

 HUA NAN FINANCIAL HOLDINGS CO., LTD.

2015

ANNUAL REPORT

HUA NAN FINANCIAL HOLDINGS CO.,LTD.



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2015 ANNUAL REPORT

HUA NAN FINANCIAL HOLDINGS CO.,LTD.



1. Address, Website and Tel No. of HNFHC and Its Subsidiaries

(1) Hua Nan Financial Holdings Co., Ltd. (HNFHC)

Address: No. 123, Songren Rd., Xinyi District, Taipei City

Tel No.: 886-2-2371-3111

Website: <http://www.hnfhc.com.tw>

(2) Subsidiaries

1. Hua Nan Commercial Bank Ltd. (HNCB)

Address: No. 123, Songren Rd., Xinyi District, Taipei City

Tel No.: 886-2-2371-3111

Website: <http://www.hncb.com.tw>

2. Hua Nan Securities Co., Ltd. (HNSC)

Address: 5F, No. 54, Sec. 4, Minsheng E. Rd., Songshan District, Taipei City

Tel No.: 886-2-2545-6888

Website: <http://www.entrust.com.tw>

3. South China Insurance Co., Ltd. (SCIC)

Address: 5F, No. 560, Sec. 4, Zhongxiao E. Rd., Taipei City

Tel No.: 886-2-2758-8418

Website: <http://www.south-china.com.tw>

4. Hua Nan Investment Trust Corp. (HNIT)

Address: 3F-1, No. 54, Sec. 4, Minsheng E. Rd., Taipei City

Tel No.: 886-2-2719-6688

Website: <http://www.hnitc.com.tw>

5. Hua Nan Venture Capital Co., Ltd. (HNVC)

Address: 3F, No. 143, Sec. 2, Minsheng E. Rd., Taipei City

Tel No.: 886-2-2500-0622

Website: None

6. Hua Nan Assets Management Co., Ltd. (HNAMC)

Address: 4F, No. 18, Sec. 1, Changan E. Rd., Taipei City

Tel No.: 886-2-2511-2900

Website: <http://www.hnamc.com.tw>

2. Spokesperson

Name of Spokesperson: David, Y.C. Cheng

Title: Executive Vice President

Tel No.: 886-2-2371-3111 Ext. 1863

E-Mail: public@hnfhc.com.tw

Name of Deputy Spokesperson: James, H.J. Liu

Title: Executive Vice President

Tel No.: 886-2-2371-3111 Ext. 1865

E-Mail: public@hnfhc.com.tw

3. Stock Transfer Agency

Name: Hua Nan Securities Co., Ltd.

Address: 4F, No. 54, Sec. 4, Minsheng E. Rd., Taipei City

Tel No.: 886-2-2545-6888

Website: <http://www.entrust.com.tw>

4. Independent Auditor of the Financial Reports

Name of CPA: Yi-Chun Wu, Kuang-Chung Lai

Name of Office: Deloitte & Touche

Address: 12F, No. 156, Sec. 3, Minsheng E. Rd., Taipei City

Tel No.: 886-2-2545-9988

Website: <http://www.deloitte.com.tw>

5. Name of Overseas Listing Securities Exchange Office & the way to inquire: None

6. Credit Rating Agency

Name: Taiwan Ratings Co.

Address: 49F, No. 7, Sec. 5, Xinyi Rd., Taipei City

Tel No.: 886-2-8722-5800

Website: <http://www.taiwanratings.com>

7. Investor Relations

Tel No: 886-2-2371-3111 Ext. 6315/6317

E-Mail: ir@hnfhc.com.tw



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*H*onesty

*E*fficiency

*A*ctiveness

*R*esponsibility

*T*eamwork

I | Letter to the Shareholders

CHAIRMAN

ky Si Shiu



Operation Results in 2015

1. Financial environments in Taiwan and other countries for 2015

Looking back in 2015, factors including the slowdown in emerging markets, sharp drop in oil prices, divergence of monetary policies in the US, Europe and Japan, Greece's debt crisis and geopolitical tensions contributed to the global financial market's drastic volatility. Global economic growth rate was lower compared to the year before, as one of the world's major economies-the US economy displayed modest recovery, weak economic recovery of the Europe and Japan, and the continued slowdown of China's economy, thus the global economy still remain in an era of "new mediocre". According to the estimate by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C., Taiwan's 2015 economic growth rate was merely at 0.75%, significantly lower from the previous year's 3.92%. The

main reason of the decline is less-than-expected global economic growth, especially when China's economy still facing downward pressure, global oil prices fall sharply, lackluster international trading activities and China is devoted to enhancing its self-supply chain. As a result, Taiwan's exports have continued to decline. To compound the matters worse, Taiwan's tourist growth has also slowed and its service exports also significantly reduced. All of these factors have dragged down Taiwan's economic performance.

2. Changes to the Company's organization

Since Hua Nan Financial Holdings Co., Ltd. (hereafter "the Company" or "HNFHC") establishment in December 19, 2001, we have expanded our financial services into multiple professional sectors that include banks, securities, insurances, investments and trusts, assets management, and venture capital. In order to reduce operational costs and effectively improve our business performance, Hua Nan Venture Capital



VICE CHAIRMAN

Ming Chen

Co., Ltd. has formally absorbed Hua Nan Management Consulting on December 25, 2013. By the end of 2015, the Company exercises 100% ownership over 6 subsidiaries.

3. Business plan and results of business strategies

Even though the sluggish economic performance throughout the world along with drastic volatility in global financial markets, the Company has still stably and pragmatically promoted its business, strictly controlled a variety of risks, continued adjust its loan book, maintained benign asset quality and diversify its income sources from fees and investments. Although a decline in the TAIEX and a downturn in the real estate market, HNFHC's overall business operation is still in a trend of growth, and continues to achieve a record high profits. In 2015, its after-tax net profit was NT\$14.097 billion, represented an increase of NT\$900 million or 7% from the previous year, whereas the EPS was NT\$1.42 and return on shareholders' equity was 9.49%. The growth was still mainly driven by the subsidiary Hua Nan Commercial Bank (HNCB). Other than reinforcing the business performance and diversified income

sources, the Company continued to improve its asset quality, strengthen cross selling efforts integrate local and foreign investments and deployment, promote the digital financial environment 3.0 and take on its share of corporate social responsibility as business strategies in 2015. The concrete results are explained as follows:

(1) Improved its operating quality

A. Asset quality: As of the end of 2015, the Non Performing Loan ratio and coverage ratio were 0.21% and 537.90% respectively, which demonstrated that the Company's asset quality has remained in a good condition.

B. Capital adequacy ratio: As of the end of 2015, the Company's capital adequacy ratio was 141.78%, whereas Hua Nan Commercial Bank's capital adequacy ratio was 13.28%, tier-1 capital ratio was 9.88% and common stock equity ratio was 9.69%. Other than complying with statutory laws and regulations, the preceding ratios show a more solid status compared with those of the previous year.

C. Corporate governance: Set up the corporate governance Best Practice Principles, held the



PRESIDENT

Yun Peng Chang

institutional investor meeting, carried out the law compliance system and risk control mechanism and reinforced the information system and its safety.

(2) Strengthened cross-selling

A. HNFHC's cross-selling efforts: Integrated the Company's marketing resources, adopted the customer relationship management system and galvanized coherence throughout the Company, in which the above efforts can realize cross-selling benefits. In 2015, the Company's cross-selling ratio topped 26.42%, which contributed a cross-selling income of NT\$951 million.

B. IE Life Reward Points Redemption Platform: Integrated the resources of the HNFHC's subsidiaries, including the bank, securities firms and property & casualty insurance company, to launch the platform of the "IE Life Reward Points Redemption", with which, customers may redeem their reward points collected from their purchases of specified financial products or completion of specific transactions on the platform. It could

facilitate the business relationship between customers and the Company both in depth and in width.

(3) Integrated local and foreign investments and deployment

A. Merged independent securities firms and invested in local major infrastructure

(a) In order to elevate the Company's share in the securities market and increase the profit of its non-bank subsidiaries, Yunlin Fuxing Securities Co., Ltd. merged with Hua Nan Securities Co., Ltd. on Nov. 2, 2015.

(b) In order to have long-term and stable income and support national major infrastructure and landmarks, the Company increased its investment in Taipei Financial Center Corp. by NT\$369 million and in Taiwan High Speed Rail Corp. by NT\$533 million on July 7, and Nov. 26, 2015 respectively.

B. Continued to expand HNFHC's business in the Greater China region



(a). Hua Nan Commercial Bank opened its Shanghai Branch and Fuzhou Branch in China on Jan. 20 and May 13, 2015 respectively, and increased the capital of its Shenzhen Branch by RMB500 million. With which, the Company will be able to expand its services to the China market and reinforce its development momentum in the Greater China region.

(b). For the case of South China Insurance's equity participation in Shen Zhou Auto Insurance Co., Ltd., HNFHC is waiting for the approval of China Insurance Regulatory Commission, and will continue to track the progress.

C. Grasped Asian's rise to prominence and planned strategical deployment

(a). After being approved by the Financial Supervisory Commission on April 7, 2015 for Hua Nan Commercial Bank's establishment of its Myanmar Branch Office, HNCB is applying to Myanmar's competent authorities for the branch office establishment.

(b). The Company will be on the lookout for ASEAN emerging nations' development trends, and discreetly evaluate the feasibility of branch establishment, merger or equity participation.

(4) Promoted the digital financial environment 3.0

The Company set up the "Hua Nan Financial Group Digital Financial Promotion Panel" in August 2015 to configure the 21 items required to build a digital financial environment 3.0 covering the five dimensions of channel integration, mobile payment services, digital marketing, big data utilization and talent cultivation, so as to uplift the Group's digital marketing effect and satisfy customers' requirements in the digital era. The tasks completed in 2015 are as follows:

A. The digital transaction environment: the network and mobile transaction platform were established.

B. Digital alliance environment: Customer service and mobile customer service networks and Facebook fan group were established

C. Digital payment environment: launched the mobile financial cards and mobile phone credit cards and provided the cross-border O2O payment service.

D. Inspected and adjusted the process of a variety of online businesses: Inspected the processes of the online businesses (e.g. account opening, application for credit cards and insurance purchase) approved by the Financial Supervisory Commission and completed the online operation.

E. Set up varying channels for product sale: Completed the planning operation for the products suitable for varying sales channels.

(5) Commitments to corporate social responsibility

A. Caring for the underprivileged: We are committed to giving back our society and have led volunteers from our Company in a number of social and charity events for senior citizens such as the "Hua Nan, Live On!" campaign held in Kaohsiung, Changhua, Taoyuan and Taichung. These events have been passionately received and brought wide recognition for our Company.

B. Supporting grass-roots baseball and athleticism: We have promoted baseball and supported youth baseball team training programs in Taiwan, providing sponsorship for the "2015 Hua Nan Financial Holdings National Youth Baseball Championships" as well as the 3rd WBSC Youth Baseball World Cup. We have also held Dream Baseball Camps in Tainan Municipal Baseball Stadium. In addition to promoting our corporate image, our efforts have also been publicly recognized, winning us a sponsorship award in the Sports Promotional Award organized by the Sports Administration of the Ministry of Education.

C. Supporting sports, academic, and cultural events: We have planned and sponsored sports, academic, and cultural events that include the Company's badminton and table tennis competition, uniform invoice cup marathon activity, forum for financial and society trends, Notre Dame de Paris melodrama (French version), the 2nd year "Cross-Straits Free Trade Zone Cooperation Forum", donations to the "Food (Goods) Bank" program promoted by Taiwan Future Exchange, donations to help the "Formosa Fun Coast Explosion victims", sponsorship of the opening activities of Southern Branch of the National Palace Museum, etc.

D. Published the 2014 corporate social responsibility report: In order to achieve its goal for the corporate sustainable development and take up its share of corporate social responsibility, the Company already completed and published its corporate social responsibility report in 2015, in which the Company goaled to fulfill its corporate social responsibility, incorporated its corporate management directions and operating activities and sufficiently communicated with external sectors, in an attempt to keep reinforcing its commitment to its stakeholders.

4 Budget implementation, financial income, and profitability analysis

In 2015 combined net after-tax profit of our Company and our subsidiaries totaled NT\$14.081 billion, providing an after-tax profit of NT\$ 1.42 per share. Consolidated return on asset (ROA) was 0.61%; consolidated return on equity (ROE) was 9.48%. Profitability of our various subsidiaries are provided in the following:

(1) Hua Nan Commercial Bank (HNCB)

Net after-tax profit for 2015 totaled NT\$ 13.241 billion, providing an after-tax profit of NT\$ 1.93 per share. ROA was 0.59%, while ROE was 9.01%.

(2) Hua Nan Securities (HNSC)

Net after-tax profit for 2015 totaled NT\$ 351 million, providing an after-tax profit of NT\$ 0.43 per share. ROA was 1.24%, while ROE was 2.97%.

(3) South China Insurance (SCIC)

Net after-tax profit for 2015 totaled NT\$ 606 million, providing an after-tax profit of NT\$ 3.03 per share. ROA was 3.87%, while ROE was 15.18%.

(4) Hua Nan Investment Trust (HNIT)

Net after-tax profit for 2015 totaled NT\$ 34 million, providing an after-tax profit of NT\$ 1.09 per share. ROA was 4.02%, while ROE was 7.48%.

(5) Hua Nan Venture Capital (HNVC)

Net after-tax profit for 2015 totaled NT\$ 6 million, providing an after-tax profit of NT\$ 0.03 per share. ROA was 0.34%, while ROE was 0.35%.

(6) Hua Nan Assets Management Company (HNAMC)

Net after-tax profit for 2015 totaled NT\$ 12 million, providing an after-tax profit of NT\$ 0.12 per share. ROA was 0.51%, while ROE was 1.12%.

5 Research and development

(1) HNFHC

Continue to use the “Analytical CRM System” to set up the models such as the “customer purchase behavior”, so as to strengthen the screening precision in identifying the targeted customers for marketing activities. On the other hand, in response to the advent of the digital era, HNFHC plans to collect customers’ data in various dimensions, introduce big data analysis technology and identify customers’ requirements, so as to provide customers with the products and services needed by them in due time. In so doing, customers’ intent to do the business with the Bank will be enhanced, and the ratio of the Company’s digital customers will increase.

(2) HNCB

For research and development, our Bank has continued to encourage our employees’ commitment to research and development. In 2015, our fellow employees have developed and submitted a total of 487 product proposals, of which 102 have been adopted.

(3) HNSC

A. We have complied with various policies and laws to research and develop various new services as well as structural and derivative financial products such as trade and exchange of convertible corporate bonds, interest exchange and trade, overseas sub-brokerage services, release of local call (put) warrants, index and individual stock options and futures, interest rate futures, gold futures, and asset securitization. Additional efforts have been directed towards investment banking services, financial engineering, risk control, and professional training and recruitment.

B. The following information technology systems have been planned:

(a) In conjunction with the planning blueprint of the financial holdings and digital financial environment 3.0 to proceed with the configuration of Bank 3.0 related systems.

(b) In conjunction with the digital financial promotional panel 3.0 project undertaken by HNFHC’s marketing department to establish



a big data platform and assess the feasibility to introduce the business intelligence (BI) platform.

- (c) Set up an e-transaction platform with the mobile device to provide customers with consistent services and attain the goal for cross-carrier document signature.
 - (d) Systems that work with financial holding channels and establishment of integrated projects.
 - (e) Planned establishment of a web-based overseas sub-brokerage and transaction platform: A system that allows users to purchase stocks in multiple countries and operate different categories of products from a single platform shall be established. A New Taiwan Dollar calculation subsystem shall also be established to facilitate the convenience of customer transactions.
 - (f) Planned expansions for the service management system: Includes planning for customer relationship management, regional supervision system, management system, and decision-making support management system.
 - (g) Special needs booking and management: In order to respond to data requirements in various branches, support shall be provided to help various branches carry out needs descriptions and analysis and establish integrated project systems for financial sales channels.
 - (h) Corporate employee sales integration platform has been activated and operational since February 2015. Multiple personnel training has been carried out. Corporate sales (cross-selling) bonus systems are also in place in order to encourage employees to carry out joint marketing using this platform and improve joint performance.
- C. Professional knowledge from overseas commodity departments, financial product departments, and futures management departments have been integrated and employed in the research and trade of financial product arbitrage. Software designs

developed by our information and technology departments have also been employed to develop computer trading programs capable of capitalizing on price discrepancies, arbitrage, and hedging. Artificial intelligence graphing and technical analysis were used as support in order to identify market trends and perfect trade opportunities to maximize profit.

- D. Aggressive planning of mergers and acquisitions of potential securities house under the structure of the Hua Nan Financial Holdings parent company in order to strengthen brokerage capabilities and achieve sustainable management and growth.
- E. Hua Nan Investment Consultant subsidiary has implemented in depth studies of the basic, technical, and capital aspects of global finances as well as overall economy, industrial status, and individual companies in Taiwan and other countries for the purposes of achieving accurate assessments of investment trends and avoid high risk sectors. In addition to periodic release of investment publications and hosting of investment seminars, the Consultancy also provides Hua Nan Financial Holdings with the basis and references for investment consultation and credit management.
- F. Track the Financial Supervisory Commission's Financial Plans with Cross-strait Characteristics and corresponding updates in Developing Asset and Financial Management Services of the Greater China Region in order to implement investment assessments and build profit opportunities.
- G. Track the Legislative Yuan's progress in implementing the Cross-Straits Agreement on Trade in Services and contact potential Mainland Chinese businesses in Shenzhen and other regions in order to plan and assess opportunities to jointly establish securities firms with complete licensing and seize the market initiative.
- H. Develop trust-based financial management services and introduce insurance and other financial products to offer customers with multiple product options. Propose the promotion of products priced in Renminbi (RMB).

- I. Promote services in international securities branches (OSU). Made plans to increase professional recruitment, expand relevant services, and increase niche markets.
- J. Track legislative trends and liberalization of Formosa bonds and Taiwan T shares, and continue to establish connections with Chinese companies in order to capitalize on future opportunities for providing securities underwriting services.

(4) SCIC

In response to the diverse requirements of the marketing channels and customer's requirements, SCIC has continued to research and develop new products and propose innovative combinations of marketing projects. In order to meet the requirements for insurance service developments and new products, provide the insured with comprehensive and professional services, a total of 118 new products have been developed in 2015, of which 99 project commodities have been marketed. SCIC's continued commitment to product innovation, the professionalism of insurance services, and innovative products offered helped to achieve excellent performance, winning Faith, Hope & Love Awards of Insurance for several consecutive years.

In the aspect of the risk management culture, it adopts integrity, delicacy and transparency as the DNA of its core value, and concretely promotes the risk management mechanism through the platform incorporating audit, law compliance and discipline units, so as to elevate corporate governance and the risk management effect.

The first and foremost business guideline of SCIC is its stable business operation. As a result, A. M. Best, a credit rating agency, upgraded South China Insurance's credit ratings in 2015 as below: "financial strength: from A- (excellent) to A+ (excellent); issuance entity's credit rating: from a- to a; outlook: from positive to stable". The main reasons for the upgrade include the following: robust capital, good performance in underwriting and increase in its market share, good business relationships with car dealers, good support from the financial holdings bank, stable and sound investment income, good

risk management effects, etc. In addition, Taiwan Ratings Co. continued to give South China Insurance a rating of "twAA-" in 2015, and the outlook was "stable". It affirmatively recognized South China Insurance in terms of its robust capital level, excellent underwriting performance, higher-than-average liquidity and stable flows of operating cash.

In 2015, SCIC has achieved stable growth with innovative services, customer orientation, diversified services, and the commitments shown by every fellow employee. The goals of 2016 shall be to Focus on Both Quality and Quantity and gain TOP5 to create a New Era of Globalization. The guiding business strategies shall focus upon improving business performance. SCIC shall work as a team and continue to achieve stellar performance by proposing innovative total services for customers, continuing to strengthen data hardware and upgrading data integration management benefits, pursuing overseas expansion, and fulfilling our corporate social responsibility and obligations.

(5) HNIT

The overall scale of investment trust funds in 2015 increased by NT\$228.866 billion from the end of the previous year, and topped some NT\$2.2 trillion, representing an annual increase of 11.59%. Due to augmentation of its monetary market fund scale and placement of two new funds, the whole scale of the HNIT's public placement funds reached NT\$41.962 billion at the end of 2015, representing an increase of NT\$9.264 billion from the end of the previous year and ranked in 18th place in the market.

In terms of the scales of various funds in the whole market, the amount of the local monetary market funds took the lead in 2015 by increasing NT\$252.015 billion throughout the year. It mainly reflects the violent volatility in the global financial market, and results in risk hedge of the market capital. The cross-country balanced funds came in second by increasing NT\$29.827 billion, which have also been the hottest fund products over the past two years. High income bond funds became the least popular ones in 2015 by reducing NT\$37.3 billion. The downturn from their hot sale over the past five years mainly caused by the rise of the interest



rates initiated by the U.S. Fed., which led to outflow of the market capital from the bond market. With which, the funds covering high income bond funds, bond fund of funds, and global general bond funds have all been downscaled, which coincided with the substantial reduction of offshore high income bond funds.

(6) HNVC

HNVC has attended corporate seminars and training courses in order to assess trends in industrial developments. It has improved the professionalism in investment project assessments and post-investment management. By supporting the management and financial planning of overseas investees, HNVC would be able to establish strategic alliances and partnerships in order to successfully list the company and benefit from the investments.

(7) HNAME

HNAME has established a multi-pronged business model and established three core services in investment and disposition services for non-performing loans, direct investment services for real estate, and commissioned payment reminders. Business strategies and manpower allocations could be flexibly adjusted according to changes in the market to prevent the dwindling of business sources as well as over-concentration of business efforts.

In addition, for the businesses added in accordance with the amendment to the "Operating Principles for Financial Holding Companies (Banks)' Investment in Asset Management Companies" by the Financial Supervisory Commission on August 12, 2015 via doc. No. Chin-Kuan-Yin-Ho Tzu-Ti 10430001990, HNAME is working on the operating strategy and goal, and



Vice President Hsin-Tien Ting, Vice President James H.J.Liu, Vice Chairman Ming-Cheng Lin
Chairman Kuang-Si Shiu, President Yun-Peng Chang, Chief Internal Auditor Pau-Chu Lo, Vice President David Y.C.Cheng (from left)

organizing the new category business of the “court-auctioned business trusted by other bidders”

A summary of business objectives for the Company in 2015 and future development strategies

Looking ahead to the 2016 economic status, our economy has still been impacted by the slowdown of China’s economy, continuous sluggishness of raw material prices, US Fed’s interest rate hikes and increasing geopolitical risk. Nevertheless, the whole economy seems to fall in the trough. As predicted by international agencies, the global economic growth in 2016 could be slightly better than that in 2015, but, without the new growth momentum, the dull trend is still expected to be continued in the short run. Furthermore, according to global development trends, attention shall still be paid to potential risks, such as the exiting of the U.K. and Greece from the EU, China’s economic hard landing, volatility of oil prices, possible military confrontations in Asia, etc., which may result in financial market turbulence. Given that Taiwan’s economy is deeply affected by the slowdown of China’s economy plus the unfavorable factors such as the plight encountered in industry transformation, emergence of China’s enhancing its self-supply chains and downturn of the real estate market, Taiwan’s economic outlook shows a sign of pessimistic while there is no reason for optimism. Even though the poor performance of the global economy, the Company has still promoted its business with the spirit of diligence, honest and pragmatism and put its efforts on small and medium enterprises, syndication loans, overseas loans, increase in fee income, maintenance of benign asset quality, investment deployment in the ASEAN region. Moreover, to meet the digital trend, HNFHC has also reinforced its digital services and persistently executed its six major development strategies (1) diversify source of income; (2) balance profit contributions across the corporation; (3) expand overseas operation; (4) innovative financial products and services; (5) ensure soundness operation; and (6) reinforce corporate social responsibility obligations. By considering and fulfilling the expectations of our employees, shareholders, customers, and social responsibility, brave the challenge coming from market volatilities and continue to achieve record highs in profits, Hua Nan Financial Holdings will meet the expectations of the entire shareholders.

