterprises | 744 | 967 | 1,711 |
| - Personal credit loans | 281,580 | 167,572 | 449,152 |
| Corporate finance | | | |
| - Non-guaranteed | 3,623 | - | 3,623 |

(Blank below)

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:

| Company name | Property name | Date of occurrence | Amount | Paying status | Counterparty | Relationship with the seller | When counterparty is related party | | | Expressed in Thousands of New Taiwan Dollars | | | |
|--------------|---------------|--------------------|-------------|---------------|--|------------------------------|------------------------------------|---------------------------------|-------------------|--|----------------------------|--|------------------|
| | | | | | | | Owner | Relationship with the publisher | Transferring date | Amount | Criteria of price decision | Purpose of acquisition and usage situation | Other agreements |
| | | | | | | | | | | | | | |
| The Bank | Superficies | 2018/9/3 | \$8,201,000 | Completed | R.O.C. (National Property Administration, Ministry of Finance) | Non-related parties | - | - | - | Appraisal report issued by real estate appraiser | Owner-occupied property | - | |

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

None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million:

None.

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

| Current income tax assets | Counterparty | Relationship | Accounts receivable from related party | Turnover rate | Expressed in Thousands of New Taiwan Dollars | | |
|---------------------------|---------------------------|----------------|--|---------------|--|--------------|--|
| | | | | | Amount | Action taken | Accounts receivable from related party |
| | | | | | | | |
| Yuanta Bank | Yuanta Financial Holdings | Parent Company | \$2,275,250 (Note) | - | - | - | - |

Note: Income tax refundable arising from filing consolidated income tax returns was recognized under current income tax assets.

F. Information regarding selling non-performing loans:

(A) Summary of selling non-performing loans:

Expressed in Thousands of New Taiwan Dollars

| Company | Transaction date | Counterparty | Contents of right of claim | Carrying value | Sale price | Gain or loss from disposal | Attached conditions | Relationship with the Bank | Note |
|-----------------------------|------------------|--------------|-----------------------------------|----------------|------------|----------------------------|---------------------|----------------------------|--------|
| Yuanta Savings Bank (Korea) | 2018/3/7 | taeyung AMC | Loans and Prepayments for Collect | 20,494 | 26,194 | 5,700 | None | None | Note 1 |
| Yuanta Savings Bank (Korea) | 2018/4/27 | taeyung AMC | Loans and Prepayments for Collect | 23,051 | 26,052 | 3,001 | None | None | Note 2 |
| Yuanta Savings Bank (Korea) | 2018/7/31 | taeyung AMC | Loans and Prepayments for Collect | 41,735 | 41,982 | 247 | None | None | Note 3 |
| Yuanta Savings Bank (Korea) | 2018/11/15 | taeyung AMC | Loans and Prepayments for Collect | 43,251 | 43,763 | 512 | None | None | Note 4 |

Note 1: The carrying amount and the sale price of the loan was KRW 747,879 thousand and KRW 955,879 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

Note 2: The carrying amount and the sale price of the loan was KRW 841,168 thousand and KRW 950,700 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

Note 3: The carrying amount and the sale price of the loan was KRW 1,523,000 thousand and KRW 1,532,000 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

Note 4: The carrying amount and the sale price of the loan was KRW 1,578,326 thousand and KRW 1,597,000 thousand, using the exchange rate of 1 KRW to 0.027403 NTD.

(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, 2018:

| No. (Note 1) | Company | Counterparty | Relationship (Note 2) | Details of transactions | | | Percentage (%) of total consolidated net revenues or assets |
|-----------------|---------------------------------|---------------------------------|--------------------------|---|---------|--|--|
| | | | | Account | Amount | Conditions | |
| 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 | 271,494 | No significant difference from general customers. | 0.02% |
| 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 | 129 | No significant difference from general customers. | 0.00% |
| 1 | Yuanta International Leasing | Yuanta Bank | 2 | Bank deposits | 271,494 | No significant difference from general customers. | 0.02% |
| 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 | 129 | 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 refer to the following:

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 funds lent to others, endorsements or guarantees 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 instruments which is equivalent to 10% of paid-in capital:

A. Funds lent to others:

(Expressed in Thousands of New Taiwan Dollars)

| No. | Lending company | Borrower | Account | Related-party | Maximum balance at current period | Ending balance | Actual used amount | Interest rate | Characteristic of fund lent to others | Amount | Reason for short-term loans | Provision for credit loss | Collateral | | Limit of individual lending | Total limit of funds lent to others |
|-----|------------------------------|------------------|-------------------------------------|---------------|-----------------------------------|----------------|--------------------|-----------------|---------------------------------------|--------|---|---------------------------|-------------|---------|-----------------------------|-------------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Yuanta International Leasing | Cai Di Co., Ltd. | Notes receivable Capital lending | No | 197,944 | 197,944 | 197,944 | 4.17%~ 5.60% | Short-term loans | - | Acquisition of assets and operation financing | 19,794 | Real estate | 570,000 | 228,961 | 228,961 |

B. Endorsements and guarantees provided for others:

None.

C. Securities held at the end of the 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 on derivative instrument transactions:

None.

(3) Information regarding reinvested business and consolidated stock holdings

Expressed in Thousands of New Taiwan Dollars/ Thousands of shares

| 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 Total shares | |
| Yuanta International Leasing | 7F, No.69, Baoqing Rd., Taipei, Taiwan | Leasing business | 100 | \$ 571,189 | 2,901 | 60,000 | - | 60,000 | 100 |
| Yuanta Savings Bank (Philippines) | Chatham House 116, Valero cor. V.A. Rufino St., Salcedo Village, Makati City, Philippines | Deposits and loans of saving bank | 100 | 510,123 | 26,247 | 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 | 4,126,939 | 193,078 | 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. Offshore Banking: International syndicated loans and management of the overseas branches and subsidiaries.
- C. Consumer finance: Mortgage loans, auto loans, consumer loans, credit cards, etc.
- D. Wealth management: This segment consolidates deposits, wealth management, trust business and various financial instruments, and provides clients with tailor-made recommendations and advice according to their asset portfolio and financial position.
- E. Financial trading: Investing in and handling of foreign exchange and fixed income instruments, 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 lending to a 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, which is 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, 2018 | | | | | | |
|--|--------------------------------------|---------------------|---------------------|---|----------------------|---------------------|----------------------|
| | Corporate finance | Offshore banking | Consumer finance | Segment Information Wealth management | Financial trading | Other segments | Consolidated |
| Net interest income (loss) | \$ 4,016,607 | \$ 2,071,357 | \$ 4,636,697 | \$ 3,561,728 | \$ 617,740 | \$ 888,115 | \$ 14,016,014 |
| Net service fee and commission income (loss) | 524,124 | 466,001 | 371,645 | 4,026,177 | (11,609) | (5,035) | 5,371,303 |
| Other operating income (Note 1) | (12,270) | 43,500 | 111,472 | 288,961 | 3,059,025 | 515,494 | 4,006,182 |
| Operating expenses | 1,688,440 | 773,622 | 2,637,507 | 5,766,581 | 725,324 | (335,675) | 11,255,799 |
| Other significant non-cash accounts: | | | | | | | |
| Net reversal of impairment losses on assets | - | (1,524) | - | - | 14,319 | (1,439,949) | (1,427,154) |
| Provision for (reversal of) bad debt expenses and guarantee reserve | (595,047) | (35,755) | (33,438) | - | 122 | (2,262) | (666,380) |
| Segmental profit (loss) before tax | <u>\$ 2,244,974</u> | <u>\$ 1,769,957</u> | <u>\$ 2,448,869</u> | <u>\$ 2,110,285</u> | <u>\$ 2,954,273</u> | <u>\$ 1,484,192</u> | <u>\$ 10,044,166</u> |