Credit Rating

Assessed institution	assessor	Long-term credit assessment	Short-term credit assessment	Future outlook
Hua Nan Financial Holdings	Taiwan Ratings (2016/05)	twAA-	twA-1+	Stable
Hua Nan Commercial Bank	Taiwan Ratings (2016/05)	twAA+	twA-1+	Stable
	Moody’s (2016/01)	A2	P1	Positive
	Fitch Ratings (2016/03)	BBB+	F2	Stable
Hua Nan Securities	Taiwan Ratings (2016/05)	twAA-	twA-1+	Stable
South China Insurance	Taiwan Ratings (2016/05)	twAA	-	Stable
	A.M. Best (2016/01)	A	a	Stable

Chairman

ky Si Shiu

Vice Chairman

ming chao zhang

President

Yun-Peng Chang



*H*onesty

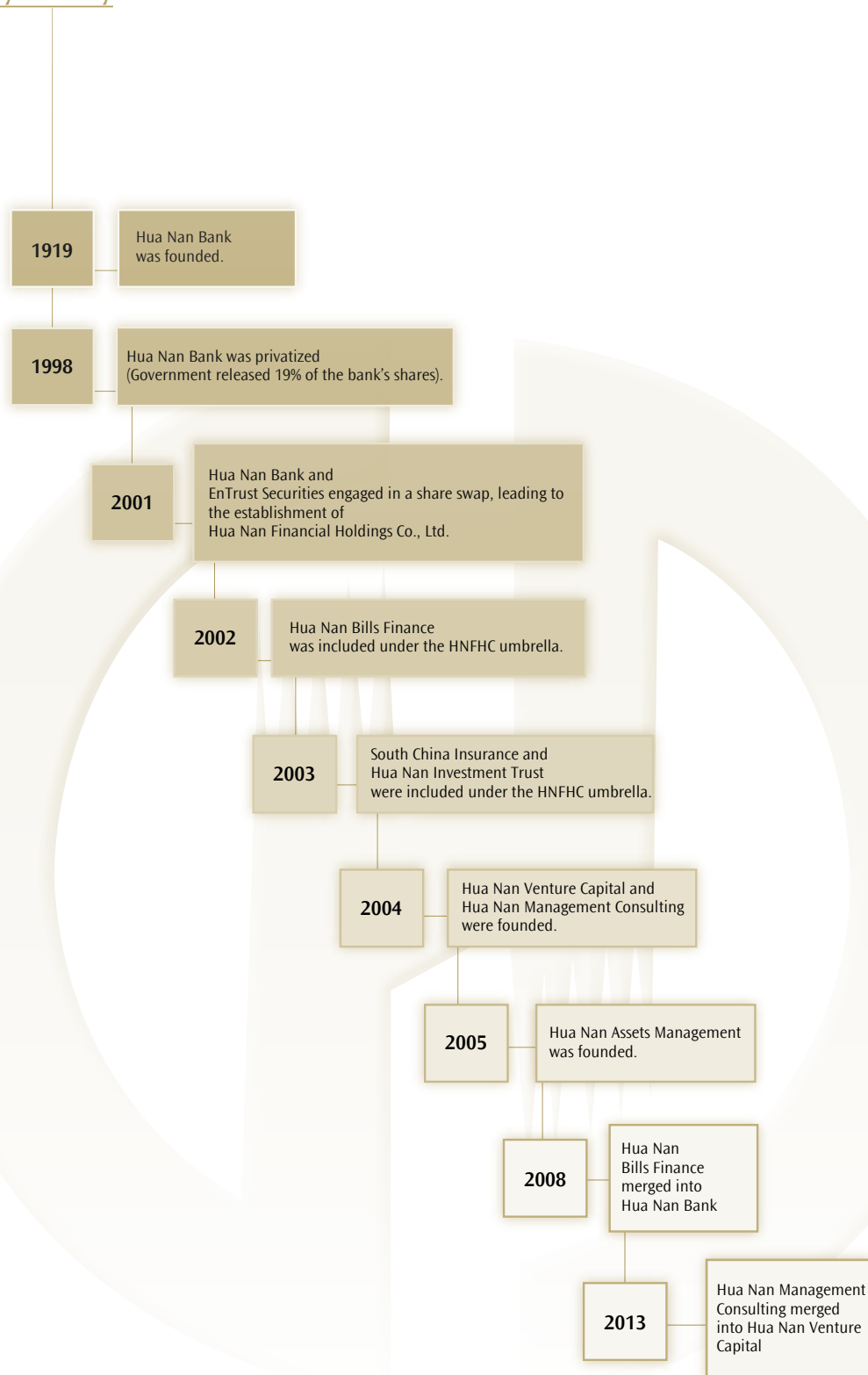


II | Company Profile

Date of Establishment

This company was established on December 19, 2001 by a share swap of Hua Nan Bank and EnTrust Securities Co., Ltd. The company headquarters is located in Taipei City, and the fixed capital of the company is in the amount of NTD100 billions.

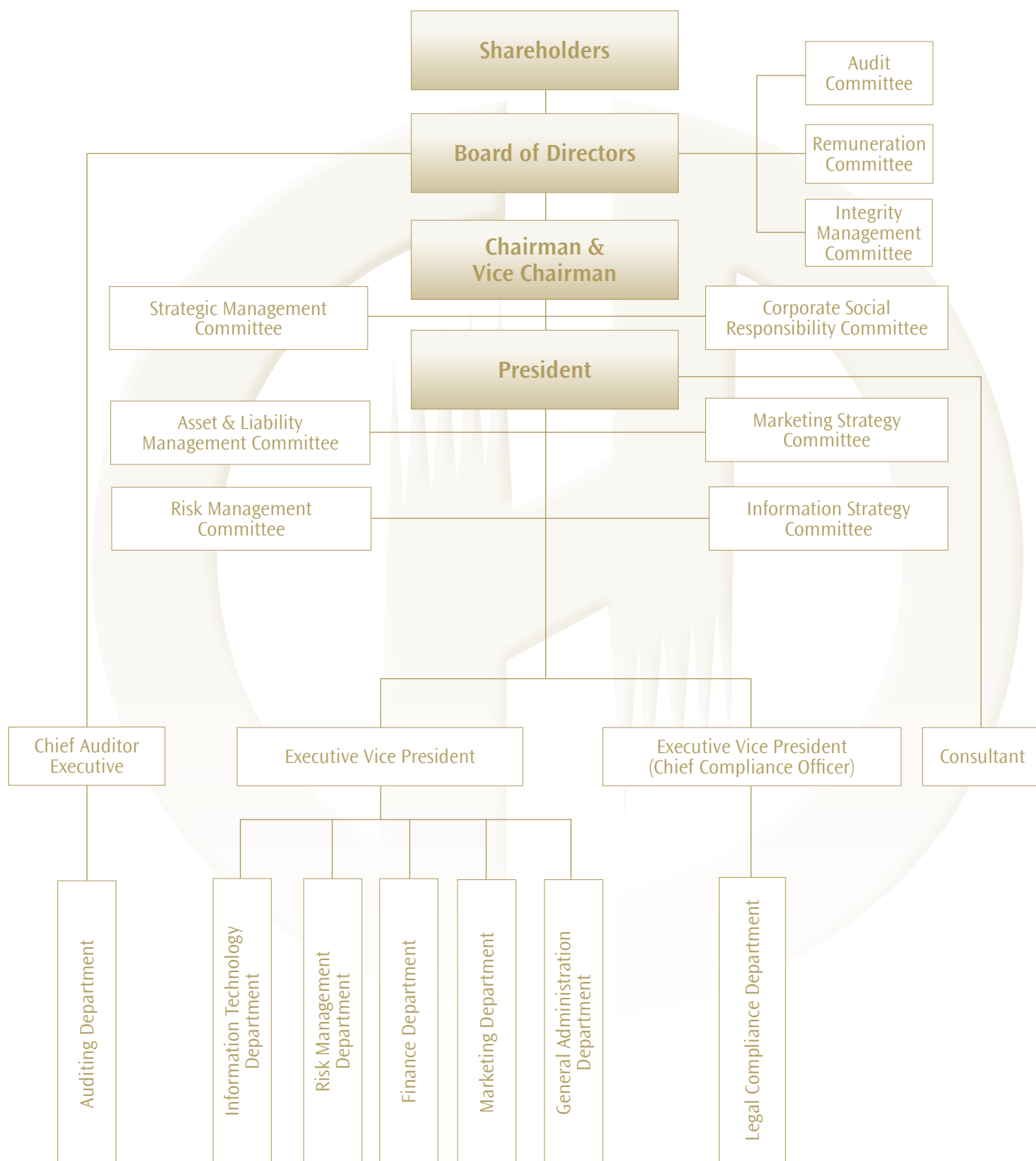
Company History





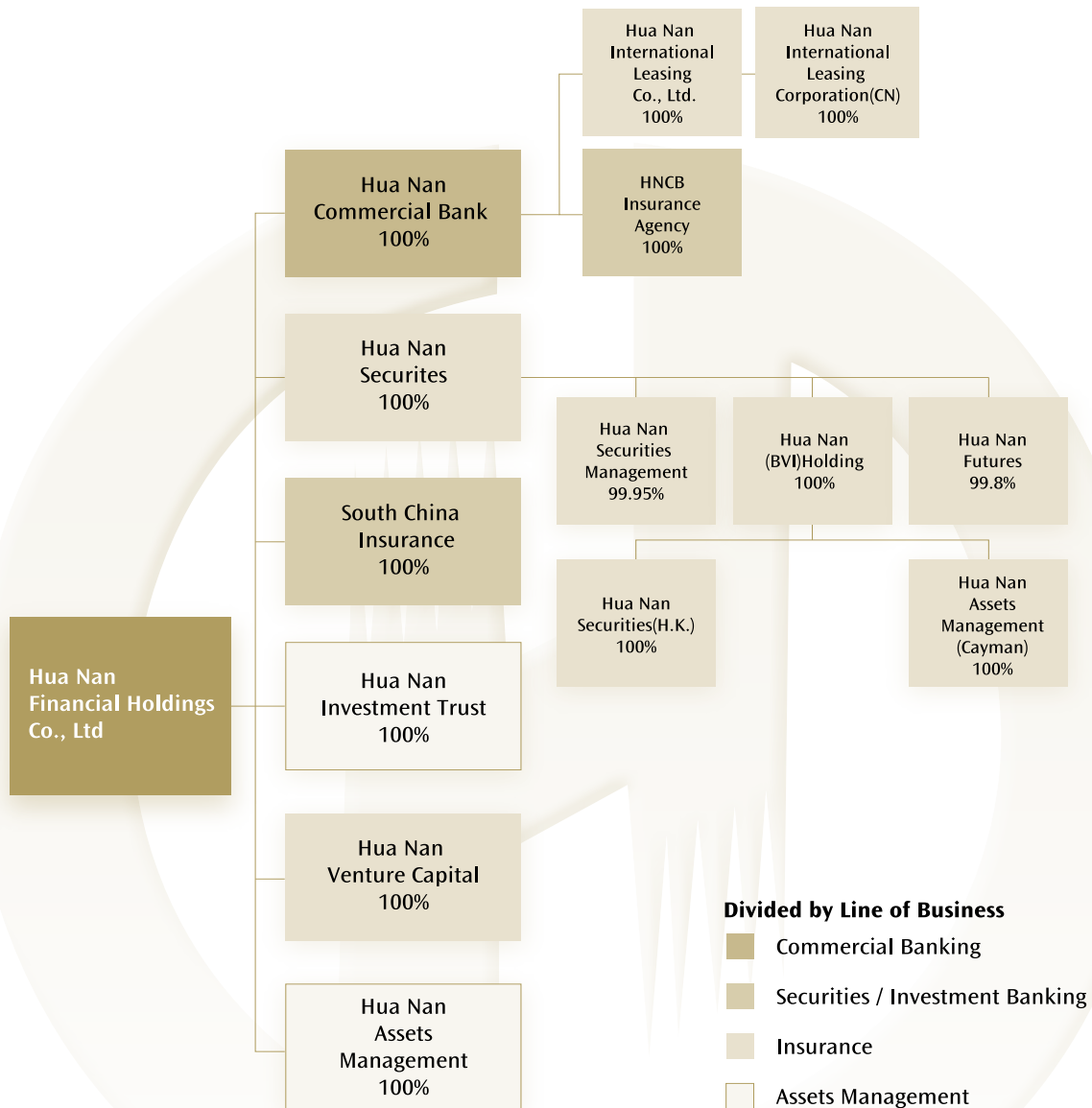
III | Corporate Governance

Organization Chart





Company Organization



Directors and Management Team

1. Directors Information

Apr 26, 2016

Position	Nationality or Registered Address	Name	Date of Electing (Appointment)	Term	Date of Initial Electing (note 1)	Holding share as of electing date		Current holding share		Holding share of himself / herself, spouse and minor children		Shares held by means of another party's name		Highest educational attainment/ Work experience	Positions held in holdings company and other companies	Spouse or 2nd level kin holding other heads, director or supervisor position		
						No. of shares	Rate of holding share (%)	No. of shares	Rate of holding share (%)	No. of shares (note 2)	Rate of holding share (%)	No. of shares	Rate of holding share (%)			Position	Name	Relationship
Chairman	R.O.C	Kuang-Si Shiu	Sep 3, 2015	until June 30, 2016	Sep 3, 2015	146,613,586	1.70	168,393,472	1.70	0	0.00	0	0	President of Mega International Commercial Bank, President of Mega Financial Holding Company, Chairman of Land Bank of Taiwan, Master, School of business, Indiana University, USA	Chairman of Hua Nan Financial Holdings Co., Ltd. and Hua Nan Commercial Bank	None	None	None
Vice Chairman	R.O.C	Ming-Cheng Lin	July 1, 2013	until June 30, 2016	Nov 14, 2001	152,324,336	1.77	174,952,571	1.77	0	0.00	0	0	Director of Central Bank, Chairman of Hua Nan Financial Holdings Co., Ltd., Chairman of Hua Nan Bank, Director of Taiwan Asset Management Corporation, Supervisor of Taiwan Financial Asset Service Corporation Master of Laws of Keio University, Japan	Director of Lin Pen Yuan Industrial Co., Ltd.	Director Director	T. Lin Hui-Jan Yen	Father and son Relative by marriage within the 2nd level kin
Director & President	R.O.C	Yun-Peng Chang	July 3, 2015	until June 30, 2016	July 3, 2015	146,613,586	1.70	168,393,472	1.70	151,563	0.00	0	0	Manager, New York Branch, Hua Nan Bank, Manager, Corporate Banking Dept., Hua Nan Bank, Vice President, Hua Nan Bank Dept. of Commerce, National Taiwan University	Director & President of Hua Nan Financial Holdings Co., Ltd., Director, Chairman and President of Hua Nan Venture Capital Co., Ltd., Director of Taiwan Small Business Integrated Assistance Center, Director of Commerce Development Research Institute	None	None	None
Director	R.O.C	Yun Lin	July 1, 2013	until June 30, 2016	Nov 14, 2001	1,831,201,815	21.23	2,103,232,337	21.23	0	0.00	0	0	Director, Dean and Full-time Professor of Department of Finance, NTU Ph.D. (Economics), Illinois University, U.S.A	Professor of Shih Hsin University	None	None	None
Director	R.O.C	Ai Wei	July 1, 2013	until June 30, 2016	Aug 12, 2009	1,831,201,815	21.23	2,103,232,337	21.23	0	0.00	0	0	Dean of Graduate Institute of East Asian Studies, NCCU Ph. D of Graduate Institute of East Asian Studies, NCCU	Director of Center of Cross-Straits Political and Economic Affairs, NCCU, Independent director of Asrock Inc.	None	None	None
Director	R.O.C	Ming-Jui Hsieh	July 1, 2013	until June 30, 2016	Aug 12, 2009	1,831,201,815	21.23	2,103,232,337	21.23	0	0.00	0	0	Review Commissioner of Securities Traded on Listed & Over-the Counter, Independent director of 3DFAMILY Technology Co., Ltd. Ph. D of National Chung Hsing University	Associate Professor, College of Finance, Tamkang University	None	None	None
Director	R.O.C	Chih-Wen Hsu	Sep 9, 2014	until June 30, 2016	Sep 9, 2014	1,831,201,815	21.23	2,103,232,337	21.23	0	0.00	0	0	Vice Manager of Singapore Branch, Manager of Hong Kong Branch, Manager of International Dept. of Bank of Taiwan, Dept. of Economics, Soochow University	Manager of Corporate Banking Dept., Bank of Taiwan, Director of Hua Nan Bank	None	None	None
Director	R.O.C	Shih-Tien Chiang	July 1, 2013	until June 30, 2016	Oct 1, 2012	1,831,201,815	21.23	2,103,232,337	21.23	0	0.00	0	0	Director of Planning Division, Central Trust of China, Vice President of Central Trust of China, Consultant of Bank of Taiwan, Dept. of International Trade, Tamkang University	Vice President of Bank of Taiwan, Director of Hua Nan Bank, Director of Bank Taiwan Insurance Brokers	None	None	None
Director	R.O.C	Ye-Chin Chiou	Mar 15, 2016	until June 30, 2016	Mar 15, 2016	1,831,201,815	21.23	2,103,232,337	21.23	0	0.00	0	0	Manager of Tianmu Branch, Singapore Branch, Hong Kong Branch of Bank of Taiwan, Manager, Dept. of Credit Management, Bank of Taiwan, Temporarily Acting President, Bank of Taiwan Dept. of Economics, National Taiwan University	Executive Vice President of Bank of Taiwan, Director of TAIFX, Director of United Taiwan Bank	None	None	None
Director	R.O.C	T. Lin	July 1, 2013	until June 30, 2016	Nov 14, 2001	152,324,336	1.77	174,952,571	1.77	0	0.00	0	0	Fund Manager of Mercury Asset Management MSc. Real Estate Economics and Finance, London School of Economics and Political Science	Vice Chairman of Hua Nan Bank	Vice Chairman	Ming-Cheng Lin	Father and son



Position	Nationality or Registered Address	Name	Date of Electing (Appointment)	Term	Date of Initial Electing (note 1)	Holding share as of electing date		Current holding share		Holding share of himself / herself, spouse and minor children		Shares held by means of another party's name		Highest educational attainment/ Work experience	Positions held in holdings company and other companies	Spouse or 2nd level kin holding other heads, director or supervisor position		
						No. of shares	Rate of holding share (%)	No. of shares	Rate of holding share (%)	No. of shares (note 2)	Rate of holding share (%)	No. of shares	Rate of holding share (%)			Position	Name	Relationship
Director	R.O.C	Hui-Jan Yen	July 1, 2013	until June 30, 2016	Nov 14, 2001	152,324,336	1.77	174,952,571	1.77	362	0.00	0	0	Consultant of Taiwan Jewelry Industry Association, Director of Chinese & Philippines Economic Association, Director of Kuang Lung Vocational High School Tamkang University	Chairman of Asia jewelry Co., Ltd.	Vice Chairman	Ming-Cheng Lin	Relative by marriage within the 2nd level kin
Director	R.O.C	Jung-Fu Hsieh	July 1, 2013	until June 30, 2016	Mar 4, 2009	8,916,313	0.10	10,240,856	0.10	140,871	0.00	0	0	General Manager of Shin Hai Gas Corp., Managing Director of Industrial Bank of Taiwan, Dept. of Business, National Open University	Chairman of GTBC, Chairman of Pioneer Chemical Corporation, Chairman of Chien Tao Investment Co., Ltd., Chairman of Bai Hsun Investment Co., Ltd., Chairman of Taipei Solar Industry Co., Ltd., Chairman of Shin Hai Gas Co., Ltd., President of The Great Taipei Gas Corporation	None	None	None
Director	R.O.C	An-Lan Hsu Chen	July 1, 2013	until June 30, 2016	Nov 14, 2001	297,867	0.003	342,114	0.00	332,157	0.00	0	0	Chairman of Yuan Ding Investment Co., Ltd., Chairman of Hua Nan Securities Co., Ltd. Dept. of Foreign Language of Tunghai University	Director of Hua Nan Bank, Chairman of Hua Nan Investment Trust Corp., Director of Han Ting Industrial Co., Ltd., Managing Director of Yongchang Charity Foundation, Supervisor of Ho Ching Investment Co., Ltd., Chairman of Ho Chuan Investment Co., Ltd.	Director	Yuan-Chen Hsu	Mother and son
Director	R.O.C	Michael, Yuan-Jen Hsu	July 1, 2013	until June 30, 2016	May 15, 2009	297,867	0.003	342,114	0.00	0	0.00	0	0	Assistant Manager/Vice President of Hua Nan Securities Co. Ltd. MBA The Wharton School University of Pennsylvania	Director of Hua Nan Bank, Chairman of Hua Nan Securities Co., Ltd.	Director	An-Lan Hsu Chen	Mother and son
Director	R.O.C	Vivien, Chia-Ying Shen	July 1, 2013	until June 30, 2016	Aug 31, 2005	43,022,482	0.50	49,413,600	0.50	60,298	0.00	0	0	Vice Chairman of The Hongkong and Shanghai Banking Corporation Limited Ph.D. of Public Health, The Johns Hopkins University, U.S.A.	Director of Hua Nan Bank	None	None	None
Independent director	R.O.C	A-Wang Huang	July 1, 2013	until June 30, 2016	June 21, 2013	0	0	0	0.00	0	0.00	0	0	Director of Dept. Of financial Inspection, Central Bank, Master, Graduate Institute of Accounting, National Chengchi University	Independent director of Hua Nan Financial Holdings Co., Ltd.	None	None	None
Independent director	R.O.C	Chung-Yuan Hsu	July 1, 2013	until June 30, 2016	June 15, 2007	63,000	0	72,358	0.00	72,358	0.00	0	0	Partner CPA of BDO Taiwan, Doctor of Accountancy of University of Memphis	Independent director of Hua Nan Bank, Professor of Dept. of Accounting, National Chengchi University	None	None	None
Independent director	R.O.C	Chun-Pin Chen	July 1, 2013	until June 30, 2016	June 15, 2007	52,500	0	60,298	0.00	60,298	0.00	0	0	Part-time Lecturer of Department of Law, Soochow University, Lei Shih Law Firm Master, NTU College of Law	Independent director of Hua Nan Bank, Attorney-at-Law partner of Lei Shih Law Firm, Director of TFASC Taiwan	None	None	None
Independent director	R.O.C	Ching-Hsiu Chen	July 1, 2013	until June 30, 2016	June 18, 2010	52,500	0	60,298	0.00	60,298	0.00	0	0	Director of Personnel Administration, Executive Yuan, Chairperson & Lawyer of Legal Affairs Committee, Taipei City government, Doctor of Laws, National Taiwan University	Professor of Department of Law, Soochow University	None	None	None

Note 1: The time that the representative took up the position as a director for the first time.

Note 2: It does not include legal person's shareholding.

2. Management Team

Apr 26, 2016

Position	Nationality	Name	Date of Appointment	Holding share		Holding share of spouse and minor children		Shares held by means of another party's name		Highest educational attainment/ Work experience	Positions held in other companies	Spouse or 2nd level kin holding managers			Employee warrant certificates obtained from managerial staff
				No. of shares	Rate of holding share (%)	No. of shares	Rate of holding share (%)	No. of shares	Rate of holding share (%)			Position	Name	Relationship	
President	R.O.C.	Yun-Peng Chang	July 3, 2015	151,563	0.0015	0	0	0	0	Manager, New York Branch, Hua Nan Bank, Manager, Corporate Banking Dept., Hua Nan Bank, Vice President, Hua Nan Bank Dept. of Commerce, National Taiwan University	Director & President of Hua Nan Financial Holdings Co., Ltd., Director, Chairman and President of Hua Nan Venture Capital Co., Ltd., Director of Taiwan Small Business Integrated Assistance Center, Director of Commerce Development Research Institute	None	None	None	Unissued
Executive Vice President	R.O.C.	David Y.C. Cheng	July 29, 2009	199,760	0.0020	0	0	0	0	Director of General Administration Management Department, HNFH, Director of Hua Nan Financial Management Consulting Co., Ltd., Assistant Manager of Auditing Dept. of Hua Nan Bank, Manager of Los Angeles Branch, Hua Nan Bank, Senior Executive Officer of Head Office, Hua Nan Bank, Manager of Corporate Banking Marketing Dept. of Hua Nan Bank, Master of Financial College, Fu Jen Catholic University	Director of South China Insurance Co., Ltd.	None	None	None	Unissued
Executive Vice President	R.O.C.	James H.J. Liu	Mar. 18, 2002	41,002	0.0004	0	0	0	0	Senior Assistant Manager, Financial Management Dept. of CTBC, Resercher of Institute of Economy-Doctor Program, UCLA	Director of Hua Nan Securities Co., Ltd., Director of South China Insurance Co., Ltd.	None	None	None	Unissued
Executive Vice President & Director of Legal Compliance Department	R.O.C.	Hsin-Tien Ting	Feb. 6, 2015	244,761	0.0025	6,528	0.0001	0	0	Manager of Juihsiang Branch and Huajiang Branch, Chief Secretary of Board of Directors, Hua Nan Bank, Executive Vice President of General Administration Management Department, Hua Nan Bank NTU College of LAW(Minor: Department of Economics)	Executive Vice President of Hua Nan Bank	None	None	None	Unissued
Chief Auditor & G.M. of Auditing Department of Board of Directors	R.O.C.	Pau-Chu Lo	July 30, 2015	97,030	0.0009	0	0	0	0	Manager of Audit Office of Board of Directors, Manager of E-Financial Dept., Manager of Operating Management Dept. of Hua Nan Bank, Associate Manager of Overseas Management, Associate Manager of International Financial Dept. of Hua Nan Bank, Dept. of Public Finance, National Chung Hsing University(reorganized to National Taipei University)	None	None	None	None	Unissued
G.M. of General Administration Department	R.O.C.	Sarah C.T.Hsu	Feb 14, 2014	41,240	0.0004	0	0	0	0	Director of Department of Economic Research, Bank of Taiwan. Ph.D in Economics, National Chengchi University	Director of Hua Nan Venture Capital Co., Ltd.	None	None	None	Unissued
G.M. of Marketing Department	R.O.C.	Tony Jang	Mar 22, 2005	195,915	0.0020	0	0	0	0	Chief Secretary, Board of Directors, Hua Nan Bank EMBA of National Chengchi University	Executive Vice President of Hua Nan Bank, Director of Hua Nan Investment Trust Corp. Director of Lian-An Co., Ltd.	None	None	None	Unissued
G.M. of Finance Department	R.O.C.	King-Huo Lu	Aug 1, 2012	0	0.0000	0	0	0	0	Assistant Manager of Financial & Accounting Dept. of Hua Nan Bank Graduated from Dept. of Accounting, Soochow University	Manager of Financial & Accounting Dept. of Hua Nan Bank Supervisor of South China Insurance Co., Ltd.	None	None	None	Unissued
G.M. of Information & Technology Department	R.O.C.	Michael Duh	Mar 1, 2008	52,296	0.0005	0	0	0	0	Vice General Manager of Information Dept. of Taishin International Bank, Master of Graduate institute of Electrical Engineering, National Taiwan University	Manager of Information Planning Development Dept. of Hua Nan Bank, Director of CDIB Partners Investment Holding Corp.	None	None	None	Unissued
G.M. of Risk Management Department	R.O.C.	Robert Li	Dec 1, 2015	72,358	0.0000	0	0	0	0	Associate Manager, Transaction Banking Dept., CTBC Bank, Vice manager, Risk Management Division, Hua Nan Financial Holdings Co., Ltd., Master, Graduate School of Commerce, Washington University in St. Louis, U.S.A.	Manager, Risk Management Dept., Hua Nan Bank, Director of Hua Nan Investment Trust Corp.	None	None	None	Unissued



2. Remuneration of Directors (including Independent Director), President and Executive Vice Presidents

(1) Remuneration of Directors (including Independent Director) the method to disclose names in conjunction with different range

Position	Name	Remuneration of Directors								Ratio of the total amount A, B, C and D to the net profit after tax	
		Remuneration (A)		Separation and pension pay (B)		Earnings (C)		Professional fees (D)			
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report
Chairman	Ministry of Finance										
	Teng-Cheng Liu(Discharged on Sep 3, 2015)										
	Kuang-Si Shiu(Appointed on Sep 3, 2015)										
Vice Chairman	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen										
	Ming-Cheng Lin										
Director	Ministry of Finance										
	Mao-Shyan Liu (Discharged on July 3, 2015)										
	Yun-Peng Chang (Appointed on July 3, 2015)										
Director	Bank of Taiwan										
	Shih-Tien Chiang										
Director	Bank of Taiwan										
	En-Shiang Tai (Discharged on Dec 9, 2015)										
Director	Bank of Taiwan										
	Chih-Wen Hsu										
Director	Bank of Taiwan										
	Yun Lin										
Director	Bank of Taiwan										
	Ai Wei										
Director	Bank of Taiwan										
	Ming-Jui Hsieh										
Director	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen										
	T. Lin										
Director	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen										
	Hui-Jan Yen										
Director	Shin Kong Life Insurance Foundation										
	Rung-Fu Hsieh										
Director	Entrust Foundation										
	An-lan Hsu Chen										
Director	Entrust Foundation										
	Michael, Yuan Jen Hsu										
Director	China Man-Made Fiber Corporation										
	Vivien, Chia-Ying Shen										
Independent Director	A-Wang Huang										
Independent Director	Ching-hsiou Chen										
Independent Director	Chung –Yuan Hsu										
Independent Director	Chun-Pin Chen										
Total		11,592	28,872	2,067	37,634	137,662	137,662	6,507	9,513	1.12%	1.52%

Unit: in NT\$ thousand

Remuneration in the capacity as part-time employees												Ratio of the total amount A, B, C, D, E, F and G to the net profit after tax		Have received remuneration of re- investment enterprise outside the subsidiary
Salary, bonus and special expenditures (E)		Separation and pension pay (F)		Employees' earnings (G)				Total of employee warrant certificates obtained (H)		Total of restricted employee new shares number obtained				
The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	
				Amount of cash	Amount of stock	Amount of cash	Amount of stock							
7,641	11,346	12,731	12,839	623	0	623	0	0	0	0	0	1.27%	1.69%	114



(2) Table of Range of the Remunerations

Range of the Remunerations paid to each Director of the Corporation	Name of Directors			
	Sum of the 4 Remunerations (A+B+C+D)		Sum of the 7 Remunerations(A+B+C+D+E+F+G)	
	The Company	All companies in the financial report	The Company	All re-investment enterprises
Less than NTD2,000,000	Kuang-Si Shiu, Mao-Shyan Liu, Yun-Peng Chang, Shih-Tien Chiang, En-Shiang Tai, Chih-Wen Hsu, Yun Lin, Wei Ai, Ming-Jui Hsieh, T. Lin, Hui-Jan Yen, Rung-Fu Hsieh, An-Lan Hsu Chen, Yuan-Jen Hsu, Chia-Ying Shen, A-Wang Huang, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen	Mao-Shyan Liu, Yun-Peng Chang, Shih-Tien Chiang, Chih-Wen Hsu, Yun Lin, Wei Ai, Ming-Jui Hsieh, Hui-Jan Yen, Rung-Fu Hsieh, Yuan-Jen Hsu, Chia-Ying Shen, A-Wang Huang, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen	Kuang-Si Shiu, Shih-Tien Chiang, En-Shiang Tai, Chih-Wen Hsu, Yun Lin, Wei Ai, Ming-Jui Hsieh, T. Lin, Hui-Jan Yen, Rung-Fu Hsieh, An-Lan Hsu Chen, Yuan-Jen Hsu, Chia-Ying Shen, A-Wang Huang, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen	Shih-Tien Chiang, Chih-Wen Hsu, Yun Lin, Wei Ai, Ming-Jui Hsieh, Hui-Jan Yen, Rung-Fu Hsieh, Chia-Ying Shen, A-Wang Huang, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen
NTD2,000,000 (including) ~ NTD5,000,000 (excluding)		Kuang-Si Shiu, T. Lin	Yun-Peng Chang	Kuang-Si Shiu, Yun-Peng Chang, T. Lin, Yuan-Jen Hsu
NTD 5,000,000(including) ~ NTD 10,000,000(excluding)	Teng-Cheng Liu, Ming-Cheng Lin, Shin Kong Life Insurance Foundation, China Man-Made Fiber Corporation	Teng-Cheng Liu, Shin Kong Life Insurance Foundation, China Man-Made Fiber Corporation	Teng-Cheng Liu, Ming-Cheng Lin, Shin Kong Life Insurance Foundation, China Man-Made Fiber Corporation	Teng-Cheng Liu, Shin Kong Life Insurance Foundation, China Man-Made Fiber Corporation
NTD 10,000,000(including) ~ NTD 15,000,000(excluding)		An-Lan Hsu Chen		An-Lan Hsu Chen
NTD 15,000,000(including) ~ NTD 30,000,000(excluding)	Entrust Foundation	Ming-Cheng Lin, En-Shiang Tai, Entrust Foundation	Mao-Shyan Liu, Entrust Foundation	Ming-Cheng Lin, Mao-Shyan Liu, En-Shiang Tai, Entrust Foundation
NTD 30,000,000(including) ~ NTD 50,000,000(excluding)	Ministry of Finance, Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan	Ministry of Finance, Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan	Ministry of Finance, Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan	Ministry of Finance, Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan
NTD 50,000,000(including) ~ NTD 100,000,000(excluding)				
Over NTD100,000,000				
Total	27	27	27	27

Note 1: The Company rented a car for its chairman, in which the car rental and fuel expenses were included in the business execution cost; the vice chairman's car cost was \$4,759,000, in which this year's depreciation and fuel expenses were included in the business execution cost. The company rented a car for its president, in which this years' car rental and fuel expenses were included in column (E).

Note 2: The remuneration of the chauffeurs of the chairman, vice chairman and president was paid by the subsidiary, Hua Nan Bank, and the company did not pay such expense.

Note 3: According to the Guidelines Governing Management of Responsible Persons, Managerial Persons, Directors and Supervisors of Public or Private Business Agencies Appointed by the Ministry of Finance, the employee bonus eligible to be received by the director concurrently the president should be the income of the originally appointed business agency.

Note 4: The amounts disclosed in (B) and (F) are the contribution amounts set aside for expenditure-based separation and pension pay.



Activeness



IV | Capital Overview

Stocks and dividend

1. Sources of Capital Stock

Unit: shares: NTD

Period	Price at issuance	Authorized capital		Paid in capital		Remarks	
		Number of Shares	Amount (NTD)	Number of Shares	Amount (NTD)	Sources of Capital Stock	Other
Dec. 2001	\$10	10,000,000,000	100,000,000,000	4,146,799,357	41,467,993,570	Conversion of shares: 41,467,993,570	None
Aug. 2002	\$10	10,000,000,000	100,000,000,000	4,478,543,305	44,785,433,050	Capital Surplus Transferred to Capital: 3,317,439,480	Ministry of Economic Affairs – Oct. 25, 2002-Letter No. of Ching-shou-shang-tzu-ti-09101432670
Aug. 2003	\$10	10,000,000,000	100,000,000,000	4,728,503,594	47,285,035,940	Conversion of shares: 1,696,952,890 (South China Insurance Co., Ltd.) 802,650,000 (Hua Nan Investment Trust Co., Ltd.)	Ministry of Economic Affairs – Aug. 15, 2003-Letter No. of Ching-shou-shang-tzu-ti-09201240920 Ministry of Economic Affairs – Aug. 27, 2003-Letter No. of Ching-shou-shang-tzu-ti-09201253580
Aug. 2004	\$10	10,000,000,000	100,000,000,000	5,579,634,240	55,796,342,400	Earnings and Capital Surplus Transferred to Capital: 8,511,306,460	Ministry of Economic Affairs – Sep. 10, 2004-Letter No. of Ching-shou-shang-tzu-ti-09301166350
Aug. 2005	\$10	10,000,000,000	100,000,000,000	5,970,208,636	59,702,086,360	Capitalization of Earnings: 3,905,743,960	Ministry of Economic Affairs – Sep. 5, 2005-Letter No. of Ching-shou-shang-tzu-ti-09401173590
Aug. 2008	\$10	10,000,000,000	100,000,000,000	6,089,612,808	60,896,128,080	Capitalization of Earnings: 1,194,041,720	Ministry of Economic Affairs – Aug. 28, 2008-Letter No. of Ching-shou-shang-tzu-ti-09701216840
Sep. 2009	\$10	10,000,000,000	100,000,000,000	6,272,301,192	62,723,011,920	Capitalization of Earnings: 1,826,883,840	Ministry of Economic Affairs – Sep. 4, 2009-Letter No. of Ching-shou-shang-tzu-ti-09801205810
Aug. 2010	\$10	10,000,000,000	100,000,000,000	6,617,277,757	66,172,777,570	Capitalization of Earnings: 3,449,765,650	Ministry of Economic Affairs – Aug. 27, 2010-Letter No. of Ching-shou-shang-tzu-ti-09901194810

Period	Price at issuance	Authorized capital		Paid in capital		Remarks	
		Number of Shares	Amount (NTD)	Number of Shares	Amount (NTD)	Sources of Capital Stock	Other
Sep. 2011	\$10	10,000,000,000	100,000,000,000	7,014,314,422	70,143,144,220	Capitalization of Earnings: 3,970,366,650	Ministry of Economic Affairs – Sep. 6, 2011-Letter No. of Ching-shou-shang-tzu-ti-10001207630
Dec. 2011	\$16.67	10,000,000,000	100,000,000,000	8,214,314,422	82,143,144,220	Capital Increased by Cash: 12,000,000,000	Ministry of Economic Affairs – Jan. 17, 2012-Letter No. of Ching-shou-shang-tzu-ti-10101009540
Sep. 2012	\$10	10,000,000,000	100,000,000,000	8,625,030,143	86,250,301,430	Capitalization of Earnings: 4,107,157,210	Ministry of Economic Affairs – Sep. 7, 2012-Letter No. of Ching-shou-shang-tzu-ti-10101185540
Sep. 2013	\$10	10,000,000,000	100,000,000,000	9,056,281,650	90,562,816,500	Capitalization of Earnings: 4,312,515,070	Ministry of Economic Affairs – Sep. 4, 2013-Letter No. of Ching-shou-shang-tzu-ti-10201181880
Sep. 2014	\$10	10,000,000,000	100,000,000,000	9,327,970,099	93,279,700,990	Capitalization of Earnings: 2,716,884,490	Ministry of Economic Affairs – Sep. 19, 2014-Letter No. of Ching-shou-shang-tzu-ti-10301189410
Sep. 2015	\$10	10,000,000,000	100,000,000,000	9,906,304,245	99,063,042,450	Capitalization of Earnings: 5,783,241,460	Ministry of Economic Affairs – Sep. 24, 2015-Letter No. of Ching-shou-shang-tzu-ti-10401204820

Note 1: The data should be updated to the date printing the annual report for publication.

Note 2: The effective (approval) date together with the doc. No. should be added for any capital increase.

Note 3: Those that issue the stock below the par value should indicate it in a noticeable way.

Note 4: Those that have currency debts or technology served as stock contribution should state the status and additionally mark the category and amount of the object served as stock contribution.

Note 5: Those that have private placement should indicate it in a noticeable way.



Unit: shares

Kind of stock	Authorized capital			Remarks
	Outstanding capital stock	Un-issued shares	Total	
Common stock	9,906,304,245	93,695,755	10,000,000,000	Listed stock

2. Shareholder Structure

Unit: shares: Apr 26, 2016

Shareholder StructureQuantity	government agency	Financial institution	Other corporation	Individual	Foreign company or foreigner	Total
Number (people)	9	35	643	198,354	819	199,860
Shares of holding (shares)	2,477,562,476	1,098,628,536	2,198,262,121	2,394,594,402	1,737,256,710	9,906,304,245
Ratio of holding (%)	25.01	11.09	22.19	24.17	17.54	100.00

3. Status of Stock dispersion

Date: Apr 26, 2016

Level of share held			Numbers of shareholders	Shares of holding	Ratio of holding (%)
1	~	999	76,396	14,246,235	0.14
1,000	~	5,000	65,485	158,364,338	1.60
5,001	~	10,000	20,270	144,650,088	1.46
10,001	~	15,000	10,822	133,153,570	1.34
15,001	~	20,000	5,204	89,980,931	0.91
20,001	~	30,000	6,640	161,897,444	1.63
30,001	~	40,000	3,403	117,185,237	1.18
40,001	~	50,000	2,165	97,079,842	0.98
50,001	~	100,000	4,853	336,531,725	3.40
100,001	~	200,000	2,556	347,045,803	3.50
200,001	~	400,000	1,026	278,728,799	2.81
400,001	~	600,000	301	145,283,234	1.47
600,001	~	800,000	159	108,587,950	1.10
800,001	~	1,000,000	99	88,389,417	0.89
1,000,001	above		481	7,685,179,632	77.58
Total					199,860

4. List of Major Shareholders

The shareholder whose shareholding ratio is more than 1% of the company's shares or the top ten shareholders of the company.

Date: Apr 26, 2016

Name of Major Shareholders	Shares	Shares of holding (shares)	Ratio of holding (%)
Bank of Taiwan		2,103,232,337	21.23%
Bank Taiwan Life Insurance Co., Ltd.		380,660,182	3.84%
Shin Kong Life Insurance Co., Ltd.		326,841,813	3.30%
First Commercial Bank		241,880,685	2.44%
Yuan Ding Investment Co., Ltd.		215,345,591	2.17%
Yung Tsai Investment Co., Ltd.		190,744,288	1.93%
The Memorial Scholarship Foundation to Mr. Lin Hsiung Chen		174,952,571	1.77%
Taiwan Tobacco & Liquor Corporation		172,183,532	1.74%
Ministry of Finance		168,393,472	1.70%
Chunghwa Post Co., Ltd		134,730,427	1.36%
Trust Account under HWATAI Bank		133,735,106	1.35%
Dedicated investment account of Vanguard Emerging Market Stock Index Fund which custody by Standard Chartered Bank		121,522,959	1.23%

5. Market Value Per Share, Net Values, Earnings, Dividends, and Related Information of Past 2 Years

Item		Year	2015	2014	As of Mar. 31, 2016 (Note 8)
Market value per share (Note 1)	Highest		19.45	19.60	16.10
	Lowest		14.40	16.75	13.90
	Average		16.97	17.91	15.11
Net value per share (Note 2)	Before appropriation		15.45	15.43	15.83
	After appropriation		Note9	Note9	Note10
EPS	Weighted average shares (thousand share)		9,906,304	9,327,970	9,906,304
	EPS Pre adjustment (note 3)		1.42	1.41	0.37
	EPS Post adjustment (note 3)		Note9	Note9	Note10
Dividend per share	Cash dividend		0.63	0.62	Note10
	Scrip issue	Shares allocated from earnings	0.62	0.62	Note10
		Dividend from capital reserve	None	None	Note10
	Accumulated undistributed dividend (Note 4)		None	None	Note10
ROI analysis	P/E ratio (Note 5)		11.95	12.70	10.21
	Dividend ratio (Note 6)		26.94	28.89	10
	Cash dividend yield (Note 7)		3.71%	3.46%	10

* When distributing the dividend from retained earnings or capital reserve, the information on stock market price adjusted according to the number of the shares to be distributed and the cash dividend should be disclosed.

Note 1: List the highest and lowest market prices over the years and calculate the average market price of respective years according to each year's trading value and volume.

Note 2: Please fill in the details according to the number of the shares issued by the end of the year and the distribution adopted in the following year's shareholders' meeting.

Note 3: If adjustment is required as a result of the scrip issue, the EPS of pre and post adjustment should be listed.

Note 4: For the equity securities issuance terms, if it is stipulated that the current year undistributed dividend could be accumulated until the year having surplus, each year's undistributed dividend accumulated until the current year should be disclosed respectively.

Note 5: P/E ratio = current year's average per share closing price/ EPS.

Note 6: Dividend ratio = current year's average per share closing price/ cash dividend per share

Note 7: Cash dividend yield = cash dividend per share/ current year's average per share closing price.

Note 8: The current year data should be updated to the date printing the annual report for publication.

Note 9: The 2015 earnings distribution will be resolved in the 2016 shareholders' meeting.

Note 10: The 2016 earnings have yet to be distributed.

**6. Dividend policy and execution status:**

- (1). The company will continue to expand its scale, enhance its profitability, concurrently follow the related laws and regulations, and adopt the surplus dividend policy.

The earnings (if any) left from the Company's annual settlement of final accounts shall be first used to pay the tax due and cover the loss accumulated over the years by law, followed by setting a legal surplus reserve aside. Then, a special surplus reserve shall be allocated or reversed according to statutory laws and regulations or as required by business needs. The undistributed earnings of the previous year can be added to the special surplus reserve and the shareholders' meeting shall resolve the distribution of the shareholder's dividend and bonus according to 30% to 100% of the distributable amount.

Shareholders' dividends and bonuses may be added to the undistributed earnings left from the previous years and totally or partially distributed, for which the distribution shall be resolved by the board of shareholders. Based on the company's operating planning, there are two types of dividends, cash and stock, in which the cash dividend shall not be lower than 10% of the total amount of the dividend to be distributed. In case that the cash dividend per share is less than \$0.1, unless otherwise separately resolved by the board of shareholders, it shall not be distributed.

- (2). Dividend distribution to be proposed in 2016 shareholders' meeting: the cash dividend at \$0.63 per share for \$6,240,971,674 and the stock dividend at \$0.62 per share for 6,141,908,630 (\$1.25 per share in total) will be proposed in 2016 general shareholders' meeting.

7. Proposed Distribution of Dividend

		2016 (estimated)
Paid-up capital at the beginning period		99,063,042 thousand
This year's dividend distribution status	Cash dividend per share	\$0.63
	Each share's stock dividend from retained earning	0.062 shares
	Each share's stock dividend from capital reserve	-
Changes in business performance	Operating income	Not applicable (note)
	Ratio of increase (decrease) in operating income compared with the same period of the previous year	
	Net profit after tax	
	Ratio of increase (decrease) in after-tax profit compared with the same period of the previous year	
	EPS	
	Ratio of increase (decrease) in EPS compared with the same period of the previous year	
	Average annual ROI (average annual reciprocal of the P/E ratio)	
Hypothetical EPS and P/E ratio	If all the stock dividend from retained earnings is replaced by cash dividend	Hypothetic EPS
		Hypothetic average annual ROI
	If there is no stock dividend from capital reserve	Hypothetic EPS
		Hypothetic average annual ROI
	If there is no stock dividend from capital reserve and the cash dividend from retained earnings is replaced by cash dividend	Hypothetic EPS
		Hypothetic average annual ROI

8. Employee bonuses and director remuneration

- (1) The ratio and scope of employee bonuses and director remuneration prescribed by the Articles of Incorporation:

If the Company has any surplus left in its annual final account, the Company should set aside certain ratio ranged as employees' compensation based on profit before tax deducting the aforementioned employees' compensation. The employees' compensation shall be determined each year by the Board of Directors authorized to do so. However, this Company's accumulated losses shall have been covered:

A. Director remuneration shall be no more than 1%.

B. Employee bonuses ranging from 0.02% to 0.15%. If the employee bonuses will be distribute by issue new share, the Board of Directors will set rules specified the requirements that the employee must meet.

- (2) Accounting handling for any difference among the estimates of current period's employee bonuses and director remuneration amounts, calculation basis of the shares and actual distributed amount:

The estimated 2015 employee bonuses and director remuneration amounts is pursuant to the Articles of Incorporation of the Company and profits in 2015. 2015 Earnings distribution was approved by both the Remuneration Committee and the Board of Directors with the actual distributed amount the same as the estimates. The Company does not distribute share bonuses.

- (3) Information on distribution of the employee bonuses and director remuneration approved by the board of directors:

A. Distribution of remuneration to directors: NTD\$137,662 thousand and Distribution of employees bonus to: NTD\$11,215 thousand. Both will be paid in cash.

B. The ratio of employee shares bonuses to the stand-alone net profit after tax and the total employee bonuses: Given that the Company does not plan to distribute shares bonuses, the ratio is not applicable.

- (4) Distribution of the employee bonuses and director remuneration from the earnings of the previous year:

As resolved in the Company's 2015 shareholders' meeting, the 2014 director remuneration and employee bonuses are NTD\$118,179 thousand and NTD\$11,648 thousand respectively, which are the same as the distribution originally passed by the Board of Directors.



Bonds

1. Corporate Bonds

Type of Corporate Bonds	2012 First term of unsecured corporate bonds	
Date of Issuance	January 21, 2013	
Face Value	NT\$10,000,000	
Place of Issuance and Transaction	Taiwan	
Issuing Price	100% Issuance according to face value	
Total Amount	Total amount for corporate bonds issued in this offering is NT\$9.9 billion. Bonds will be classified into A and B according to differing issuing conditions. Issue A amounts to NT\$5 billion and Issue B amounts to NT\$4.9 billion.	
Coupon Rates	Coupon rate of Issue A is a fixed annual rate of 1.23%; that of Issue B is a fixed annual rate of 1.55%.	
Term	Issuance period of Issue A is five years, maturing on January 21, 2018; issuance period for Issue B is seven years, maturing on January 21, 2020.	
Priority order of compensation	Creditors holding Issue A has the same order of compensation priority as the other holders of unsecured liabilities of the Company. Creditors holding Issue B is only placed slightly ahead of the right to claim for distribution of residual property of company shareholders and behind all the other company creditors.	
Warranty Agency	None	
Trustee	Trust Department, Yuanta Bank	
Underwriting Agency	None	
Legal Service Signatory:	Chan Kang-Jung Attorney Office Kang-Jung Chan	
CPA signatories	Deloitte & Touche Wei Chung, Yi-Chun Wu	
Terms of Payment	Method of calculation and payment of interest: Annual calculation of simple interest and one payment per year in accordance with the coupon rate from the date of issuance Method of principal payment: one-time payment upon maturity	
Unpaid principal	NT\$9,900,000,000	
Provisions for redemption or advance payoff	None	
Limiting provisions	If interest or principal payments for Issue B cause the company's capital adequacy ratio to fall below the statutory requirements, these payments shall be temporarily discontinued until such time that the ratio meets statutory requirements (interest can be accumulated; the original coupon rates shall be applied to the interest and principal of the extended term)	
Inclusion in qualifying capital	Issue B (NT\$4.9 billion) included in qualifying capital	
Name of credit rating agency, rating dates, and results of corporate bond rating	Agency name: Taiwan Ratings Corporation Rating date: November 15, 2012 Rating of Issue A: twA+ Rating of Issue B: twA-	
Other appended rights	Amount of ordinary shares already converted (swapped or warranted) and global/overseas depository receipts or other negotiable securities as of the publishing date of the annual report	None
	Measures for issuance and conversion (swaps or warrants)	None
Measures for issuance and conversion, trade or warrants, impact of issuance on potential dilution of equity and current shareholders' equity		None
Name of the custodian institution entrusted with swapped collateral		None