For the year ended December 31, 2017 (Note 2)

| | Segment Information | | | | | | |
|--|----------------------|---------------------|---------------------|----------------------|----------------------|-------------------|---------------------|
| | Corporate finance | Offshore banking | Consumer finance | Wealth management | Financial trading | Other segments | Consolidated |
| Net interest income (loss) | \$ 3,146,145 | \$ 1,304,273 | \$ 2,219,284 | \$ 2,281,483 | \$ 1,038,453 | \$ 779,553 | \$ 9,210,085 |
| Net service fee and commission income (loss) | 479,014 | 303,747 | 188,308 | 2,157,277 | (33,829) | 756 | 3,095,273 |
| Other operating income (Note 1) | (100,272) | 265,500 | 34,068 | 170,036 | 2,389,408 | 63,388 | 2,822,128 |
| Operating expenses | 1,413,288 | 508,337 | 1,622,889 | 3,770,129 | 643,350 | (600,203) | 7,357,790 |
| Other significant non-cash accounts: | | | | | | | |
| Net reversal of impairment losses on assets | - | (211) | - | - | - | 45 | (166) |
| Provision for (reversal of) bad debt expenses and guarantee reserve | (379,173) | (51,578) | 153,701 | - | - | (34,180) | (311,230) |
| Segmental profit (loss) before tax | <u>\$ 1,732,426</u> | <u>\$ 1,313,394</u> | <u>\$ 972,472</u> | <u>\$ 838,667</u> | <u>\$ 2,750,682</u> | <u>\$ 149,341</u> | <u>\$ 7,458,300</u> |

Note 1: 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, profit or losses on financial assets at fair value through other comprehensive income, foreign exchange gains and losses, and other non-interest income.

Note 2: Amounts on December 31, 2017 did not include Ta Chong Bank; for information on Ta Chong Bank, please refer to Note 14(4).

(4) Information about Ta Chong Bank's segment profit or loss

| For the year ended December 31, 2017 | Corporate finance | Consumer finance | Financial market | Hong Kong branch | Other segments | Consolidated | Adjustment and write-off | Consolidated |
|---|---------------------|---------------------|-------------------|-------------------|-----------------------|-------------------|--------------------------|---------------------|
| Net interest income (loss) | \$ 1,676,466 | \$ 3,305,141 | \$ 929,585 | \$ 267,865 | (\$ 3,027,380) | \$ 3,151,677 | \$ 2,269,575 | \$ 5,421,252 |
| Net service fee and commission income (loss) | 367,125 | 1,855,868 | (280) | 48,734 | (2,889) | 2,268,558 | 29 | 2,268,587 |
| Other operating income | 65,975 | 289,282 | (54,772) | (9,450) | 31,701 | 322,736 | 84,557 | 407,293 |
| Net income (loss) | 2,109,566 | 5,450,291 | 874,533 | 307,149 | (2,998,568) | 5,742,971 | 2,354,161 | 8,097,132 |
| Operating expenses | 821,419 | 3,470,094 | 173,122 | 174,378 | 814,201 | 5,453,214 | 152,746 | 5,605,960 |
| Provision for bad debt expenses and guarantee reserve | (101,692) | - | 109,797 | 7,216 | (8,156) | 7,165 | 206,759 | 213,924 |
| Continuing operations' profit (loss) before tax | <u>\$ 1,389,839</u> | <u>\$ 1,980,197</u> | <u>\$ 591,614</u> | <u>\$ 125,555</u> | <u>(\$ 3,804,613)</u> | <u>\$ 282,592</u> | <u>\$ 1,994,656</u> | <u>\$ 2,277,248</u> |

(5) Major customer information

The Consolidated Company has diverse income sources and has no significant trade occurred to single client or transaction.

(6) Product information

The Consolidated Company's product information is identical with the segment information.

(7) 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.