*R*esponsibility



V | Corporate Social Responsibility

Corporate Social Responsibility

Evaluation Item	Operational Scenario			Differences and reasons with regards to the CSR code of practices for publicly traded companies
	Yes	No	Brief Description	
I. Promote implementation of corporate governance (1) Has the company set CSR policies or systems, as well as review the implementation of the performance?	√		(1) The Company established a Corporate Social Responsibility Committee in 2014 for which the main task is to carry out major strategies of the corporate company's social responsibility, so that the entire company can actively from top to down put into practice the social responsibility. A corporate social responsibility report was published in 2015. The existing social responsibility activities in 5 major fields of corporate governance, customers' rights and interests, staff care, environmental sustainability, and society participation are presented in the report format, while sufficient communication and timely reviews are conducted with stakeholders.	In accordance
(2) Does the company conduct CSR education and training on a regular basis?	√		(2) Aside from the Company organizing regular social welfare activities to promote CSR and corporate ethics to its Board of Directors, supervisors and employees, the Board, and staff also participate in ethics-related training inside and outside the company.	In accordance
(3) Has the company set up a CSR Promotion Unit, with the Board of Directors empowering higher management to handle the matter and report the situation to the Board?	√		(3) The Company has set up a CSR Committee for the entire company of companies. Department of General Administrative will be in charge of planning CSR related matters and will be reporting to the Board about the implementation plan and execution status.	In accordance
(4) Has the company set reasonable salary compensation policies and staff performance appraisal system in tandem with its CSR policy, as well as establish clear and effective system of reward and discipline?	√		(4) The Company has drafted the "Employee Work Rules" to regulate the corporate ethics and conduct of its employees. This set of rules includes clear incentives and penalty measures, which shall be included in the annual employee evaluation.	In accordance
II. Develop sustainable environment (1) Does the company exert efforts in maximizing the use of various resources and utilize renewable materials that have the least environmental impact?	√		(1) 1. Abide by government energy conservation policies and adjust temperatures of air-conditioning systems; use energy conserving illumination fixtures and reduce power consumption. 2. Set up electronic documentation system to promote paperless operations and reduce paper use. 3. Install water saving equipment to conserve water.	In accordance
(2) Does the company establish appropriate environmental management system according to the specific nature of the industry?	√		(2) As the Company is in the financial service business, operating environment and business establishments commit to maximizing utilization as well as energy conservation and carbon reduction. The level of impact of its business activities in terms of environmental pollution or environmental damage is very low.	In accordance
(3) Does the company pay attention to the impact of climate change on operational activities and implement inventory of greenhouse gases as well as drafting energy carbon reduction and greenhouse gas reduction strategies?	√		(3) The Company strictly enforces budget control, setting goals for conserving water and power within the Company and puts in place energy saving measures as well as disseminates relevant information to reduce the impact of climate change on operational activities. In December 2014, the Company moved to its new building in the Xinyi District; the Company is set to conduct the first greenhouse gas inventory by the end of 2015 to become the basis for future data comparisons.	In accordance
III. Maintain social welfare (1) Has the company drafted management policies and procedures according to relevant laws as well as the International Conventions on Human Rights?	√		(1) The Company has set the "Employee Work Rules" in accordance with the Labor Law and other relevant laws to clearly state employee rights and responsibilities as well as management procedures. In addition, it has established an "Employee Welfare Committee" to take charge of various welfare measures, as well as to handle pension disbursements to ensure a secured life for employees after retirement.	In accordance
(2) Has the company established an employee grievance mechanism and channel? Has they been handled properly?	√		(2) To maintain good communication with the employees, the Company has set up an evaluation commission as well as an employee welfare committee and a complaint hotline to protect the interests of staff members.	In accordance
(3) Does the company provide employees a safe and healthy working environment? Does it carry out health and safety education?	√		(3) In accordance with relevant laws and regulations, the Company organizes regular health check-ups for employees as well as fire safety checks to ensure the safety and well-being of the employees.	In accordance
(4) Has the company established a system of regular communication with its employees and has reasonably notified employees about major changes that may cause significant impact on business operations?	√		(4) Complementing the Company's performance management system, managers conduct interviews with employees three times a year at the beginning, in the middle, and towards the end, discussing goals set for the year, status of achieving of those goals, and development needs while giving guidance and recommendations. Incidents with major impact on the employee shall be discussed and communicated to the employees during meetings to relay the message more clearly and to listen to the employees' opinions on the matter.	In accordance

Evaluation Item	Operational Scenario			Differences and reasons with regards to the CSR code of practices for publicly traded companies
	Yes	No	Brief Description	
(5) Has the company established effective training programs for the development of employees' career skills?	√		(5) Plan diverse training programs for staff members in various professional fields, and provide job rotation opportunities based on the employee's professional expertise, performance contributions, and career development. Also, encourage employees to continue learning and provide resources for development.	In accordance
(6) Has the company drafted relevant consumer protection policies and complaint procedure for R&D, procurement, operations, and customer service?	√		(6) To protect consumer interests, the company has set a firewall policy and cross-selling management regulations. In addition, competent authorities have clear rules about confidentiality regarding customer information as well as privacy statement posted on corporate website.	In accordance
(7) Does the company follow relevant regulations and international norms with regard to the marketing and labeling of products and services?	√		(7) The Company and its subsidiaries have set the relevant internal regulations in accordance with the "Financial Consumer Protection Act," "Inter-subsidiary cross-selling Management Regulations," and other relevant laws.	In accordance
(8) Does the company assess if the suppliers have had past records of adverse impact on society and the environment before doing business?	√		(8) The company would double check relevant stakeholder information in its dealings with suppliers. It will also evaluate information regarding the supplier's social and environmental impact as one of the basis for contract signing.	In accordance
(9) In the company's contracts with its major suppliers, is there a clause stating that the company can at any time terminate the contract if the suppliers are found to have policies in violation of CSR or if they have had adverse impact on the society and the environment?		√	(9) When the Company signs agreements with its suppliers, it requires the supplier to abide by the internationally recognized human rights and commit to protecting the environment and preventing pollution.	In accordance
IV.Reinforces information disclosure Does the company disclose important and reliable information pertaining to CSR on its website and Market Observation Post System (MOPS)?	√		The Company discloses important information about corporate social responsibility on the official website and MOPS.	In accordance
V. If the company has drafted its CSR Code of Policies in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies," please state the difference between actual operations and the code: The "Best Practice Principles" is a reference provided by the Securities and Exchange Commission to assist publicly traded companies in promoting and executing CSR; it is not mandatory for all companies to draft such a code. The company is currently drafting the corporate company's CSR Code of Policies to fulfill its corporate responsibility.				
IV. Additional important information which may assist in the understanding of CSR operations: Please see on pages 34 to 39 as well as the CSR Report.				
VII. Please mention if the company's CSR report have passed the verification standards of relevant verification bodies: The Company's 2014 Corporate Social Responsibility Report will adopt the international standard ISAE authentication.				



The Company's Charity Event in 2015

1. Finance and the Good Society Trend Forum

Together with Commonwealth Publishing Group, this company held a "Finance and the Good Society" Trend Forum on April 11th, 2015. Tseng, Mingzong, who served as the chairman of Financial Supervisory Commission, Chou, Xingyi, the principal of National Chengchi University, and Gao, Xijun, the founder of Commonwealth Publishing Group, were invited to the forum to give speeches and have conversation with Liu, Tengcheng, who served as the chairman of the company, through "Finance and the Good Society" written by Robert J. Shiller, the Economist Nobel Laureate.

2. Notre Dame de Paris Melodrama (French version)

The company sponsored "Notre Dame de Paris melodrama (French version)" held by the United Daily News Group from April 17th to April 26th, 2015 at Sun Yat-sen Memorial Hall. The purpose was to support international cultural exchange, promote delicate art and cultural performances, and enhance the public relations and marketing benefits of the company.

3. 2015 MOF Uniform Invoice Run Cup (Tainan)

To help the government promote the policy that encourage public enterprises develop charity events, together with the Ministry of Finance and the National Taxation Bureau of the Southern Area, the company held 2015 MOF Uniform Invoice Run Cup (Tainan) on April 26th, 2015 at Tainan Metropolitan Park. The group mobilized 1000 staff, family members, and clients to participate in the event, and successfully raised more than 40,000 receipts. The event donated a total of more than 310,000 receipts to charity groups.

4. 2015 Hua Nan Financial Group's Badminton and Table Tennis Competition

To cultivate the sport culture of group staff, and promote physical and mental health of employees, the company held 2015 Group's Badminton and Table Tennis Competition on May 30th, 2015 at National Taiwan University Sports Center. Through this event, the group's employees and VIP of higher authorities got to know and socialize with each other. Aside from the six teams fielded by the group, participants include the team from the Ministry of Finance, Financial Supervisory Commission, Central Bank of the Republic of China, and Taiwan Taipei District Court.

5. Dream Baseball Camps

This company held a baseball equipment donation ceremony on May 7th, 2015 at the auditorium of Tainan Municipal Sie-jin Elementary School. Donation was presented by the representative Liu, Maoxian, who served as the president at that time, to four schools in Tainan City, including the baseball little league teams of Lih-jen Elementary School and Sie-jin Elementary School, and the baseball senior league teams of Min-de Junior High School and Gui-ren Junior High School. In the afternoon on that day, "Dream Baseball Camps" was held at Tainan Municipal Baseball Stadium. Seven baseball little league teams in Tainan were invited (including, Sie-jin, Lih-jen, Chongsyue, Gongyuan, Ancing, Wunyuan, and Sinjin Elementary Schools). 180 little baseball players participated, and professional baseball players were arranged to teach them baseball skills in person. It was hoped that a learning platform could be established between professional baseball players and little baseball players and precious experiences could be passed down through this opportunity. It was also a chance for little baseball players to personally witness the charm and charisma of star players, and learn from the demeanor of their predecessors.

6. 2015 Hua Nan Financial Holdings U15 Baseball Cup

To carry on the Company's commitment to nurturing grassroots baseball, the company organized a national U15 baseball competition. The preliminary competition was held from June 1st to 5th, 2015 at Chiayi Baseball Field in Chiayi City and Douliu Baseball Stadium in Yunlin County. Top eight baseball teams were chosen to participate in the intermediary competition from June 11st to 14th, 2015 at Tianmu Baseball Stadium in Taipei City and Xinzhuang Baseball Stadium in New Taipei City. In the end, the representative team of Kaohsiung City won the championship.

7. 2015 International Conference of Taiwan Finance Association

Taiwan Finance Association held 2015 International Conference of Taiwan Finance Association from June 5th to 6th, 2015 at Asia University in Taichung City. The theme was "the prospects of financial globalization and liberalization". The affairs of the association were considered to see whether they are beneficial to the academic development of domestic finance. The conference was sponsored by the company.

8. 30th Anniversary of Accounting Research Monthly – 2015 Accountants Creative Performance Assembly

ROC Accounting Research and Development Foundation held a celebration event for the 30th anniversary of Accounting Research Monthly on June 16th, 2015 at the Grand Hall of Taipei International Convention Center. Long-term commitment to improving professional accounting standards and promoting proper guideline perspective of the foundation were considered. To show that the company highly values the domestic development of accounting profession, the company sponsored the event.

9. The 2nd year “Cross-Straits Free-Trade-Zone Cooperation Forum”

The company sponsored The 2nd year “Cross-Straits Free-Trade-Zone Cooperation Forum” organized by Economic Daily News, Shanghai Academy of Social Sciences, Chung-Hua Institution for Economic Research, and Shanghai China Business News on July 9th, 2015 in Shanghai. With the premise of the functional extension and regional expansion of Shanghai Free-Trade Zone and Taipei Pilot Zone, the forum explores possible approaches and practical benefits of the government and enterprises. It also promotes the possibility of further cooperation of both parties. The forum invited and gathered the most influential economic elites on both sides across the strait to create the cross-strait dialogue platforms for industrial, governmental, and academic sectors. Mr. Liu, Dengcheng, who served as the chairman of the company at that time, was invited as the conversation facilitator of the topic “The financial innovation and opportunity of China Free-Trade Zone” at the summit.

10. Taiwan Future Exchange’s “Food (Goods) Bank” Program

In response to Financial Supervisory Commission promoting the commitment of the financial sector in social welfare, Taiwan Futures Exchange initiated “Food (Goods) Bank”. The donation ceremony was held at Financial Supervisory Commission on July 14th, 2015. A total of eight units contributed to the donation, including this company, Taiwan Stock Exchange, Taiwan Depository and Clearing Corporation, Joint Credit Information Center, Mega Financial Holding Company, Taiwan Cooperative Financial Holding Company, and Taiwan Business Bank.

11. 2015 Taiwan Competitiveness Forum Summit

The non-governmental organization, Taiwan Competitiveness Forum, held “2015 Taiwan

Competitiveness Forum Summit” at the International Conference Hall in National Taiwan University Hospital on July 14th, 2015. In the consideration of the support of the forum on the enhancement of cross-trait competitiveness, the unification and construction of cross-strait Chinese enterprises and social sustainability development, the company sponsored the event.

12. Donation to “The Garden of Hope Foundation”

Taiwan Federation of Financial Unions held “2015 Financial Services Care For Society Fair” (Nantou session) in Nantou County on July 18th, 2015. Individuals of the financial industry were gathered to participate in charity donations to local minority groups in Nantou County. To express the care for local minorities, the company made donation to The Garden of Hope Foundation.

13. Donation to “Formosa Fun Coast Explosion victims”

On the night of June 27th at Formosa Fun Coast in New Taipei City, due to the explosion of combustible dust, hundreds of people were burned. In response to the rescue operations, the group took its societal responsibility as an enterprise and made financial contribution to relief efforts.

14. 2015 3rd WBSC U12 Baseball World Cup

2015 III WBSC U12 Baseball World Cup sponsored by the company was held at Tainan Municipal Baseball Stadium from July 24th to August 2nd, 2015. To help international competitions, organized in Taiwan and allow Chinese Taipei national baseball team to have enough resources and funding for participating in competition, the company sponsored the competition. This is the third time the company sponsored the U12 Baseball world Cup organized by WBSC.

15. Sports Promoter Award

Since 2007, the company has been working with Chinese Taipei Baseball Association on the Aboriginal youth baseball-training plan and launched a charity event “One Ball Realizes One Dream”. Little baseball league care camps and dream baseball classrooms were organized regularly. One step at a time, baseball is rooted as the fundamental sport of Taiwan. This benefited many little leagues located in remote areas. In addition, baseball competitions and relevant activities were sponsored and organized for a long term. Aside from this, since 2011, the company has held “Uniform Invoice Cup Run” together with Ministry of Finance and National Tax Administrations of every region every year, promoting running events into a national sport. In addition, every year, “Badminton



and Table Tennis Competition” is organized regularly to encourage group staff’s physical fitness. Sports are promoted using various diversified approaches.

In 2015, the company is awarded by the Sports Administration, Ministry of Education with “Sports promoter Award Sponsor Group Gold Quality Award”.

16. Hua Nan Live On!

To show care to the minority and elders living alone in remote areas and who are lack of resources, the group cooperated with Hondao Senior Citizen’s Welfare Foundation. Through volunteer services, four sessions of “*Hua Nan, Live On!*” was held in Kaohsiung, Changhua, Taoyuan, and Taichung. The event’s content included giving volunteer haircut, volunteer medical consultation, distributing supplies, dream realization experience, feat for elders, and meal distribution plan.

17. Cheering for Chinese Taipei national baseball team prior to departure for “2015 8th BFA U15 Baseball Championship”. and meeting at the airport with victorious return.

The Chinese Taipei U15 Baseball representative selected from the 2015 “*Hua Nan Financial Holdings U15 Baseball Cup*” went to Shizuoka, Japan, participated in BAF U15 Baseball Championship from October 8 to October 12, 2015. To show care and encourage to players, the vice-president of the company Zheng, Yongchun visited the players at National Sports Training Center in Zuoying, Kaohsiung, and donated the training fees on September 30.

Later, the team won the championship with five winnings in row. On October 14th, 2015, the vice-president of the company, Zheng, Yongchun, personally went to Taoyuan International Airport to welcome the victorious return of the Chinese Taipei national baseball team and awarded them with reward for encouragement.

18. The 27th Accounting Elite Cup Debate Competition

The 27th “Accounting Elite Cup Debate Competition” was organized by the Accounting Research and Development Foundation and sponsored by the accounting department of Shih Chien University, to be held at Shih Chien University from October 17th to 19th, 2015. In consideration with the promotion of the interaction between the practical field and students, and the previous participants have become the leaders of the business community and academia. In addition, the winning schools of the first, second, and third

prize of this competition participated in “2015 Cross-strait Undergraduate Accounting Debate Tournament” in November in Shandong Province, China. Since this helped promote the exchange of students on both sides across the strait, the company sponsored.

19. Donation to “Taiwan Xidaren Association Senior Event”

Every week, Taiwan Xidaren Association regularly holds senior events, including “Reminiscence Movie Theatre” and “Not aging, no illness, happiness, contentment” seminars. The purpose is to enhance the physical, mental, and spiritual health of middle-aged and elderly individuals. In consideration of the association’s promotion in the independent living of seniors, which is consistent with the public image of the company in promoting care of seniors who live alone, the company sponsored the event.

20. Digitalized Accounting Charity Innovation Competition

Accounting Research and Development Foundation held “Digitalized Accounting Charity Innovation Competition” from October 20th to November 20th, 2015. The purpose was to nurture young students to understand the evolutionary trend of the accounting profession and promote digitalized accounting to the public. To help advocate the application of digitalized finance to daily life, the company sponsored.

21. “Southern Branch of the National Palace Museum” Opening Event

To balance the domestic north-south development and enhance the tourism industry and bring tourists to the south, the government established Southern Branch of the National Palace Museum in Taibao City, Chiayi County. This is Asia’s first large-scale national museum that is based on the theme of Asian arts and cultures. It was opened on December 28th, 2015 for trial operation. It has been evaluated as the first choice of cultural tourism in the country. It is also an important indicator of the international cultural and creative industry and cultural exchange. The opening of the Southern Branch of the National Palace Museum was a national annual event, which was sponsored by the company.



Teamwork





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Figure 1: The company co-organized "Finance and the Good Society" Trend Forum with Commonwealth Publishing Group.

Figure 2: "Notre Dame de Paris melodrama (French version) " Press Conference.

Figure 3: 2015 MOF Uniform Invoice Run Cup (Tainan)

Figure 4: 2015 Group's badminton and table tennis competition.

Figure 5: "One Ball Realizes One Dream" baseball equipment donation ceremony.

Figure 6: "Dream Baseball Camps" Players' Group Photo.



6



Figure 7: "Hua Nan Financial Holdings U15 Baseball Cup" Kaohsiung Zhongxiao Junior High School retained the Championship.

Figure 8: Chang, YunPeng, President of Hua Nan Financial Holdings (first left in the back row), attended "Food (Goods) Bank" planning donation ceremony.

Figure 9: Hua Nan Financial Holdings received the 2015 Sports Promoter Award "Sponsor Group Golden Quality Award" awarded by Sports Administration, Ministry of Education, presented by the Chairman Hsu, Guangxi.

Figure 10: The representative team of the president of Hua Nan Financial Holdings, Chang, Yunpeng, donated \$1,500,000 of "Hua Nan is So Good It Never Gets Old" to Hondao Senior Citizen's Welfare Foundation, received by the founder, Guo, Dongyao (left of the center in the figure) as a representative.

Figure 11: The Vice-president Cheng of Hua Nan Financial Holdings (center of the figure) personally went to Kaohsiung Zuoying Sports Training Center to support Chinese Taipei U15 baseball team.

Figure 12: The Vice-president Cheng of Hua Nan Financial Holdings (center of the figure) personally went to Taoyuan International Airport to welcome the victorious return Chinese Taipei U15 baseball team.



VI | Operational Highlights

The Company's Business

1. HNFHC

(1) Business scope:

• Major businesses

A. The company is engaged in the financial holding business, in which, according to the Financial Holding Company Act, the business is limited to management of investing and invested businesses.

B. According to Article 36 of the Financial Holding Company Act, the company is eligible to invest in the following businesses:

- ※ Financial holding business
- ※ Banking business
- ※ Bills financial business
- ※ Credit card business
- ※ Trust business
- ※ Insurance business
- ※ Securities business
- ※ Futures business
- ※ Venture capital business
- ※ Foreign financial institutions approved by the competent authorities for investment
- ※ Other businesses related to financial businesses as recognized by the competent authorities.

C. In addition, the company may follow Article 37 of the Financial Holding Company Act to apply to the competent authorities for investment in the businesses other than those that are prescribed in Article 36 of the Financial Holding Company Act. Unless otherwise approved by the competent authorities, a financial holding company and its representative shall not act as the director or supervisor of the business in question, or designate its personnel to be the managerial personnel of the business. The total amount of

investment in other businesses shall not exceed 15% of the financial holding company's net value. Financial holding company's investment in other businesses shall not exceed 5% of the voting shares issued by the invested business.

D. According to Article 6 of the Regulations Governing cross selling Management between Financial Holding Subsidiaries, cross selling businesses can be conducted between subsidiaries of a financial holding company, in which the businesses cover deposit account opening, credit cards, securities brokerage, futures, funds and insurance.

• Business ratios over the past two years:

Unit: in thousands of NT dollars

Item	Year	2015 (Preliminary)		2014	
		Amount	%	Amount	%
Operating income					
Long-term equity investment profit		14,250,348	100	13,672,565	100
Hua Nan Commercial Bank Ltd.		13,241,175	93	12,434,625	91
Hua Nan Securities Co., Ltd.		351,020	2	576,335	4
South China Insurance Co., Ltd.		606,101	5	570,902	4
Hua Nan Investment Trust Corp.		33,588	-	25,425	-
Hua Nan Venture Capital Co., Ltd.		6,151	-	(17,023)	-
Hua Nan AMC		12,313	-	82,301	1

(2) 2016 business plan

The company's 2016 business plan will continue the six orientations of diversified income sources, leveraged profit contribution, aggressive and integrated overseas deployment, innovation of financial products and service, enhancement of business operating quality and fulfillment of corporate social responsibility, in which the details are explained as below:

- A. Diversify income sources: elevate the ratio of non-interest income
- (a) Strengthen the wealth management business, elevate quality and quantity of financial management specialists, expand well-rounded financial product line, and optimize customer services.
 - (b) Deepen credit card products and their additional functions and optimize managements of all types of credit card customers, in order to establish credit cards' brand image.
 - (c) Capital efficiency by, reinforce securities and FOREX trading activities and increase investment income.
 - (d) Strengthen product cross-selling and tie-in sale capacity and elevate customer's overall contribution.
- B. Leverage the Company's profit contribution: elevate the profit contribution of non-bank subsidiaries.
- (a) Enhance subsidiaries' operating performance, and compatibility between capital allocation and profit contribution.
 - (b) Seek for merger opportunity so as to expand the market size.
 - (c) Maximize the Company's cross-sale comprehensive effects with cross selling and co-marketing referral mechanisms.
- C. Aggressively integrate overseas deployment: increase overseas footholds and profit contribution.
- (a) Greater China region:
 - ※ Banking business: By working with leasing companies and the Company's subsidiaries to engage in cross-selling and the existing business locations in Shenzhen, Shanghai, Fuzhou, Baoan and etc., continuously evaluate and prepare to deploy the branch office locations in China and their sub-branch office locations in order to deepen the Greater China Region markets.
 - ※ Lease business: in conjunction with Hua Nan Bank's branches in China to promote the business.
 - ※ Securities business: seek to set up the cross-strait joint venture and A-share securities company, and evaluate the feasibility to establish a financial consulting company in Shanghai.
 - ※ Property insurance business: set up Shenzhou Auto Insurance Co. with equity participation.
 - ※ Investment trust business: Hua Nan Investment Trust has prepared the RQFII fund product plan, in an attempt to grasp the business opportunity created after opening up of RQFII.
 - (b) Other regions:
 - ※ Aggressively upgrade Vietnam's Hanoi Office to be the Branch.
 - ※ Aggressively set up Yangon Office in Myanmar.
 - ※ Keep an eye on the development trends of ASEAN emerging countries, and discreetly assess the feasibility of setting up branch agencies, merger, acquisition or equity participation.
 - (c) Grasp the RMB internalization business opportunity, and expand the scale of overseas assets, so as to increase the profit of overseas units.
- D. Innovation of financial products and service: develop digital finance and financial innovation.
- (a) Launch into the mobile payment market, build a digital banking service platform, and promote integration of physical and virtual channels, so as to have customers experience the innovative and pleasant business relationship and enhance customers' adherence to the Company.
 - (b) Utilize the big data analysis to further cultivate existing customers, reinforce precise marketing on social networking sites and real time



communication software, aggressively develop the youth groups and expand respective customer group sizes.

- (c) Seize population aging business opportunities and launch retirement products covering financial management, insurance, trust, etc.
- (d) Aggressively invest in the new FinTech business and apply a non-conventional business model of shared economic concept to promote business through horizontal alliance and embrace the economic trends of digital banking and Internet of Things.
- (e) Seek for strategic alliance targets, introduce innovative financial products, elevate product development capacity and enrich a variety of financial product lines.

E. Enhance business operating quality: elevate asset quality, capital utilization efficiency and customer satisfaction.

- (a) Elevate asset quality and capital utilization efficiency.
- (b) Reinforce the spirit of the customer service orientation, simplify the operation process so as to increase customer satisfaction.
- (c) Elevate high quality remuneration environment, prompt the staff to be putted in the right places, cultivate financial talents with internationalization and technology competences.
- (d) Enhance risk control efficiency, fulfill compliance and strengthen internal control.

F. Fulfill corporate social responsibility:

- (a) Strengthen corporate governance: protect shareholders' equity, elevate operating efficiency of the board of directors, implement business integrity, and perfect regulatory compliance and the risk management mechanism.
- (b) Protect customer rights and interests: ensure customer rights and interests, stress protection of personal information, and place premium on product liability.

(c) Place premium on personnel care: set up a well-rounded employee remuneration and welfare system, reinforce personnel training, keep smooth communication with the personnel and perfect complaint system.

(d) Maintain environmental sustainability: Introduce the office site energy management project in due time, and continue to purchase green environmental items and endeavor efforts to participate in related international initiatives in conjunction with the competent authorities' policy.

(e) Social participation: continue to promote and sponsor public welfare activities and care for the community groups requiring assistance.

(f) Prepare the corporate social responsibility report: Based on the aforementioned activities to compile the Company Corporate Social Responsibility Report in accordance with the latest version of the sustainability reporting guidelines published by Global Reporting Initiatives (GRI), so as to show how HNFHC values its stakeholders in the operating process.

(3) Industry overview:

A. Financial management

- Status of Banking Industry: Local bank asset quality still maintained its record high and oversea profit continued to glow in 2015. Compounding the profits gained from ChinaTrust Bank's disposal of its headquarters building and merged insurance brokerage, the Bank's total profit was about NT\$319.6 billion, a slight decline from the previous year's NT\$320 billion. Nevertheless, after deducting the non-recurring profit, the recurring profit still showed a growth. Although bank industry's profit has continued to grow in recent years, the growth strength has slowed down year by year. While it is estimated that the loan business will slow down, compounding the TRF controversy and a sign of the asset quality turning into negative development, it will be a great challenge to maintain prosperity and profit in 2016.

- **Status of Security Industry** The average daily trading value of the TAIEX and OTC market was NT\$115.5 billion in 2015, a decrease of about NT\$3 billion from the previous year and an annual decline of 10%. However, the difference between the highest 10,000 points and the lowest 7,200 points was 2,800 points, representing a substantial degree of volatility of 30%. As a whole, the profit of the securities industry was about NT\$26 billion, a decrease of about NT\$5.2 billion or 17% from the previous year. On the fundamental, capital and policy front, the TAIEX still shows a lot of hidden worries, the trading volume may not be able to substantially surge and the overall securities business is still relatively sluggish.
- **Status of Property Insurance Industry** In 2015, TransAsia Airways again had an air crash. Compared to the one occurring in 2014, the underwriting terms and loss significantly lowered. The profit of the overall non-life insurance industry was about NT\$10.8 billion, an increase of about NT\$500 million or 5% from the previous year. In recent years, the whole industry has had stable income of more than NT\$10 billion per year, but the local market has come to a mature stage, so its growth strength has been limited.

B. Marketing

Following the rapid development of the four mainstream technologies of cloud computing, analytics data analysis, social media and mobile application, the advent of the digital age changes customers' habits. The Company has observed the trend that consumers have started to switch their purchase from the physical channel to digital channel, in which the consumers always hope to get a real time response, and always follow the valuation, recommendations and opinions given by social groups. In order to carry out the operating philosophy of the "customer comes first", HNFHC has worked on the five dimensions of channel integration, mobile payment, digital marketing, big data application, and talent cultivation, in the hope of promotion full transformation into a digital financial institution, optimizing customer's

experience and satisfying customer's requirements in the digital age.

(4) Research and development

A. Marketing

(a) Research and development results over the past two years:

- ※ Customer operating and management mechanism

Organized and established HNFHC's customer relationship management operation mechanism to specifically define the customer operating attributes of respective subsidiaries, and selected the Company's prioritized customers according to customer values. The customers were divided into three groups of "high value", "potential" and "general", according to customer's varying attributes and requirements, HNFHC offers the differentiation service. The concrete operating effects included taking priority in stabilizing the growth of customer's average product quantity year by year, simultaneously growing high-value customer's scale and adherence, and expanding the size of the investing customers, which can facilitate increase of the Company's tee income.

- ※ Business intelligence analysis technology

The algorithms of the decision tree and logistic regression were adopted to set up the customer product purchase tendency" and "fund customer retrieval", "restoration of lost fund customers" and "prediction of high-value customer asset slump", in order to assist subsidiaries in increasing their product sales and retaining customers.

- ※ HNFHC employee's sales integration platform

The newly established HNFHC employee sales integration platform is the first one in the industry created for case entry, dispatch and management across the subsidiaries in the Company, in which, through the



systematic management, the process of the sales across the subsidiaries can be smoother, and, by coinciding with the “CRM system” and “KPI system”, the efficiency of the marketing analysis, sales application and effect management can be enhanced.

(b) Future research and development plan:

※ Application of the big data to marketing

Plan to establish an environment for collecting, storing, and processing the big data (comprised of structural and non-structural data), elevate current data mining and model establishment capacity and introduce the big data analysis technology, such as Internet behavior analysis, customer money-flow analysis, visualization analysis, text mining, etc. The collected big data will be converted into meaningful information, and offered to customers in a timely way so as to satisfy their requirements for products or services.

※ Application of the big data to management

Use the mining model and open data to analyze business trends, integrate subsidiaries’ business requirements and draft the corresponding business promotion strategy; strengthen analysis of existing customers, so subsidiary’s management unit may further divide each customer group, set up required customer operating strategy and provide each customer with more precise service; keep abreast of the change in the assets, contribution and behavior of the customer group in their management, so the coping measures can be promptly put forth and improvement can be rapidly made.

※ Set up a 360-degree customer single view

Collect the information (e.g. customer’s attribute, account and transactions, customer service, Internet footprints, etc.) of respective dimension of each customer to set up each customer’s 360-degree single view and assist the front-line operating

personnel in better understanding customer’s status. When the front-line personnel find any change in the customer single view, they may proactively press for the business opportunity and provide the customer with timely service.

※ Configure a digital marketing platform

Plan to introduce the automatic real-time interactive marketing decision-making system, which may analyze customer’s interactive data in real time, quickly make a marketing decision and establish a smooth information transmission mechanism for respective channels, so the information of all the channels can be consistent, and customer’s optimal recommendation scheme can be provided in real time or in a timely way.

B. Risk management

(a) Reach a balance between risk and return

In order to reach the balance between risk and return, HNFHC plans to use the RAROC (Risk-Adjusted Return on Capital) to evaluate respective businesses and understand each business’s risk-adjusted profitability. Then, it will draft a proper prior business development strategy to elevate capital allocation efficiency, and measure the risk-adjusted performance.

(b) Renew the asset and liability management system

The Company will assist its subsidiaries in renewing their asset and liability management system, enhancing the precision of interest rate risk analysis by re-reviewing and adjusting the asset and liability management model and reinforcing the liquidity risk analysis instrument to enhance the control capacity of asset and liability management.

(c) Management of non-financial risk

To meet the global trends and comply with the supervision main points carried out by the international competent authorities, HNFHC will strengthen its study and management

in other non-financial risk special fields, e.g. operating conduct risk, in order to grab the outline of Company's overall risk.

Other than having the review mechanism for subsidiaries' financial management and asset management related new products, HNFHC also sets up the second layer of review mechanism for financial holding related products, so as to offer customers the proper products which can create value for them, protect customer rights and interests and maintain the Company's reputation based on its fulfillment of the social responsibility.

(d) Study on applying big data to risk management

In response to the execution plan of the items of the "joint planning and execution across subsidiaries" under the digital financial environment 3.0 of Hua Nan Financial Holdings, the Company will conduct research and development of the risk management application in the digital financial environment, and the tasks include the following:

Exploration of the application of mega data to other kinds of risk management, including feasibility analysis of Hua Nan Bank's net interest income stability, configuration of P2P lending credit rating model and applying public opinion analysis to risk pre-warning.

(5) Long-term and short-term business development plans

A. On the financial management front

(a) The short-term aspect

- ※ Diversify income sources
- ※ Leverage the Group's profit contribution
- ※ Aggressively integrate overseas deployment
- ※ Innovation of financial products and services
- ※ Enhance business operating quality
- ※ Fulfill corporate social responsibility

(b) The long-term aspect

Other than its spontaneous growth, in the face of the over-competition of local financial institutions and acceleration of the deployment

in the overseas market, HNFHC hopes to acquire or merge good quality financial institutions or the ones with complementary strength, so as to broaden its business size, enhance its global competitiveness and make headway towards a greater vision to be an excellent global financial institution in the Asia Pacific region.

B. On the marketing front

(a) Short-term business development plan:

- ※ Place the focus on expansion of high-value customer's size, increase the ratio of the customers holding high-contribution products and elevate the ratio of digital customers to develop a customer operating strategic goal for the three groups of customers.
- ※ Carry out Company's CRM mechanism, strengthen the business adherence between customers and the Company, reinforce the structure of customer constitution, and further elevate the profit quality.
- ※ Integrate subsidiaries' products, promote composite-product marketing activities, satisfy customer's requirements for well-rounded banking products and maximize HNFHC's comprehensive marketing effect.
- ※ Integrate the Company's marketing resources, enhance HNFHC's brand image and reinforce advertising and publicity of the focused products, in which digital advertising is used as the media to elevate digital banking brand image.
- ※ Establish a corporate banking integration marketing work team across subsidiaries, and use the cross-industry marketing platform to continue to promote corporate banking integration marketing and increase the corporate banking business volume.
- ※ Utilize the HNFHC employee sales integration platform to systematically manage case entry and dispatch across



subsidiaries, so the sales process across subsidiaries can be smoother, and the joint marketing strength can be elevated.

- ※ Guide employees to garner various business marketing licenses, so as to aggressively strengthen the professional image and business capacity of the Company's employees and attain the goal for marketing across the board.

(b) Long-term business development plan:

- ※ Continue to increase the ratio of cross selling businesses, so as to maximize the HNFHC cross-business comprehensive marketing effect.
- ※ Promote establishment of a digital banking environment according to the dimensions of channel integration, mobile payment, digital marketing, big data application, and talent cultivation, endeavor efforts to transform into a digital financial institution and optimize customer experience.
- ※ Set up a big data management mechanism, utilize the big data analysis results to map out the business promotion strategy and transform it to marketing application, so as to enhance the marketing effect.
- ※ Elevating satisfaction of customer services in the long run: continue to increase the number of the members of the HNFHC's IE Life Reward points Redemption Platform and expand the redemption business, so as to assist respective subsidiaries in reinforcing the business adherence between customers and the Company.

savings deposits, etc.).

- ※ Issue bank debentures.
- ※ Engage in the loan business (provide short-term, mid-term and long-term loans, and deposit certificate pledge loans, and consumer loans).
- ※ Engage in the note discount business.
- ※ Invest in securities (investment in government bonds, short-term notes, corporate bonds, bank debentures and corporate stocks).
- ※ Engage in the domestic exchange business.
- ※ Engage in the commercial draft acceptance business.
- ※ Issue local L/Cs..
- ※ Guarantee issuance company's bonds.
- ※ Engage in the local guarantee business (engage in the guarantee business).
- ※ Act as the collecting and payment agent.
- ※ Act as the agent to sell government bonds, treasure notes, corporate bonds and corporate stocks.
- ※ Underwrite securities (underwrite government bonds, treasure notes, corporate bonds and corporate stocks).
- ※ Proprietary trading of securities.
- ※ Trade securities for customer accounts.
- ※ Engage in the custody and warehouse business.
- ※ Engage in the safety deposit box rental business.
- ※ Engage in the agency services related to the businesses listed in the business license or approved by the competent authorities. .
- ※ Engage in the credit card business (issue credit cards and offer credit card cash advances)
- ※ Act as the agent to sell gold bullion, gold coins and silver coins.
- ※ Trade gold bullion, gold coins and silver coins
- ※ Engage in guarantee businesses covering export exchange, import exchange, general inward and

2 HNCB

(1) Business scope:

- Major business items:
 - ※ Accept a variety of deposits (accept checking deposits, demand deposits, time deposits,

outward remittance, foreign exchange deposits, foreign currency loans and foreign currency guarantee payments.

- ※ Engage in the derivative financial product business approved by the competent authorities.
- ※ Engage in the businesses prescribed by the Trust Enterprise Act.
- ※ Engage in proprietary trading of government bonds.
- ※ Engage in margin purchase or short sale of securities.
- ※ Engage in short-term bill brokerage, dealing, certification and underwriting businesses.
- ※ Issue stored value cards.
- ※ Engage in the public welfare lottery agency business approved by the competent authorities.
- ※ Proprietary trading of corporate bonds and bank debentures.
- ※ Engage in the wealth management business.
- ※ Proprietary trading of bonds.
- ※ Engage in asset backed beneficiary securities.
- ※ Engage in money trust.
- ※ Engage in the trust of money loans and their security interests.
- ※ Engage in the securities trust business.
- ※ Engage in the real estate trust business.
- ※ Engage in the superficies trust business.
- ※ Engage in the discretionary investment services in a form of trust.
- ※ Act as an agent to issue, transfer and register securities, distribute stock dividends, interest, bonuses, etc.
- ※ Offer consulting services for issuance and placement of securities.
- ※ Act as the certifying agent for the stock and bond issuance.
- ※ Engage in securities certification.

- ※ Engage in the custody business.
- ※ Consigned for custody of securities investment trust funds.
- ※ Offer investment, property management and real estate development consulting services.
- ※ Act as the trustee for bond issuance.

- Business operating income ratios over the past two years

Summary Table of Incomes from Main Business

Unit: in millions of NT dollars

Year Business item	2015		2014		Increase/ (decrease)	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Corporate banking	13,053	27%	12,539	26%	514	4%
Consumer banking	13,429	28%	12,860	27%	569	4%
Banking transactions	5,934	12%	5,546	12%	388	7%
Foreign exchange	11,056	23%	12,118	25%	(1,062)	(9%)
Trust and wealth management	3,348	7%	3,425	7%	(77)	(2%)
Others	1,647	3%	1,553	3%	94	6%
Total amount of main incomes	48,467	100%	48,041	100%	426	1%

Note: 1.The above business incomes include interest, service fee and profits of financial assets/ liabilities, currency exchange and investment in real estate.
2.Consumer banking covers the credit card and cash card business, whereas foreign exchange includes the overseas branch and international banking branch business.

- New financial products and services planned to be developed in the future:
 - A. Aggressively promote the digital banking business, expand the customer group of the digital business, and well root the digital banking operating foundation.
 - B. Strengthen the digital bank 3.0 service, integrate physical and virtual cannels to help physical branches and provide the digital banking service without any regional restriction.



- C. Aggressively develop the e-payment business which is comprised of horizontal cooperation with local and cross-border third party payment traders, so as to maximize the comprehensive effect and create a win-win success.
- D. Plan and execute the customer service channel marketing project (including inbound and outbound telephone marketing), so as to increase the joint marketing business volume and enhance customer's business adherence and contribution.
- E. In conjunction with the opening up of the cross-strait banking policy to aggressively promote the cross-border banking service, so as to satisfy customer's requirements and get hold of any business opportunities. The footholds of the Bank's Greater China Region include those that are in Hong Kong, Macao, Shenzhen, Fuzhou and Shanghai, and the business operating scope covers Huanan, Haixi and Yangtze River Delta regions where have the most density of Taiwanese business customers. With the dense operating network and flexible financial products and services, the Bank can provide Taiwanese customers with an intact money-flow resolution scheme.
- F. In response to the rise of the ASEAN emerging market, other than applying for upgrading its Hanoi representative office to be a branch, we have been approved by Financial Supervisory Commission to establish a representative office in Yangon, Myanmar. The Bank will aggressively assess the feasibility to set up business footholds in other ASEAN countries, so as to service the Taiwanese enterprises stationed in ASEAN countries, participate in the countries' local economic growth and, in the end, reinforce the Bank's profit performance.
- G. Continue to launch diversified niche trust products and organize to develop mutual trust funds.
- H. In response to the government's policies to seize the business opportunities by meeting senior citizens' requirements for their retirement lives, promote the retirement care trust business. In addition, promote standardized money trust commodities,

such as the child education trust, insurance claims trust, etc, by combining the requirements of respective stages in life. This year's business focus is placed on comfortable retirement life and passing-on trust.

- I. The Bank plans to launch structured products combining two to three categories out of four underlying categories of interest rates, exchange rates, commodities, and equity, in which principal guarantee is the main structure.

(2) 2016 business plan:

- A. Promote new demand deposit customer sources and construct a qualitative and quantitative deposit structure.
- B. Continue to increase the share of the gold passbook market and reinforce the gold coin sales business, so as to increase the service income.
- C. Strengthen the cross-sale group securities brokerage, property insurance and investment trust fund business products, so as to elevate the Bank's ratio of joint marketing with the Group and increase the service income.
- D. Continue to process business foothold relocation and business merger, and develop intelligent branches, so as to enhance the channel effect.
- E. Strengthen e-banking competitiveness:
 - (a) Offer the mobile digital banking service to provide customers with convenient digital financial lives.
 - (b) Develop the e-payment service and analyze the big data through the information inflow to create added value and elevate competitiveness.
- F. Institute the "fair customer treatment principle" policy and strategy for the employees across the Bank to comply and execute.
- G. In conjunction with government's promotion of the innovation industry to encourage small and medium enterprises to develop innovative and international policies, the Bank has successively planned and offered preferential loans for related projects.

- H. Continue to promote the on-line e-financing business, seize customers' supply chain financing business opportunities and win more of those existing customers who have yet to be involved in the financing business through the new-account campaign and center suppliers' list for the online financing business, so as to reinforce the operating momentum of the business, enhance customer adherence, elevate the average financing balance of the business and increase income.
- I. Expand the self-financing loan business. Other than developing the supplier list and periodically holding promotional activities, the operating units are encouraged to aggressively search more customer sources, reinforce cooperation with their financial peer groups and look for large factoring case sources, so as to increase the credit business volume and income.
- J. Reinforce colleagues' educational training and assist operating units in familiarizing online e-financing, factoring business content and market skills. It is hoped to identify the proper business sources through the daily business dealing between operating units and customers.
- K. Aggressively look for the sources for sponsorship or joint sponsorship of syndicated loan cases and reinforce participation in international syndicated loan cases by cooperating with financial peer groups, so as to increase the Bank's market share in the syndicated loan market and service income.
- L. The Bank has successively signed the business MOU with China's banks covering Fujian Haixia Bank, Bank of China, Bank of Communication, China Merchants Bank, China Guangfa Bank, China Construction Bank, etc., and will continue to develop the substantive business cooperation with them, so as to increase the profit.
- M. Continue to carry out the niche market operation with precise marketing, put more stress on cultivating premium customers, enhance customers' adherence and increase the product operating profit.
- N. Integrate personal financial products, develop diversified personal banking products, segment targeted customer groups and cultivate them, strengthen debt management and wealth management services, so as to satisfy customers' demand for versatile banking products.
- O. Continue to execute the three-year double credit card sales plan, which will be executed from the aspects of financial strategies, products, card swiping promotional activities, channel expansion, customer services, information services, etc.
- P. Plan to issue Taiwan University Recognition credit cards, and bring in a new outstanding customer group.
- Q. Continue to enhance product diversification, seek for advantageous products, provide recommendations for customer's asset allocation and adjustment in accordance with the market status, and increase the balance of customer's assets.
- R. Strengthen promotion of premium installment insurance and discretionary insurance, promote branch's "major insurance co-marketing personnel system", enhance educational training and maximize the comprehensive marketing effect of entire body of employees.
- S. Launch customer group marketing activities in conjunction with a platter of online banking specials, so as to reinforce new customer development, continue the navigation membership plan, and protect the rights and interests of respective customer groups.
- T. Re-initiate "offshore structured products" as the trusted investment objects.
- U. Properly adjust allocation of excess NT dollar current assets and elevate the yield of current capital.
- V. In conjunction with changes of the international financial status to strengthen foreign currencies securities investment and increase capital gains and dividend income.



W. Flexibly leverage the net FX swap position, so as to increase the Banks' income.

X. Continue to promote the TMU business mainly based on hedging requirements and supplemented by financial operation, in which the focus is placed on the professional customers having a greater business size and free from credit risk, so as to stably promote FOREX derivative financial products and enhance diversification of product categories (e.g. varying structured underlying objects and structured investment commodities combining currencies and periods of days), especially for low-risk principal-guaranteed products, which may stratify customers' overall requirements and elevate the Bank's market share in the derivative financial product business.

(3) Industry overview: industry's current status and development

With the numerous banks in Taiwan, competition in the industry has become intense. Given the limited sources for profit growth in the local market, many banks have aggressively expanded their market to the overseas. Given that China's economy has slowed down and faced industrial structure adjustment, many Taiwanese enterprises have turned their investment to the emerging markets in Southeast Asia in the circumstance where the operating environment has changed. Local banks have also aggressively assessed the development potential of other countries such as South-East Asia countries, and the feasibility to expand their deployment in those countries, so as to have more sources to increase their profits.

(4) Research and development:

A total of 181 cases developed by the Bank over the past two years have come up with good results, which have greatly improved the Bank's business operating, elevated its operating performance and strengthened its service quality. In the future, the Bank will continue to encourage its personnel to devote themselves to research and development, so as to create outstanding performance and a record high of sales.

(5) Long-term and short-term business development plans:

A. Short-term business development plan:

- ※ Construct a qualitative and quantitative deposit structure and increase service charge income.
- ※ Offer diversified mobile digital banking services to fight for more mobile business opportunities.
- ※ Plan the international account receivable business by cooperating with credit insurance agencies, and assume foreign buyers' credit risk by offering exporters credit insurance, so as to satisfy customer's demand for versatile businesses.
- ※ Continue to elevate corporate banking personnel's professional knowledge and marketing capacity through educational training, so as to provide customers with customized financing resolution scheme and expand the Bank's corporate banking market share.
- ※ Reinforce the integration of the Bank's banking product marketing services by the corporate banking integration marketing work team, so as to provide customers with well-rounded banking service planning and elevate high-end customer groups' contribution.
- ※ Use theme product niche marketing to provide both customized and differential services, so as to satisfy customer's demand and increase the Bank's income.
- ※ Value customer's investment performance, and in conjunction with high-value customer investment proposal system to recommend asset allocation for customers, so as to augment the size of the assets dealt through the Bank.
- ※ Continue to expand financial management teams, strengthen counter personnel's referral ability and maximize the all-out marketing function.

B. Long-term business development plan:

- ※ Continue to promote operating unit's transformation plan, so as to elevate the channel effect.

- ※ Continue to develop the global e-money flow service, so as to reduce the Bank's operating cost and enhance its transaction efficiency.
- ※ Continue to adjust the structure of corporate banking customers, and expand the operating volume of the loan business for the small and medium enterprises with a greater interest spread.
- ※ Provide customers with diversified products and services, enhance quality and quantity of wealth management and counseling personnel and satisfy customers' requirements for integration planning.
- ※ Continue to enhance the information system and customer group data analysis capacity and carry out the customer group segmentation operation.

3. Hua Nan Securities

(1) Business scope

- Major business items:
 - ※ Consigned trading of securities in the stock exchange market.
 - ※ Consigned trading of securities at its business outlets.
 - ※ Proprietary trading of securities in the stock exchange market.
 - ※ Proprietary trading of securities at its business outlets.
 - ※ Underwrite securities.
 - ※ Act as an agency to handle stock affairs for securities firms.
 - ※ Securities trading, margin purchase and short sale.
 - ※ Consigned trading of foreign securities.
 - ※ Engage in securities related auxiliary futures trading services.
 - ※ Concurrently engage in the securities related futures business.

- ※ Engage in the wealth management business.
 - (a) Provide consulting services for asset allocation or financial planning, or financial product sales services.
 - (b) Execute asset allocation for customers in a form of trust.
- ※ Other securities related businesses approved by the competent authorities.
- Business operating income ratios over the past two years:

Unit: in thousands of NT dollars

Business item	2015		2014	
	Amount	Share (%)	Amount	Share (%)
Brokerage	1,926,747	91.43%	2,126,243	85.29%
Underwriting	48,342	2.30%	84,416	3.39%
Proprietary business	132,188	6.27%	282,307	11.32%
Total	2,107,277	100%	2,492,966	100%

Elaboration on changes of contribution of respective major businesses to the operating income:

A. Brokerage business: The overall stock average daily trading value in 2015 was \$114.947 billion, representing an decrease of 2.72% compared with \$118.155 billion in 2014, in which the company's 2015 average annual market share was 2.62%, decreasing by 6.76% from 2014's 2.81%. The company's 2015 brokerage business operating income decreased to \$2.127 billion from 2014's \$1.853 billion. The brokerage business revenue was only up to 93.30% due to domestic share market hard hit by global economic downturn in the second half of the year.

B. Underwriting business: The total underwriting income in 2015 was NT\$45,281 thousand, a decline of 45.58% compared with 2014. The decline was mainly due to the poor global economy and deferral of underwriting of the IPO cases, which resulted in the deduction of the



underwriting related and securities sale related incomes compared from the previous year.

C. Proprietary business: In 2015, the TAIEX slumped 969.20 points, representing a decline of about 10.41%. The earnings of the Company in 2015 showed a drop from 2014. It was mainly caused by the fact that Taiwan and China's stock markets, as a whole, had a slip as affected by the economic stagnation. Compared with the beginning of 2015, the index dropped about 1,000 points. However, even under such circumstances, there were still earnings left in 2015.

- New financial products and services planned to be developed in the future:

Given that many securities related laws and regulations are being lifted, various new financial products will be successively introduced. Under such circumstances, Taiwan's major securities firms have been up and running, aggressively worked on studies and planning and cultivated required talent. On the outlook for this year, Hua Nan Securities will evaluate and plan the following new products and related businesses according to the progress made by the competent authorities for lifting related laws and regulations:

- A. Promote the trust-type wealth management business: introduce insurance related financial products, offer customers a wide selection of products and study the feasibility to promote the products denominated in the RMB.
- B. Aggressively develop the well-rounded investment banking business: As encouraged by the government for transforming securities firms into investment banks, Hua Nan Securities has developed its financial consulting business, e.g. corporate re-organization, acquisition/ merger, etc. and other broadly defined brokerage and underwriting businesses, and headed for establishing a well-rounded investment bank.

C. Aggressively prepare for the opening up to China's natural persons for coming to Taiwan to invest in funds, ETF and stocks, and plan to promote related businesses, so as to hold any business opportunities.

D. While expecting the Shenzhen–Hong Kong Stock Connect, the Company will look for any cooperation with a broker securities firm in Hong Kong to develop the Shenzhen–Hong Kong Stock Connect re-consigned trading business in response to investors' demand for investment in Shenzhen A shares through the Shenzhen-Hong Kong Stock Connect.

E. Design and promote derivate financial products, such as call/ put warrants, asset swap and structured products.

F. Aggressively participate in market making activities covering futures, TAIEX and individual stock options, ETF, etc.: The financial commodities department and futures dealing department will continue to promote market making activities so as to activate transactions of Taiwan's futures related commodities.

G. In conjunction with government's offer of preferential terms to encourage overseas Taiwanese entrepreneurs to list their stocks in Taiwan, the underwriting department will aggressively approach overseas Taiwanese entrepreneurs through various channels, such as its Hong Kong footholds, attorneys and CPA firms, to help them list their stocks in Taiwan.

H. Study the feasibility to introduce the new-type OSU business, in an attempt to expand the business operation space.

I. Keep track of opening up of the laws and regulations in relation to RMB Formosa bonds and T share listing (the mainland enterprises listed in Taiwan), continue to contact China's enterprises, establish required relations and, in the end, seize any underwriting business opportunities in the future.

J. For the TAIEX Enhancement Plan recently launched by the FSC including expanding day trading underlying stocks, lifting limits of personal and individual stock's margin purchase and short sale, Hua Nan Securities will hold related investment seminars, reinforce investor related services and respond to related changes with countermeasures.

(2) 2016 business plan:

On the outlook for the current year, Europe and Japan's central banks are expected to conduct a new run of QE (quantitative easing), so the loose capital environment is expected to continue. However, the effect of QE on asset stimulus will come to its inertia and be getting smaller and smaller. To compound matters, the world's population is ageing and over-supply and economic inflation shows a sign of stagflation. The global major economies including the U.S. and China are still in the stage of economic transformation. The trends are unclear, the structure is under adjustment, and only some featured individual stocks are highlighted in stock markets. As such, basically, stock markets have formed a snake environment which is neither the bull market nor the bear market. It is like a snake winding ahead and popping up its head or wagging its tail once in a while to reflect the expected volatility of interest rates, exchange rates and oil prices. According to this year's economic forecast published by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. in February, as a result of the drop of both global oil prices and stock markets, a conservative atmosphere is surrounding the global economy. Compounding the matters including Taiwan's poor foreign trading performance and entry into the period for adaptation between the government and Legislative Yuan following the recent presidential election, only a mere 1.47% of the annual economic growth rate was predicted for this year. It shows that the economy is still in a stagnant status. However, the bright side is that local securities and banking laws and regulations will be gradually lifted and China's natural persons are expected to

be able to come to Taiwan to open their securities accounts for trading Taiwan's stocks and funds. If this is the case, Taiwan's stock trading volume and fund scale may gradually expand. The supervisors and colleagues across the Company will grasp any opportunities to devote their efforts. The Company's operating directions are mapped out as follows:

- Nurture and recruit related business talent, so as to elevate future's overall business workforce.
- Strengthen island-wide channel marketing tactics, so as to elevate channel operating performance.
- Reduce the operating cost through channel merger and relocation, and seek for any acquisition opportunities to increase the company's market share.
- Combine related study resources to steadily conduct stock dealing operation and strictly abide by the stop loss mechanism.
- Promote the Greater China internationalization business, so as to enhance the overseas niche edge.
- In conjunction with the opening up of laws and regulations to continue to promote the new-type businesses, such as the international OSU business and trust-type wealth management business.

(3) Industry overview

- The securities industry has gone through the stages of acquisition and merger, Given that e-transactions are getting mature and the ratio of institutional investors' transactions has continued to grow, some securities firms have started to adjust their distribution of business footholds by taking into account the elevation of single-outlet competitiveness, many medium and large securities firms have been integrated into financial holding companies.



List of securities firms in recent years

Year	Item	Total number of securities firms		
		Headquarters	Branch	Total
2008		132	1,011	1,143
2009		147	1,005	1,152
2010		151	1,032	1,183
2011		150	1,039	1,189
2012		147	1,042	1,189
2013		147	998	1,145
2014		145	984	1,129
2015		144	989	1,133

Data source: Website of Taiwan Securities Association

The local securities industry has encountered the problems of withered trading volume, international competition and offshore relocation of many securities firms, so, for the organization development strategy, the company will head for the direction of financial holding or strategic alliance. For the business development strategy, the company will set off for new businesses covering wealth management, cash deposit accounts, trust, etc. In other words, innovation is the direction for the company to develop its organization, business and commodities.

- Expand securities firms' international securities business scope, relax the restrictions on overseas trans-investment, promote Taiwan to be the "Asia-Pacific Financial Center"

so as to expand the territory of Taiwan's capital market and elevate securities firms' international competitiveness. As opened up by the FSC, securities firms may follow the international OBU model to set up the international OSU with accounting independence to engage in the offshore securities issuance and trading business. Also, in order to assist securities firms in developing distinctive commodities to attract non-resident customers, the FSC has further unleashed foreign currency derivative financial commodities, foreign futures trading and TAIEX related commodities, in

an attempt to bring more overseas capital back to Taiwan and enhance the economic development momentum.

In order to help securities firms to deploy their overseas business, the FSC has uplifted the restrictions on securities firm's overseas trans-investment, in which the amount applied by securities firms by project may exceed the limit of their overseas trans-investment, securities firms may endorse and guarantee the financing of their overseas subsidiaries, and the amount of the capital lending between securities firm's foreign trans-investment businesses may be increased from 40% of their net value to 100%. In so doing, it is hoped to expedite our securities firms' international deployment and establish an integrated financial service network.

In order to meet the economic growth trend in the Asia-Pacific region and make good use of Taiwan's geographic convenience (located in the center of the Asia Pacific Region) and given the fact that Taiwan's financial industry has already had its strength for providing high-standard and high-quality professional services, the FSC will continue to relax laws and regulations and expand the scope of the products to be offered by the OSU, so as to provide a convenient environment for offshore investors to open accounts and invest, and further promote Taiwan to be the "Asia Pacific Financial Center". All of the efforts will help local securities firms accelerate their pace for globalization, expand their business scope and elevate their service quality.

- Booming development of securities firm network and mobile e-transactions

Currently, a total of 76 securities firms in Taiwan provide the e-transaction service. Hua Nan Investment Trust Corp. has also successively brought out brand-new e-order placement systems, substantially reinforced various transaction functions of mobile communications equipment,

enhanced system stability and program execution speed and continued to win more customers to increase its market share in recent years. Its e-transaction amount in 2015 accounted for 1.31% of the total market's e-transaction amount, and it was ranked the top 10th securities firm among local e-transaction securities firms.

E-transactions include those that are traded over the Internet, voice and DMA (online order placement with securities firms directly from foreign countries). As published by the competent authorities, the total amount of e-transactions made through securities firms on the centralized stock exchange market and the OTC market in 2015 was NT\$25.1 trillion, posting an annual increase of NT\$433.1 billion or about 2.0%. The trading value took up 44% of the total market trading value, an annual increase of 2.5% and creation of a record high. In the circumstance where banking information technology has improved daily, hand-held mobile carriers, such as smart phones and tablet PC, are prevailing in the market, and DMA order placement from foreign institutional investors has turned out to be a popular trend plus the endeavor made by the competent authority for the policy to build a digital banking environment, e-transactions are expected to continue to grow in the future.

(4). Research and development

- In conjunction with government's policies, laws and regulations, Hua Nan Securities has studied and developed new-type businesses and structured financial derivative commodities, covering trading of emerging stocks, convertible bond asset swap trading, interest rate swap trading, the foreign sub-brokerage business, issuance of local call (put) warrants, futures on index and individual stock options, interest rate futures, gold futures, asset securitization, etc., and strengthened its talent cultivation and recruitment for its investment banking business, financial projects, risk control, etc.

- Work on the planning of the following information systems:

- A. In conjunction with the planning blueprint of financial holding and corporate digital banking environment Bank 3.0 to configure a variety of systems of Bank 3.0.
- B. In conjunction with financial holding marketing division's digital banking Bank 3.0 project to set up a big data platform and assess introduction of the business intelligent platform (BI).
- C. Establish a mobile device e-transaction platform to provide customers with consistent services and achieve the goal for cross-carrier document signature.
- D. In conjunction with the financial holding sales channel to integrate project establishment related systems.
- E. Set up and plan the overseas sub-brokerage web transaction platform: establish a multi-country order placement platform, so customers could simultaneously operate multi-product trading on the same platform, and set up the NT dollar denominated sub-system to enhance customer's trading convenience.
- F. Business management system expansion planning: including customer relationship management planning, regional supervision system planning, managerial personnel system planning, policy support management system planning, etc.
- G. Requirement management for special demand notes: For branch's information demand, the company assists its branches in describing the demand and analyzing establishment of the financial holding sales channel integration project system.
- H. The "Group Personnel Sales Integration Platform" has been put online since February 2015, related personnel educational training has been conducted for many times and the



cross-Group (joint sales) incentive system has been established. In the future, the personnel will be encouraged to elevate the joint-sales performance through the cross-sales on the platform.

- Combine the professional knowledge of the overseas commodity department, financial commodity department and futures dealing department to devote efforts to studying on financial commodity arbitrage and transactions, and, in conjunction with information department's research and development of software design to give technical judgment with the artificial intelligence chart for computer transaction programs in relation to a variety of new-type financial derivative products, development spread and arbitrage and hedging, so as to seize the long or short operation direction, identify the optimal trading timing and gain the maximum profit.
- Under the structure of the parent company, "Hua Nan Financial Holdings Co., Ltd.", to aggressively proceed with the plan to merge or acquire potential underlying securities firms so as to augment the strength of securities related businesses and maintain a sustainable growth.
- By using the information regarding the global finance, local and foreign macroeconomics, the industry and individual companies, the subsidiary, Hua Nan Securities Investment Management, has further studied the dimensions of fundamental performance, technology and capital, so as to get hold of investment trends and hedge risk industries. In addition to periodically issuing related investment publications and holding investment seminars, the references for investment consultation and credit from financial holding group's related units have also been provided.
- Keep abreast of FSC's opening up of the "Cross-Strait Distinctive Financial Business Plan" and "Development of Greater China Region's Asset Management and Financial Management Business", and work on related investment evaluations to create profit gaining opportunities.

- Keep tracking the fulfillment progress of the "Cross-Strait Service Trade Agreement", contact China's potential enterprises in the areas such as Shenjun, and evaluate the joint venture related investment planning for setting up the full license securities company, so as to grab the preemptive opportunity.
- Promote the trust-type wealth management business, introduce insurance related financial products, offer customers a wide selection of products and study the feasibility to promote the products denominated in RMB.
- Given that the company has already obtained the approval for engaging in the international OSU business, it will hire more specialists to promote related businesses and enhance its competitiveness.
- Keep track of opening up of the laws and regulations in relation to RMB Formosa bonds and T share listing (the mainland enterprises listed in Taiwan), continue to contact China's enterprises, establish required relations and seize underwriting business opportunities.

(5) Long-term and short-term business development plans

- Short-term strategy: leverage the development of respective businesses covering brokerage, underwriting, dealing and new financial commodities, promote new-type businesses related to financial management and march ahead to become one of Taiwan's top 10 securities firms in terms of profit and capital size.
- Mid and long-term strategies:
 - A. Brokerage business: complete channel deployment and expand new-type businesses.
 - B. Investment banking business: strengthen the underwriting business and expand the capital size.
 - C. Asset management: broaden the capital management scale and enhance operation management efficiency.

D. Financial innovation: strengthen financial engineering capacity and introduce new financial products.

E. Corporate e-operation: Bank3.0 various systems establishment, integrate corporate resources and elevate operating efficiency.

F. Risk control: monitor risk assets to reduce the operating risk.

4. SCIC

(1) Business scope:

- Major business items:
 - ※ Fire insurance:
 - Commercial fire insurance
 - Fire supplement insurance
 - Residential fire insurance
 - Residential earthquake basic insurance
 - ※ Marine insurance:
 - Cargo transportation insurance
 - Inland transportation insurance
 - Hull insurance
 - Fishing boat insurance
 - Aviation insurance
 - ※ Auto insurance:
 - Automobile physical damage insurance
 - Automobile liability insurance
 - Automobile theft insurance
 - Compulsory auto (motorcycle) liability insurance
 - ※ Casualty insurance:
 - Engineering insurance
 - Credit guarantee insurance
 - Liability insurance
 - Other kinds of property insurance
 - ※ Health and accident insurance:
 - Health insurance
 - Accident insurance
 - Travel comprehensive insurance
 - Travel agency liability insurance
 - Employer's contract compensation liability insurance

- Business operating income ratios over the past two years:

Unit: in thousands of NT dollars

Business item	2015		2014	
	Amount	Ratio (%)	Amount	Ratio (%)
Written premium income	7,846,497	95.08	7,651,697	95.62
Fire insurance	1,269,429	15.38	1,347,296	16.84
Marine insurance	572,786	6.94	553,703	6.92
Auto insurance	4,850,502	58.78	4,667,585	58.33
Casualty insurance	647,434	7.85	630,295	7.88
Health and accident insurance	506,346	6.13	452,818	5.65
Reinsurance premium income	405,711	4.92	350,388	4.38
Total	8,252,208	100.00	8,002,085	100.00

Note: The amount of the insurance lines was compiled according to 30 insurance lines.

- New products and services planned to be developed in the future:

The company will continue to develop new products according to the requirements of varying markets in 2016, so as to satisfy consumers' varying requirements and give them a wide selection of products. The planned new product items are as follows:

Product name
Auto third party liability and mileage comprehensive insurance
Financial institution and its personnel's auto comprehensive insurance
Labor contractor's professional indemnity insurance
Jeweler's block comprehensive insurance
Student campus liability insurance
The elderly and handicapped welfare agency comprehensive insurance
Insurance for compensation of the loss resulting from cancellation of room reservations
Group cancer health insurance
One-year term group overseas business travel comprehensive insurance
Group bone fracture non-hospitalization insurance rider

Note: Rather than outsourcing, the aforementioned products have been jointly developed by the underwriting, claim, actuarial, legal, investment, risk control and operating personnel of South China Insurance, so the related R&D expenses have been included in the annual business expense items.



(2) 2016 business plan:

- A. Expand the market share: Develop regional insurance brokerage/agency businesses, further cultivate and expand business cooperation scope, persistently flourish the business relationship with the cooperation banks, continue to develop and expand network transaction platform's customer groups and elevate the growth and ratio of the channels and B2B and B2B2C businesses in this sector.
- B. Improve overall Information Management Benefit Continue to garner the ISO27001 information safety certification and configure the e-mail audit system and internal cloud file system; provide customers with more diversified mobile services and elevate customer service quality; complete the new information system project selection operation to meet the requirements for future overall information.
- C. Steady Asset Investment and Activate Fund Utilization Moderately allocate bond investment and discreetly adjust stock allocation, so as to stabilize capital income, increase fixed income investment and elevate investment performance; aggressively adjust the bond position and activate capital, so as to increase the Company's overall income.
- D. Strengthen promotion and management of personal-information- related laws and regulations: set up internal related operation rules according to the change of personal-information-related laws and regulations and carry out the customer information protection, transmission, utilization and management mechanisms, so as to comply with statutory laws and regulations and protect customers' personal information.
- E. Fulfillment of law compliance, internal audit and risk management: Periodically hold educational training to introduce new laws and regulations, law amendment content, and major laws and regulations in relation to the insurance industry, so as to carry out law compliance, continue to promote risk management and information transparency, develop business unit's key risk

control and management indicators and request respective units to literally execute the loss reporting operation.

- F. Elevate the efficiency of project services of the customer service center: Configure a digital customer service system, non-periodically convene project requirement assessment meetings, control and manage service resources and elevate sales growth; periodically conduct the questionnaire survey to investigate headquarters' underwriting and claim service quality; periodically offer project service sheets for the requirement unit to assess project performance and elevate the project effect.
 - G. Set roots and deploy in the China market: Carry out the rotation mechanism to dispatch the personnel to work in the China market and continue to prepare the high potential employees for talent personnel and cadres for China business development. Equity participation in China's Shenzhou Automobile Insurance Co., Ltd. has been approved. Currently, the Company is continuing its preparation, so the ensuing establishment and initiation of operations can be quickly processed after being approved by China's competent authorities.
 - H. Fulfill corporate social responsibility: Continue to promote public welfare activities, care for underprivileged groups, make donations to charity, and take action to take care of underprivileged groups. At the same time, the Company also jointly promoted the one-ball to realize one dream 2015 cultivation plan with its parent company Hua Nan Financial Holdings Co., Ltd., and sponsored the 2015 (the 3rd) World Championship.
- (3) Industry overview: elaborate on the industry's current status and development

The entire property insurance market's written premium income in 2015 was \$135.375 billion, an increase of 2.90% from 2014 and its premium income increased by 3.817 billion. South China Insurance's written premium income in 2015 was \$7.846 billion, an increase of 2.55% from 2014, and its premium income increased by \$195 million, market share was 5.80%.

(4) Research and development: List the R&D expenditures and results incurred over the past two years, and roughly describe the future R&D plan.

A. Expenditure incurred by new insurance product research and development over the past two years and the outcome and its R&D results:

South China Insurance's new products have been developed by its product development workforce, and its important product items developed over the past two years are as follows:

Product Name
Auto third liability insurance exclusively for taxi
Additional provision for criminal litigation attorney fee compensation of the auto third liability insurance.
Additional provision of the collision damage insurance (applicable to the commercial fire insurance)
Additional provision for product liability insurance's product recycling, recovery, replacement and return expenses.
Pharmacist and assistant pharmacist business liability insurance
Criminal execution personnel liability insurance
Additional provision for pet consignment liability of the accident liability insurance
Mountain climbing comprehensive insurance
Additional provision for accidental outpatient and surgery medication benefits of the (standard) personal casualty insurance
Motor comprehensive damage insurance
Limit sum coverage for motorcycle fire accident physical damage insurance
Factoring credit insurance for Account Receivable
Fine arts all risks insurance rider on agreed special coverage for the loan of music instruments
Individual personal Injury accident Insurance rider on overseas emergency aid
Catastrophic illness one-year term health insurance

Note: Rather than outsourcing, the aforementioned products have been jointly developed by the underwriting, claim, actuarial, legal, investment, risk control and operating personnel of South China Insurance, so the related R&D expenses have been included in the annual business expense items.

B. Future R&D plan

In order to meet consumers' varying requirements and provide consumers with varying selections, the company plans to continue its new product development operation aiming at the requirements of different markets. The major new planned product items are as follows: auto third party liability and mileage comprehensive insurance, financial institution and its personnel's auto comprehensive insurance, labor contractor's professional indemnity insurance, jeweler's block comprehensive insurance, student campus liability insurance, the elderly and handicapped welfare agency comprehensive insurance, insurance for compensation of the loss resulting from cancellation of room reservations, group cancer health insurance, one-year term group overseas business travel comprehensive insurance, and group bone fracture non-hospitalization insurance rider. At the same time, information system integration is strengthened and the e-commerce marketing effect is enhanced.

(5) Long and short-term business development plans

A. Operating orientations

- ※ Increase business unit sales volume and expand business unit's market share.
- ※ Elevate the quality business-for-own-account ratio and reinforce the control of the reinsurance quality.
- ※ Establish the information system and strengthen the information management effect.
- ※ Cultivate multi-function professionalism to prepare high potential employees for the leading cadre of respective ranks.
- ※ Strengthen the capital utilization effect, and concurrently pay attention to risk and income.
- ※ Strengthen the risk management mechanism and fulfill corporate governance.
- ※ Deploy overseas footholds and cultivate expatriate personnel.



- ※ Continue to participate in public welfare activities and build a good corporate image and reputation.

B. Business goals

The premium income of South China Insurance in 2015 was \$8.252 billion, covering the written premium income, \$7.846 billion, and re-insurance premium income, \$406 million, and the average claim ratio of insurance lines was 54.92%. Its 2015 operating income was \$6.351 billion, covering net premiums earned, \$5.395 billion, net investment profit, \$347 million, and other operating incomes, \$609 million. Its 2015 operating cost was \$4.295 billion, covering net claims incurred, \$2.770 billion, net changes of liability reserve, \$378 million and other operating costs, \$1.147 billion. Its operating expense was \$1.365 billion, operating profit was \$691 million, net non-operating income was \$3 million and before-tax profit was \$694 million. After deducting the income tax expense, the net after-tax income became \$606 million, with which the after-tax net income per share was \$3.03 and return on assets was 3.87%, return on shareholders' equity was 15.18% and budget completion rate was 100%.

C. Important operating policies

(a) Business development:

- ※ Continue to develop new business channel and strengthen maintenance and operation of good-quality channel relations, get more project cooperation with car dealers to expand the market share of the channel new car business, increase sales of the regional insurance brokerage and agency business, broaden the business cooperation scale and increase the sales ratio, intensively develop and expand the target for the B2B and B2B2C network transaction platform, escalate the competitiveness of the network insurance business and enlarge the business scale.

- ※ Expand operating workforce, continue to promote the strategy to increase operating footholds and direct operating workforce, and improve operating personnel's professionalism and marketing ability, so as to develop more new businesses and expand customer base.
- ※ Enlarge the e-commerce business size, enhance the convenience for operation of the insurance webpage on the Internet and the overall operation efficiency, increase insurance product items on the Internet, draw more insurance purchases from different network consumer groups, elevate the sales ratio, and strengthen the effect of project services of the customer service center, so as to increase e-commerce sales growth.
- ※ Continue to work on the new information system project, elevate the overall effect of the information system, while reinforcing the Company's overall operating efficiency and elevating the Company's competitiveness in a full swing.
- ※ Set roots and deploy in the China market: continue to help the company's personnel obtain China's insurance professional licenses and reserve sales development workforce and cadre for the China market.
- ※ Have participated in the "Insurance Faith, Hope and Love Contest", in which South China Insurance Co., Ltd. have won the awards for six consecutive years in the sectors of "Insurance Professionalism" and "Insurance Product Originality".
- ※ Participated in the "Insurance Industry Prominence Award" competition, in which the Company was recognized by winning the gold medal of the "Residence Earthquake Insurance Promotion Prominence Award" and the silver medal of the "Risk

Management Project Planning Prominence Award” in the property insurance sector.

(b) Risk management:

- ※ Continue to advance the key risk control indicator of respective businesses, so as to literally enhance the effect of sales unit’s risk control.
- ※ Develop the Own Risk and Solvency Assessment (ORSA), so as to advance the company’s capital management and solvency assessment ability.
- ※ Continue to improve the economic capital measurement method of respective businesses and the Risk Adjusted Return on Capital (RAROC) assessment mechanism, so as to include long-term performance evaluation and capital allocation assessment items.
- ※ Continue to promote internal audit, law compliance and integration of risk management functions and strengthen the Risk Self-Assessment (RSA) method, so as to effectively reduce the law compliance risk and elevate internal control efficacy.

(c) Expense control:

- ※ In conjunction with decoration and renovation of respective offices to continue to replace traditional lamps with power-efficiency lamps, so as to reduce electricity expenditure and achieve the effect of austerity.
- ※ Strictly execute the annual budget management system, carry out the expenditure amortization mechanism, request respective units to literally control the expense/ expenditure and periodically track the expenditure status, so each unit could keep abreast of the budget execution status, and attain the substantive control goal. The annual expense rates from 2013

to 2015 were 29.89%, 29.10% and 30.24% respectively.

(d) Capital management:

- ※ The asset risk has been the initial reference for South China Insurance to determine its external capital utilization and investments. In addition, in conjunction with its parent company’s risk control integration mechanism, South China Insurance inspects and adjusts the current risk asset position with the measurement indicators, such as value-at-risk. In so doing, change in risk can be concurrently handled while capital income is stably elevated, and financial assets’ potential volatility risk can be literally controlled.
- ※ Property insurance industry’s capital attribute is different from that of other financial institutions. Other than complying with statutory laws and regulations, South China Insurance have to take priority in liquidity and safety in its setting up a variety of capital utilization tactics, followed by considering its yield, so its solvency can be strengthened and the insured’s rights and interests can be protected.

5. HNIT

(1) Business scope:

- Business scope:
 - ※ Securities investment trust business.
 - ※ Discretionary investment services.
 - ※ Futures trust business.
 - ※ Other businesses approved by the competent authorities.



- Business ratios (2015)

Asset type		Ratio (%)
Mutual fund	Equity type	50.89
	Fixed income type	34.14
Private placement fund		1.60
Discretionary services		12.85
Service income		0.52
Total		100.00

- New financial products and services planned to be developed in the future:

The company will continue to offer proper financial products and diversified services according to market trends and customer requirements, so as to satisfy customers' varying financial management requirements.

(2) 2015 business plan

- Continue to issue new funds and promote old funds, so as to enlarge the overall fund scale.
- Continue to strengthen asset management ability and elevate fund performance.
- Aggressively promote e-commerce, so as to elevate customer services.
- Continue to improve sales capability.
- Continue to strengthen customer services and maintain a good relationship with customers.

(3) Industry overview

In 2015, out of 20 fund types, 10 of them show increase in size and the top five fund types having the largest increases were the domestic money market fund, international balanced fund, international exchange traded fund (ETF), domestic exchange traded funds (ETF) and international fund of Funds – balanced fund, high yield bond fund and international money market fund. The top five investment trust companies were Yuanta Funds, Capital Investment Trust, Fu Hua Investment Trust,

Cathay Securities Investment Trust and J.P. Morgan. The sizes of public placement funds are all beyond NT\$100 billion.

(4) Research and development: R&D expenditures and outcomes incurred over the past two years

The development of the new financial products covered in the securities investment trust business lies in opening-up and approval from the competent authorities. Hence, in addition to paying attention to the policies of the competent authorities, the company has also referred to market trends to develop new financial products. The new products developed by the company in the past two years are as below:

- On June 12, 2014, the company issued the China A-share fund – “Hua Nan China A Share Equity Fund”.
- Issued a multi-assets balanced fund – “Hua Nan Investment Trust Corp. (HNIT) Multi-Assets Balanced Income Fund” on October 23, 2014.
- Issued local and foreign Internet of Things series of funds including HNIT IoT Fund” and “HNIT Global IoT on MSCI Custom ACWI plus All China Index Fund” on April 23, 2015 and November 27, 2015 respectively.

(5) Long and short-term business development plans

- Short and mid-term business development plans
 - A. Continue to develop and issue products in accordance with the sound development principle and customer requirements and continue to construct an intact product line.
 - B. Continue to strengthen the capacity of the company's research workforce and funds' long-term performance, so as to enhance customers' faith in the company.
 - C. Strengthen customer services, so as to elevate customer satisfaction.

D. Reinforce risk control, promote rationality of the operation process and elevate across-the-board service efficiency.

- Long-term business development plan

A. Develop the business scale and make the company one of the top ten investment trust firms.

B. Get more opportunities to provide discretionary investment services for government funds and legal entities.

6. HNVC

(1) Business scope:

- Major business items:
 - ※ Venture capital business
 - ※ Investment consulting business
 - ※ Management consulting business
 - ※ 2015 business ratio:

Item	Ratio
Investment income	99%
Management consulting income	1%

(2) 2016 business plan:

- Observe change of the industry to adjust the investment portfolio: in regard to the industry, the deployment will be made according to the following four directions: 1. preventive medicine and precision medicine in bio-tech sector, e.g. the genetic testing industry; 2. the wearable device and digital health management industry emphasizing the personal medical care function; 3. the big data industry which can execute predictive analysis; 4. the Internet of Things, cloud, virtual and physical industries with market potential.
- Grasp investment opportunities according to the economic status: In the face of business volatility, on the one hand, the Company will select the proper investment objects with the value being

undervalued in the emerging-listed market, on the other hand, it hopes to invest in newly established companies with a lower price, in the hope of gaining a greater return in the future.

- Utilize diversified channels to develop good-quality case sources: Other than the case sources recommended by the industry peer groups and the financial holding system, the Company will also continue to strengthen its interaction with large corporate groups and internationally acknowledged venture capitalists, so as to reinforce its investment portfolio global deployment. On the other hand, the Company will aggressively participate in the match meetings held by relevant associations and the government, in an attempt to identify the newly established businesses having great potential.
- Continue to participate in the “Investment Management Project – for strengthening investment in SME at the early stage” sponsored by Small and Medium Enterprise Administration, Ministry of Economic Affairs: Given the success stories achieved in recent years, the Company will continue to promote such type of investment model. In so doing, other than increasing income, the Company’s ability to manage its external funds and its image will be highlighted.

(3) Industry overview:

Due to the turmoil of the global economy and change of industry structure, Taiwan’s venture capital industry has gradually been hovering at a low ebb after the millennium. Nowadays, the industry is incomparable with its heyday in the 90s, especially in the circumstance where 20% investment credit for the shareholders of venture capital businesses was already cancelled, which led to sudden and substantial slump of venture capital sources.

According to the statistics released by Taiwan Venture Capital Association, the number of Taiwan’s venture capital firms declined from 2010’s 293 to



2014's 233, and the annual investment amount also slipped from 2010's NT\$13.75 billion to 2014's NT\$5 billion. In addition, in recent years, local information and electronic industries has confronted a severe competition from China's red supply chain, the bio-tech and digital content industries are coming to a mature stage and it is still difficult to find a mainstream industry with good qualitative and quantitative performance in the short run. As such, Taiwan's venture capital trade commonly lack appropriate investment objects for their investment. On the other hand, the resumption of the capital gain tax has impacted the local capital market, stock market P/E ratios are keeping pressed, the gap between listed and unlisted P/E ratio is becoming smaller and smaller and the investment price is hard to satisfy both trading parties. As a result, the number of venture capital's annual investment cases has continued to slip, e.g. from 2010's 633 cases to 2014's 185 cases, representing a slump of 70% in four years.

(4) Research and development:

Strengthen assessment of investment cases, elevate professional quality of post-investment management, offer trans-investment consulting services in due time and help investees smoothly go public so as to cash in on gains. Also, seize industry development trends by participating in industrial seminars and related training courses and adjust investment portfolios in a timely way.

(5) Long and short-term business development plans:

- Establish the optimal investment portfolio, strengthen asset quality, and cash in on gains in a timely way, so as to increase the return on investment.
- Keep abreast of the pulse of the industry development, seek for investment opportunities and modify investment tactics in a timely way, so as to enhance the odds of investment portfolios.

7. HNAMEC

(1) Business scope

- Major business items
 - A. Manage and dispose acquired non-performing loans according to Article 15 of the Financial Institutions Merger Act.
 - * Purchase non-performing loans from financial institutions.
 - * Manage and dispose non-performing loans from financial institutions.
 - * Disposal after purchasing the assets guaranteed for non-performing loans from financial institution.
 - * Disposal after accepting the assets guaranteed for the non-performing loans from the compulsory execution agency.
 - B. rprises for disposal of non-performing loans and assets.
 - * Accept the commission from a financial institution to dispose non-performing loans and the commission from enterprise to dispose overdue accounts receivable.
 - * Accept the commission to dispose the assets already undertaken by financial institutions.
 - C. Engage in the businesses related to the management of other assets not banned or restricted by law.
- 2015 business ratios:

Item	Ratio
Non-performing loan investment and disposal business	55.63%
Direct real estate investment business	42.56%
Consigned collection demanding business	1.81%

- New financial product services planned to be developed:

In 2016, Hua Nan Assets Management Co., Ltd. plans to launch the “consigned legal auction bidding business”, in order to meet the demand for one-stop shopping of the banking services required by the corporate customers of the companies under the HNFH Group.

(2) 2016 business plan

- Non-performance loan investment and disposal business

A. Investment strategies

- ※ In conjunction with the amendment made by the Banking Bureau of Financial Supervisory Commission on August 17, 2015 to the “Precautions for Financial Institutions to Sell Non-performing Loans”, which allows financial institutions to sell non-performing loans of construction in-process failed to be fulfilled by the construction contractor, the Company will continue to keep an eye on any change of the growth of the release of non-performing loans in the local market and financial institution overdue loans for land and construction financing.
- ※ Keep interacting with local and foreign industry peer groups, understand their operating status and seek any cooperation opportunities for existing businesses or the ones newly opened up by Financial Supervisory Commission.

B. Disposal strategy

- ※ Accelerate clearance of non-performing loans.
- ※ Take priority in undertaking the collateral of the regions having potential for development, so the income source could be stabilized through rent and current income and expenditure could be leveraged in the

short run, and more value could be created in the mid and long run.

- ※ Aggressively activate assets and create the asset value by throwing in some of the resources, so as to gain the rent income and future value increment profit.

- Direct real estate investment business

A. Investment strategies

- ※ In response to a possible year-by-year slow decline trend of the real estate market, the focus of the investment strategy will be placed on risk control and management, and the investment objects at the heavy demand area will be discreetly selected, so as to acquire the reasonable capital gain.
- ※ Select industrial and commercial real estate of commercial offices, factory offices and factory buildings with potential for capital gains in the urban or industrial regions as major investment target. On the other hand, the company also chooses to invest in the residences and building sites located at the prominent areas with well-rounded living functions, in an attempt to stably expand its operation scale.

B. Disposal strategies

To divide the real estate target markets and product types and consider the increase of the rental so as to stabilize the operating income, activate assets and have more capital gain, the direct investment is classified into the following three types:

- ※ General investment: Adopt the strategy of direct sale or rental before sale to win the bid with a reasonable price (lower than the market price) in the legal auction market, followed by repairing and improving the real estate before renting or selling it. In



so doing, the Company may increase its holdings of the investment objects with future development potential, use the rental to stabilize its income source and balance current revenue and expenditure in the short run, while acquiring value increment in the mid and long term.

- * Investment with added value: Aggressively activate assets; by adding the value through joint construction, participation in urban renewal (including acting as the executor) or change of the application; asset activation is used as the strategy to create asset value, gain rental income and obtain more capital gain in the future.
- * Profit-sharing investment: Other than receiving the fixed monthly rental, the lessor may collect a fixed ratio of the monthly turnover as the variable rental, so as to share the operator's operating profit. The major cooperation targets including those that are engaged in shopping markets, hotels, business centers, fitness centers, mini warehousing business, etc. The purpose is to increase the rental-return ratio and rental income and stabilize operating income sources through such type of investment. However, the final purpose of such type of investment is still to sell the real estate carrying the lease contract.
- Consigned collection demanding business
 - A. Provide financial institutions and general enterprises with the professional collection service to earn less-risk service income and expand the operating scale.
 - B. By promoting the "consigned factoring service" to cultivate the Company's collection and non-performing loan review talent, in the hope of strengthening the integrity of the Group's financial products.

- Consigned legal auction bidding business
 - A. Offer the professional consigned legal auction bidding service, make good use of existing workforce, and nurture legal auction and real estate professional talent.
 - B. Help the corporate customers of the companies under the Group have one-stop shopping for their required banking services, so as to enhance customers' trust and loyalty to the HNFH Group and increase the whole Group's income.

(3) Industry overview

Financial Supervisory Commission's statistics indicate that the local financial institution overdue loan ratio had been maintained at a range between 0.25% and 0.45% since 2013. It even further dropped to 0.24% at the end of 2015. To compound matters, that the competent authorities amended the terms of financial institutions' sale of non-performing loans caused the shortfall of market supply. As a result, the total release amount of local financial institutions' non-performing loans in 2015 was only NT\$500 million, accounting for a trivial 0.21% of the peak sales of NT\$236.8 billion generated in 2007.

The foreclosure cases have decreased year by year in the real estate market as a result of decreasing bank overdue loan cases and continuously low interest rate in the recent years. According to the statistics, after 2009, the foreclosure cases in the three major urban regions of Taipei, Taichung and Kaohsiung have shown a trend of quick recession, in which the sharp reductions in the three major urban regions from the peak in 2009 were 16%, 68% and 58% respectively. In 2015, except a slight increase in Taipei, the foreclosure cases in other regions showed a year-by-year decreasing trend. Under such circumstances, the competition in the real estate foreclosure market is getting intense and the selection items of the direct investment business are also decreasing accordingly.

Due to the change in the aforesaid non-performing loans and real estate legal auction market, local financial holdings and the AMC under banks have confronted the problem of the shrinkage of case sources. As such, Financial Supervisory Commission issued a doc. No. Chin-Kuan-Yin-He Tzu-Ti 10430001990 on August 12, 2015 to amend the “Operating Principles for Financial Holding Companies to Trans-invest in Asset Management Companies”, and specifically define the future operating development directions of asset management companies.

(4) Research and development

In response to the opening up of new businesses as per the doc. No. Chin-Kuan-Yin-He Tzu-Ti 10430001990 issued by Financial Supervisory Commission on August 12, 2015, which amended the “Operating Principles for Financial Holding Companies to Trans-invest in Asset Management Companies”, Hua Nan Assets Management Co., Ltd. has drafted corresponding strategies and goals and organized to kick off the new type of the “consigned legal auction bidding business”.

(5) Long and short-term business development plans

- Short-term plan

- A. Expand the direct real estate investment business to enlarge the asset scale, pursue growth in earnings, and, at the same time, cultivate the talent specializing in assessment of bidding of secured non-performing loans.
- B. Increase ownerships of mid and long-term real estate investment objects, so as to increase the stable rent income.
- C. Start the “consigned legal auction bidding business”, so as to augment the Company’s operating income sources.

- Long-term plan

- A. Set up Taiwan’s non-performing loan and real estate research mechanism and provide the

channel for exchanges with foreign peer groups, so as to win more consigned management business from foreign investors.

- B. Study overseas non-performing loan markets, and grasp any investment opportunities from Financial Supervisory Commission’s opening up of overseas non-performing assets or non-performing loans.

Companies and their risk management organization structures and policies:

1. Hua Nan Financial Holdings

(1) Credit risk

A. Important control mechanisms

(a) Corporate financial credit risk

When engaging in the corporate financial business, each subsidiary shall follow the Group's corporate financial credit risk management policies and precautions to set up related regulations and management mechanisms. In other words, each subsidiary shall take into account the related risk factors to set up the corporate financial risk limit and periodically assess the asset credit portfolio covering monitoring and controlling credit ratings, a variety of concentration exposures, etc., while simultaneously establishing risk indicators and the pre-warning mechanism and strengthening the mobile management mechanism, in which when the total exposure amount reaches a certain ratio of respective quantitative limits, the management shall be warned and the ensuing countermeasures shall be determined.

In order to further improve the existing risk control mechanism, the company helps its subsidiary, Hua Nan Bank, set up the internal credit rating model and gives independent verification. Currently, the model has been applied to the fundamental functions of case review, pre-warning mechanism, limit setting and review of risk outline. In the future, the default odds, default loss rate and default exposure amount will be used as the three major parameters to structure a variety of quantitative management indicators for the credit risk, so as to head for the advanced functions of capital requirement calculation, loan pricing, credit asset portfolio management, etc.

At the same time, in order to help directors, supervisors and high-rank management executives better understand the company's risk outline and enhance the company's transparency, the company has prepared the group corporate financial credit risk management statement every month, and submitted it to the Group's risk management committee and board of directors every quarter. The content of the statement mainly covers the exposure amount, concentration risk, asset quality, profit analysis, etc.

(b) Consumer banking credit risk

Periodically submit the Group consumer banking credit risk management related statements to the Group's risk management committee and board of directors to fully present monitoring of the exposure status and asset quality of the Group's consumer banking asset portfolios. At the same time, by reviewing changes in the asset quality of various consumer banking products with the leading indicator (the ratio of the products more than 30 days overdue and aging schedule), the coincident indicator (the new overdue loan ratio) and lagged indicator (the overdue loan ratio) and referring to macroeconomics related indicators, such as economic growth, unemployment rates and house price indexes, recommendations will be proposed as the reference for policy making.

B. Risk management reports

(a) Total credit exposure amount

As of the end of 2015, the Group's total credit exposure amount was about \$2.2 trillion, in which the credit business took the lion's share, 71%, the bond and bill business accounted for about 20% and other businesses took up about 9%. According to the Credit Risk Standard in the Basel II, if the notional principal is converted into weighted risk assets, the credit weighted risk assets will be about \$1.3 trillion. If this is the case, the average risk weight of the overall credit exposure will be about 59%.

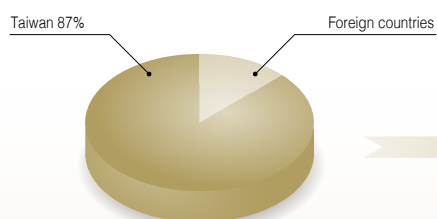
(b) Concentration risk management

If classified by country, 87% of the company's credit exposure amount comes from Taiwan whereas the remaining 13% comes from foreign countries. Out of the foreign countries, China, the U.S., Hong Kong and Japan are the top four countries accounting for 58% of the total foreign exposure amount, and other countries take up less than 5% each. If divided by sector, 58% of the company's credit exposure amount comes from private enterprises, 27% from individuals

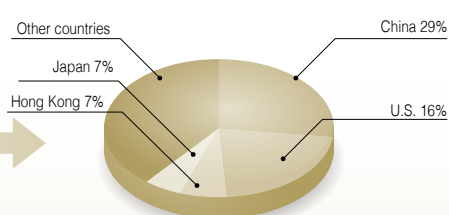
and 15% from the government and state-run businesses.

Out of the private enterprises, the top six industries are the banking industry, real estate industry, other financial industries, transportation and warehousing industry, metal industry and construction industry, which account for 53% of the total credit exposure of the private enterprises, whereas other individual industries take up less than 5% each.

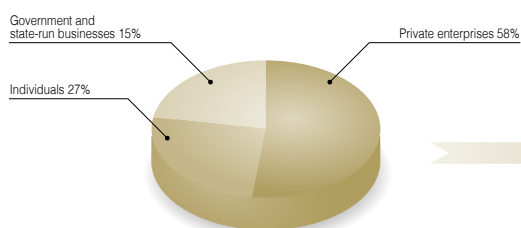
Local and foreign exposure



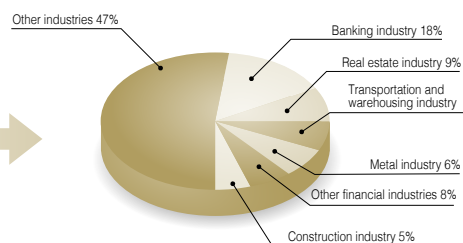
Foreign exposure



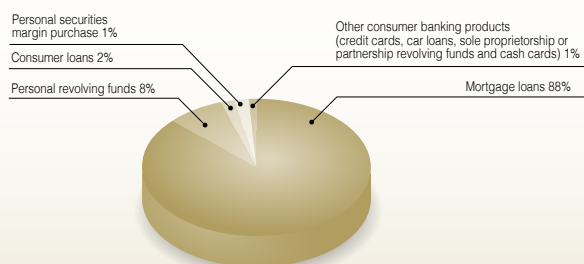
Exposure by sector



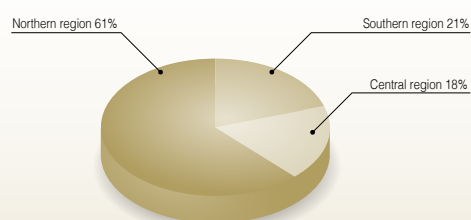
Exposure by corporate financial industry



Exposure by consumer banking product



Exposure ratios by consumer banking mortgage loan region



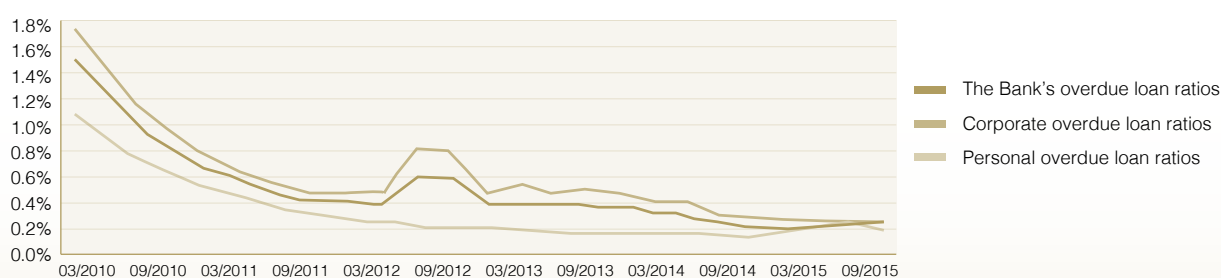


On the consumer front, the mortgage loans takes the lion's share, 88%, distantly followed by personal revolving funds at 8%, consumer loans at 2%, personal securities margin purchase at 1% and other consumer banking products (credit cards, car loans, sole proprietorship or partnership revolving funds and cash cards) at 1%. For the exposure ratio of house mortgages, by dividing according to regions, the northern region takes the highest ratio at 61%, distantly second by the southern region at 21%.

(c) Credit asset quality

The credit asset quality of the subsidiary, Hua Nan Bank, can be evaluated by analyzing the change in overdue loans, credit ratings and M2+ ratios. By taken overdue loans for example, Hua Nan Bank's overdue loan ratio has continued to decline in recent years, in which its overdue loan ratio at the end of 2015 was 0.21%, posting the lowest ratio in the recent years.

Tendency of Hua Nan Bank's overdue loan ratios



(2) Market risk

The company has set up the group market risk management policies and precautions for each market's risk management with the goal to control the group market risk exposure within the tolerable range of the Group's capital.

A. Important control mechanisms

Market risk's important control mechanisms include ex-ante management prior to trading and risk control after trading.

(a) Ex-ante management prior to trading: approval of new financial products.

Prior to trading new financial products, each subsidiary of the Group shall submit the new financial product to be traded for review. The trading shall not be conducted before the risk of the product is identified.

(b) Risk control after trading: Limit management

In order to control the market risk or loss of each subsidiary's trading book position within the tolerable range and avoid excess impact on the Group's capital, the Group's subsidiaries shall set market risk related limits in conjunction with the annual budget procedure to daily control market risk.

B. Risk management reports

With rapid changes in the capital market, other than subsidiaries' daily control of the limits, the financial holding company shall also daily compile the exposure status of the Group's trading book. In case of any irregularity, it shall immediately take required measures. In addition, the limit control status of the Group's market risk shall be reported to the vice president of the financial holding company every week and to the president and the chairman every month, whereas the report shall be submitted to the Group's risk management committee and its board of directors every quarter.

(a) Outline of the Group's 2015 trading book position risk

The Group adopts VaR (Value at Risk) as the instrument to measure the market risk of its trading book position.

(b) VaR

VaR is used to figure out the maximum loss possibly occurring in a certain period of time (e.g. within one or ten days) in the future with a certain level of confidence (e.g. 99% or 95%) under the normal market status according to the observation of the historical data in the past period. Its function mainly applies to financial product's risk measurement and limit control. For instance, under a confidence level of 99%, if a subsidiary's one day VaR is \$30 million, it represents that, within 100 business days, a loss of more than \$30 million is likely to occur in a day, whereas the daily loss of the remaining 99 days is expected to be lower than \$30 million.

(c) The methodology adopted by the Group for calculating the VaR and the parameters set up by the Group are as follows:

c.1 "Methodology": adopt the historical simulation method.

c.2 "Confidence level": adopt the 99% confidence level.

c.3 "Length of the holding period": estimation of the maximum loss which may occur in the coming day.

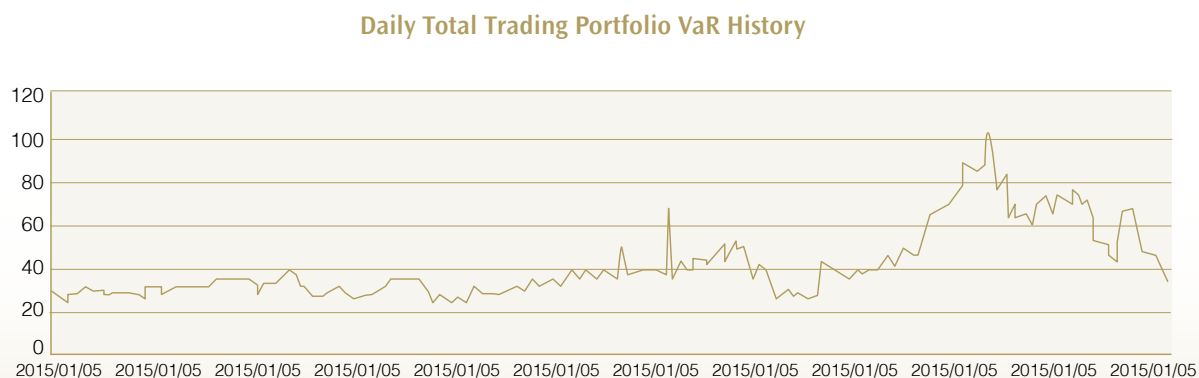
c.4 "Period of historical data": observation of the historical data of the past year (about 250 transaction days).

(d) The trend of changes in the VaR of the Group's 2015 trading book position

For the Group's 2015 trading book position, the lowest VaR was \$21 million, the highest VaR was \$102 million and the average VaR was \$40 million.

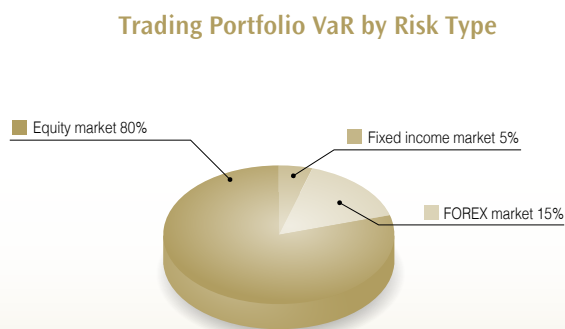
The VaR of the Group's trading book position at the end of 2015 was \$31.67 million, an increase of \$4.67 million from the \$27.00 million in 2014.

(Unit: in millions of NT dollars)



(e) Summary of the VaR of the Group's trading book position at the end of 2015

The VaR of the Group's trading book position at the end of 2015 was \$31.67 million, taking up 0.02% of the Group's net value at the end of 2014, which was within the Group's tolerable range. By classifying the risk factors, it is found that the risk is mostly concentrated in the equity products, for which the VaR accounts for 80% of the Group's VaR, as opposed to 15% from foreign exchange products and 5% from fixed income products.



(f) Back testing

Back testing is the instrument to verify the VaR model. In order to strengthen accuracy and reliability of the VaR, the Group has routinely executed back testing.

(3) Asset and liability management

Asset and liability management is based on the overall business planning, in which, within the tolerable exposure level, decisions of asset and liability allocation have continued to be made and executed, risks have been measured and monitored, strategies have been adjusted as required, and, through the adjustment of non-trading asset and liability structure, the interest rate risk, liquidity risk and foreign exchange rate risk of non-trading on-and-off balance sheet have been controlled.

The Company has set up the Group's asset and liability management policies, compiled subsidiaries' asset and liability management reports, and submitted the reports to the Group's Asset and Liability Committee and the Board periodically.

According to the size, scope and business natures, each subsidiary may adopt the risk management framework and measurement tools that is applicable to the company, and set up related limits to monitor and manage asset and liability management exposures.

A. Non-trading book interest rate risk

Non-trading book interest rate risk refers to the risk in impairment of the earnings of any of the Group members or the economic value of equity caused by changes in market interest rates, in which the net interest income sensitivity analysis and economic value of equity sensitivity analysis are generally adopted as the measurement tools.

(a) Important control mechanisms

After considering the business natures and the impact of the interest rate change on the balance sheet for each subsidiary, currently, Hua Nan Bank is the only member of the Group adopting the non-trading book interest rate risk management framework.

The tools adopted by Hua Nan Bank for measuring non-trading book interest rate risk include the interest rate re-pricing gap report, net interest income sensitivity analysis and economic value of equity sensitivity analysis. Limits for the aforementioned measurement indicators are set and the risk is monitored periodically through the indicators. At the same time, the structure of the balance sheet can be adjusted through the mechanisms such as non-trading book investment portfolios, derivative products and the internal fund transfer pricing system, so as to effectively manage the exposure of Hua Nan Bank's non-trading book interest rate risk.

(b) Risk management report

Based on Hua Nan Bank's asset and liability structure at December 31, 2015, and given the required hypotheses and under the condition of no active management is implemented, the analysis of the change of the net interest income under different interest rate shock scenario for the next 12 months shows that, if the market interest



rate gradually rises by 100 basis points, the net interest income is estimated to increase by 14.1% compared with the situation where the interest rate remains unchanged. On the contrary, if the market interest gradually declines by 100 basis points, the net interest income is estimated to decrease by 14.5%.

Change in the market interest rate for the next 12 months	Change in the net interest income for the next 12 months (compared with the situation where the interest rate remains unchanged)
Gradually rise by 100 basis points	+14.1%
Gradually decline by 100 basis points	-14.5%

In terms of the economic value of equity, if the market interest rate gradually rises by 100 basis points, the economic value of equity is estimated to decrease by 3.92% compared with the situation where the interest rate remains unchanged. If, on the other hand, the market interest rate gradually declines by 100 basis points, the economic value of equity is estimated to increase by 3.30%.

Change in the market interest rate for the next 12 months	Change in economic value of equity (compared with the situation where the interest rate remains unchanged)
Gradually rise by 100 basis points	-3.92%
Gradually decline by 100 basis points	+3.30%

B. Liquidity risk

Liquidity risk refers to the risk in impairment of earning or shareholders' equity, which is caused by any of the Group member unable to repay the due debt or can only obtain the funding source at the cost of suffering great loss.

(a) Important control mechanisms

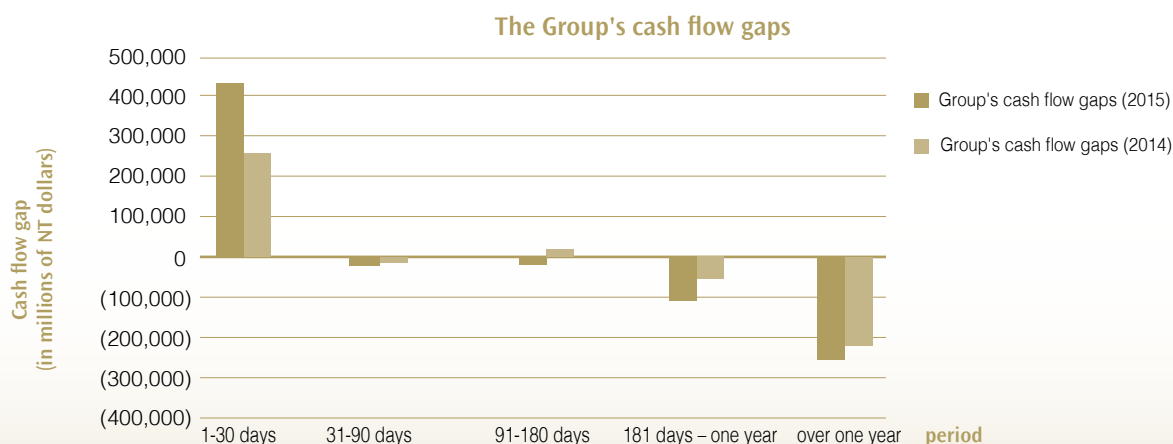
After taking into account the business natures, currently, the liquidity risk management framework is applicable to Hua Nan Financial Holdings, Hua Nan Bank, Hua Nan Securities, South China Insurance, Hua Nan Investment Trust and Hua Nan AMC.

The tools adopted by the company to measure liquidity risk include the balance sheet liquidity ratio, cash flow gap report, funding source diversification analysis, and the ratio of highly liquid assets to net asset value of funds. Different measurement tools have been adopted according to each subsidiary's business natures. Also, the limit has been set for each measurement indicator and changes of the indicators are monitored regularly.

The Company conducts liquidity stress tests under different crisis scenarios on a regular basis, analyzes the incremental and cumulative cash flow gap for each time bucket, so as to come up with responsive strategies and plan the optimal funding source.

(b) Risk management report

The Group's cash flow gap of 1 – 30 days at December 31, 2015 was \$424,771 million, increasing \$151,929 million from \$272,842 million of the cash flow gap of 1 – 30 days at December 31, 2014.



C. Non-trading book currency risk

The Group's non-trading book foreign exchange rate risk is measured by the impact of the currency unfavorable change of the net non-trading foreign currency positions. By taking into account the business natures, currently, the non-trading book foreign exchange rate risk management framework is applicable to Hua Nan Bank, Hua Nan Securities, and South China Insurance. Also, the limit has been set for each measurement indicator, and changes of the indicators are monitored regularly. As of December 31, 2015, the impact of currency unfavorable change on the shareholders' equity of respective subsidiaries is less than 0.5%, meaning the non-trading book foreign exchange rate risk for the Group is limited.

(4) Insurance risk management

For the risks in commodity design, pricing, underwriting, reinsurance, catastrophe and reserves involved in the property insurance business, the Group has set up the proper management mechanism, assisted its subsidiary, South China Insurance, in instituting its insurance risk management policies, defining the intact management procedure and monitoring as well as pre-warning mechanism for the underwriting risk, reserves risk and reinsurance risk, in the hope of controlling the insurance risk under the tolerable range and maximizing the risk adjusted return.

A. Important control mechanisms

Approval of new insurance products: Prior to promoting any insurance products, the subsidiary shall prudently consider insurance products' features and targeting groups before properly planning the control procedures for each stage of the insurance product. On the other hand, the subsidiary's conduct and discipline unit shall help identify the faced risk, assess various risk control methods, and put forth the recommendations regarding the control mechanism which will be used as the reference for the insurance product proposal. The proposal will be submitted to the Group's risk management committee for review. In so doing, profit and risk control can then be concurrently covered.



Limit management: In order to control the insurance risk under the tolerable range, and avoid excess impact on the Group's capital, the following risk management indicators have been set up, and the observation value under the 95% confidence level based on the experiences and data of respective indicators in the past years is used as the reference for setting up the pre-warning value.

- (a) Set up the underwriting risk management indicator and control it.
- (b) Set up the reserves risk management indicator and control it.
- (c) Set up retention loss limit for each risk unit in each type of insurance and reinsurance risk management indicators, and control them.

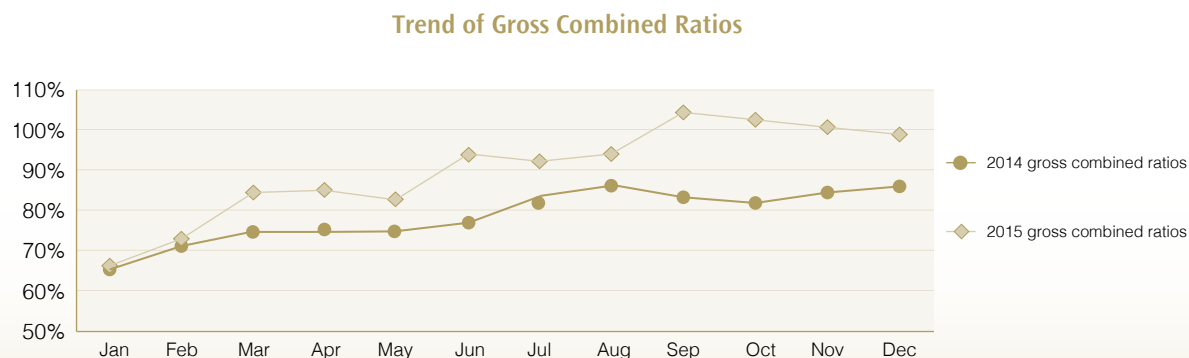
When the indicator reaches the pre-warning value standard, the involved units shall submit the action plans. On the other hand, for the case which does not reach the pre-warning value standard but shows irregularity as judged by the risk management unit, the involved units shall also submit the report.

B. Insurance risk reports

Periodically submit the insurance risk management report to the Group's risk management committee and disclose the insurance risk outline and limit control status.

(a) Underwriting risk management

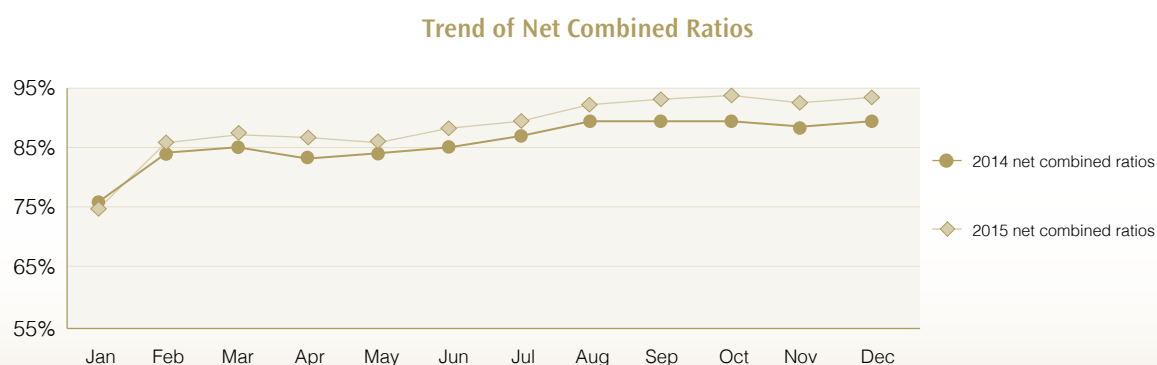
Gross combined ratio is the aggregation of gross loss ratio and gross operating expense ratio, in which the gross loss ratio is the ratio of written claim amount to written premium earned and it is mainly used to review the underwriting quality. On the other hand, the gross operating expense ratio is the ratio of written operating expense to written premium which is mainly used to review business expenditure status. Given that the company had larger claim cases in 2015, its Gross combined ratio rose from 2014. Nevertheless, according to the continuous internal observation for the loss development, the loss is still within the tolerable range.



Note: The calculation of the indicators in the above chart does not cover compulsory auto insurance, nuclear insurance and policy-oriented earthquake insurance.

(b) Re-insurance risk management

Net combined ratio is the aggregation of net loss ratio and net operating expense ratio, in which the net loss ratio is the ratio of the net claim to net premium earned and it is mainly used to review the loss of the retained policy after reinsurance is arranged. The net operating expense ratio is the ratio of net operating expense to the net premium which is mainly used to review the operating expense of the retained policy after reinsurance is arranged. Given that the company had larger claim cases in 2015, its net combined ratio rose from 2014. Nevertheless, according to the continuous internal observation for the loss development, the loss is still within the tolerable range.



Note: The calculation of the indicators in the above chart does not cover compulsory auto insurance, nuclear insurance and policy-oriented earthquake insurance.

(c) Control of each contingency unit's retained limit

Set up the retention loss limit for each risk unit, control the maximum loss amount possibly caused by a singular accident, so as to avoid too much concentration on the risk of a singular accident. After inspection, it is found that the 2015 actual retained insurance amount of each risk unit all complied with the limit and was within the tolerable range.

(5) Operational risk

The company has set up the group operational risk management policies and related procedures in an attempt to establish a consistent operational risk management structure and mechanisms in the Group, with which subsidiarys' business categories and sizes shall be concurrently considered in implementation, so the details can be flexibly adjusted and executed in a tailored way.

A. Important control mechanisms

(a) Risk Self-Assessment (RSA)

RSA facilitators shall contact the personnel in respective divisions through interviews or meetings to help them identify and assess the existing business's operational risks and review relevant controls. When necessary, they shall further set up the proper action plans and track the progress, so as to strengthen the internal control quality.

(b) Operational Risk Assessment Process (ORAP)

Operational Risk Assessment Process is the process to identify operational risks (including legal risks) and reputational risks, set up risk mitigation plans and further assess the residual risk by aiming at the new or significant changes on products, processes, systems or organizational structures (including outsourcing businesses).



(c) Corporate Loss Database (CLD)

Corporate Loss Database is an integrated database to systematically collect the Group's internal operational risk loss data, so as to provide the details for the management to analyze and manage their operational risks and prepare for the calculation of economic capital in the future. The database was initially launched on line in the 4th quarter of 2007 for the Group members to report their operational risk loss data. Prior to the online launch, the Bank subsidiary already started to collect the loss data on paper since 2003. The external data started to be collected in the 3rd quarter of 2008. Case study and analysis started in 2012 which are to be provided to the business units of the Group for educational and learning purpose.

(d) Key Operational Risk Control (KORC)

Key Operational Risk Control provides the overview of related operational risks and controls with the critical operational process within the Group to meet the minimum/ basic requirements for internal control, and as the reference for implementation of other operational risk management tools.

(e) Key Risk Indicator (KRI)

Key Risk Indicator performs the early warning function for detecting the change of the Group's potential operational risk profile. The tool provides the trend analysis of the time series and, when necessary, it initiates related mechanisms or action plans to mitigate the operational risks.

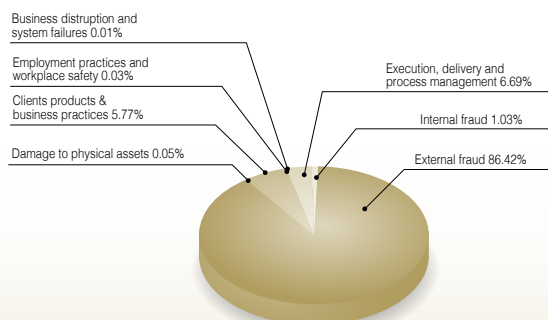
B. Risk management reports

(a) By executing the operational risk management tools or mechanisms, if any defect is found, the business unit in question shall promptly review and improve the defect and periodically submit the improvement status. Our company regularly reports the results of the execution outcomes of all operational risk management tools to the board of directors and the Group's risk management committee.

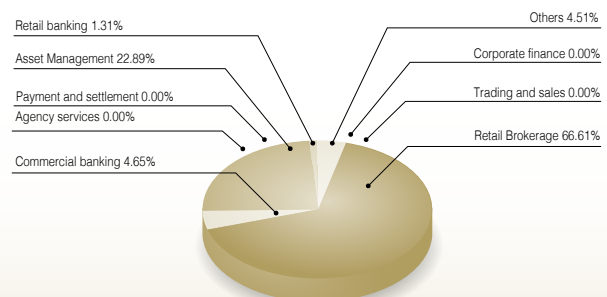
(b) The ratios of the Basel event categories and business categories classified according to the internal operational loss data collected by the Group are as follows:

Compared with the trend of increasing risk loss occurring to Western financial institutions in their business conduct in the recent years, the loss occurring to the Group from its improper business conduct is less. In the future, the Group will continue to pay attention to business conduct risk related laws and regulations, persistently reinforce its product review mechanism, closely monitor its customer complaint cases and enhance cooperations with related business management units (such as audit, law compliance and marketing/ management units), so as to avoid any improper business conduct.

Loss ratios – by event category



Loss ratios – by business category



VIII | Financial Information

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollar)

ASSETS	December 31, 2015		December 31, 2014 (Restated)		January 1, 2014 (Restated)	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 39,189,783	2	\$ 65,139,086	3	\$ 49,164,202	2
DUE FROM THE CENTRAL BANK AND OTHER BANKS	257,536,539	11	126,840,184	6	122,085,753	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	63,497,701	3	53,560,052	2	44,612,847	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	94,537,729	4	94,466,936	4	86,877,259	4
DERIVATIVE FINANCIAL ASSETS FOR HEDGING	1,679	-	4,191	-	6,132	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	478,215	-	458,591	-	610,822	-
RECEIVABLES, NET	34,978,290	2	45,646,598	2	48,490,908	2
CURRENT TAX ASSETS	858,262	-	1,710,467	-	2,022,777	-
DISCOUNTS AND LOANS, NET	1,479,452,609	63	1,478,084,933	66	1,406,686,928	65
REINSURANCE CONTRACTS ASSETS, NET	3,239,368	-	2,822,021	-	2,563,184	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET	269,363,346	11	267,054,720	12	310,957,337	15
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET	63,224	-	70,641	-	75,532	-
OTHER FINANCIAL ASSETS, NET	59,583,095	3	74,834,104	3	44,373,098	2
PROPERTY AND EQUIPMENT, NET	32,481,139	1	33,263,607	2	32,173,716	2
INVESTMENT PROPERTIES, NET	9,591,967	-	8,239,124	-	7,517,333	-
INTANGIBLE ASSETS, NET	496,292	-	372,480	-	403,916	-
DEFERRED TAX ASSETS	2,270,567	-	2,143,252	-	2,348,090	-
OTHER ASSETS, NET	2,668,769	-	5,240,659	-	3,759,598	-
TOTAL	\$ 2,350,288,574	100	\$ 2,259,951,646	100	\$ 2,164,729,432	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 85,215,804	4	\$ 100,435,752	4	\$ 131,875,899	6
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	18,565,366	1	22,934,698	1	20,794,876	1
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	35,281	-	41,968	-	86,820	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	27,460,217	1	32,648,320	2	24,494,364	1
COMMERCIAL PAPER PAYABLE, NET	12,541,697	-	7,058,369	-	5,456,332	-
PAYABLES	30,454,649	1	34,973,240	2	29,717,876	2
CURRENT TAX LIABILITIES	1,968,250	-	1,369,891	-	2,194,257	-
DEPOSITS AND REMITTANCES	1,917,853,865	82	1,828,517,934	81	1,737,742,713	80
BONDS PAYABLE	48,845,006	2	47,343,318	2	41,541,653	2
OTHER BORROWINGS	975,000	-	1,557,000	-	938,000	-
PROVISIONS	17,808,362	1	16,488,351	1	15,565,149	1
OTHER FINANCIAL LIABILITIES	24,310,651	1	13,795,307	1	8,664,716	1
DEFERRED TAX LIABILITIES	6,125,912	-	6,118,592	-	6,101,863	-
OTHER LIABILITIES	5,059,187	-	2,728,859	-	3,898,365	-
Total liabilities	2,197,219,247	93	2,116,011,599	94	2,029,072,883	94
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT						
Share capital						
Ordinary shares	99,063,042	4	93,279,700	4	90,562,816	4
Capital surplus	17,758,986	1	17,758,986	1	17,758,986	1
Retained earnings						
Legal reserve	10,841,763	1	9,528,669	-	8,523,548	-
Special reserve	6,492,093	-	6,492,093	-	6,492,093	-
Unappropriated earnings	17,798,934	1	17,036,604	1	14,463,112	1
Total retained earnings	35,132,790	2	33,057,366	1	29,478,753	1
Other equity						
Exchange differences on translating foreign operations	2,156,632	-	863,958	-	(20,632)	-
Unrealized losses on available-for-sale financial assets	(1,149,877)	-	(1,244,286)	-	(2,124,839)	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	106,226	-	222,820	-	-	-
Total other equity	1,112,981	-	(157,508)	-	(2,145,471)	-
Total equity attributable to owner of the parent	153,067,799	7	143,938,544	6	135,655,084	6
NON-CONTROLLING INTERESTS	1,528	-	1,503	-	1,465	-
Total equity	153,069,327	7	143,940,047	6	135,656,549	6
TOTAL	\$ 2,350,288,574	100	\$ 2,259,951,646	100	\$ 2,164,729,432	100



HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31				Percentage Increase (Decrease) %
	2015		2014(Restated)		
	Amount	%	Amount	%	
INTEREST REVENUE	\$ 39,826,460	100	\$ 39,285,697	101	1
INTEREST EXPENSE	(13,506,383)	(34)	(13,762,267)	(35)	(2)
NET INTEREST	26,320,077	66	25,523,430	66	3
NET REVENUES OTHER THAN INTEREST					
Commission and fee revenues, net	7,298,634	18	7,509,973	19	(3)
Income from insurance premiums, net	2,581,073	7	2,301,440	6	12
Gain on financial assets and liabilities at fair value through profit or loss	3,611,231	9	4,155,467	11	(13)
Gain on investment properties, net	253,673	1	274,055	1	(7)
Realized gain on available-for-sale financial assets	641,808	2	675,753	2	(5)
Foreign exchange loss, net	(2,076,674)	(5)	(2,123,600)	(6)	(2)
Reversal of (impairment loss) on assets	5,047	-	(89,412)	-	106
Share of loss of associate	(7,417)	-	(4,891)	-	52
Other noninterest net revenues	956,329	2	594,823	1	61
Total net revenues other than interest	13,263,704	34	13,293,608	34	-
TOTAL NET REVENUES	39,583,781	100	38,817,038	100	2
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES	(1,186,835)	(3)	(1,639,955)	(4)	(28)
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET	(388,444)	(1)	(307,088)	(1)	26
OPERATING EXPENSES					
Employee benefits	(13,696,901)	(35)	(13,951,898)	(36)	(2)
Depreciation and amortization	(927,260)	(2)	(923,416)	(2)	-
Others	(7,190,034)	(18)	(6,445,916)	(17)	12
Total operating expenses	(21,814,195)	(55)	(21,321,230)	(55)	2

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31				Percentage Increase (Decrease) %
	2015		2014(Restated)		
	Amount	%	Amount	%	
NET PROFIT BEFORE INCOME TAX	16,194,307	41	15,548,765	40	4
INCOME TAX EXPENSE	(2,113,646)	(5)	(2,417,578)	(6)	(13)
NET PROFIT FOR THE YEAR	<u>14,080,661</u>	<u>36</u>	<u>13,131,187</u>	<u>34</u>	7
OTHER COMPREHENSIVE (LOSS) INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(531,666)	(1)	(329,647)	(1)	61
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(116,594)	-	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	93,191	-	56,250	-	66
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	1,292,674	3	884,590	3	46
Unrealized (loss) gain on available-for-sale financial assets	92,659	-	882,281	2	(89)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>1,750</u>	<u>-</u>	(1,728)	<u>-</u>	201
Other comprehensive income for the year	<u>832,014</u>	<u>2</u>	<u>1,491,746</u>	<u>4</u>	(44)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 14,912,675</u>	<u>38</u>	<u>\$ 14,622,933</u>	<u>38</u>	2
NET PROFIT ATTRIBUTABLE TO:					
Owner of the parent	\$ 14,080,583	36	\$ 13,131,111	34	7
Non-controlling interests	<u>78</u>	<u>-</u>	<u>76</u>	<u>-</u>	3
	<u>\$ 14,080,661</u>	<u>36</u>	<u>\$ 13,131,187</u>	<u>34</u>	7
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owner of the parent	\$ 14,912,597	38	\$ 14,622,857	38	2
Non-controlling interests	<u>78</u>	<u>-</u>	<u>76</u>	<u>-</u>	3
	<u>\$ 14,912,675</u>	<u>38</u>	<u>\$ 14,622,933</u>	<u>38</u>	2
EARNINGS PER SHARE					
Basic and diluted	<u>\$ 1.42</u>		<u>\$ 1.33</u>		



HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus			
	Capital Stock	Share Premium	Treasury Stock	Donated Assets	Others	Total
BALANCE AT JANUARY 1, 2014	\$ 90,562,816	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986
Effect of retrospective restatement	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2014 AS RESTATED	90,562,816	17,702,376	52,349	2,936	1,325	17,758,986
Appropriation of 2013 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Stock dividends	2,716,884	-	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	-	-	-
Other comprehensive (loss) income for the year ended December 31, 2014	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2014	93,279,700	17,702,376	52,349	2,936	1,325	17,758,986
Effect of retrospective restatement	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2015 AS RESTATED	93,279,700	17,702,376	52,349	2,936	1,325	17,758,986
Appropriation of 2014 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Stock dividends	5,783,342	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	-
Other comprehensive (loss) income for the year ended December 31, 2015	-	-	-	-	-	-
Total comprehensive (loss) income for the year ended December 31, 2015	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2015	\$ 99,063,042	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986

Retained Earnings				Other Equity			Non-controlling Interests	Total Equity
Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss		
\$ 8,523,548	\$ 6,492,093	\$ 14,467,312	\$ 29,482,953	(\$ 20,632)	\$(2,124,839)	\$ -	\$ 1,466	\$ 135,660,750
-	-	(4,200)	(4,200)	-	-	-	(1)	(4,201)
8,523,548	6,492,093	14,463,112	29,478,753	(20,632)	(2,124,839)	-	1,465	135,656,549
1,005,121	-	(1,005,121)	-	-	-	-	-	-
-	-	(6,339,397)	(6,339,397)	-	-	-	(38)	(6,339,435)
-	-	(2,716,884)	(2,716,884)	-	-	-	-	-
-	-	13,131,111	13,131,111	-	-	-	76	13,131,187
-	-	(273,397)	(273,397)	884,590	880,553	-	-	1,491,746
-	-	12,857,714	12,857,714	884,590	880,553	-	76	14,622,933
9,528,669	6,492,093	17,259,424	33,280,186	863,958	(1,244,286)	-	1,503	143,940,047
-	-	(222,820)	(222,820)	-	-	222,820	-	-
9,528,669	6,492,093	17,036,604	33,057,366	863,958	(1,244,286)	222,820	1,503	143,940,047
1,313,094	-	(1,313,094)	-	-	-	-	-	-
-	-	(5,783,342)	(5,783,342)	-	-	-	(53)	(5,783,395)
-	-	(5,783,342)	(5,783,342)	-	-	-	-	-
-	-	14,080,583	14,080,583	-	-	-	78	14,080,661
-	-	(438,475)	(438,475)	1,292,674	94,409	(116,594)	-	832,014
-	-	13,642,108	13,642,108	1,292,674	94,409	(116,594)	78	14,912,675
\$ 10,841,763	\$ 6,492,093	\$ 17,798,934	\$ 35,132,790	\$ 2,156,632	\$(1,149,877)	\$ 106,226	\$ 1,528	\$ 153,069,327



HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	2014(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 16,194,307	\$ 15,548,765
Depreciation expenses	770,638	744,617
Amortization expenses	160,592	185,319
Allowance for doubtful accounts and guarantees	1,186,835	1,639,955
Interest expense	15,274,894	15,780,313
Interest revenue	(41,027,397)	(40,632,213)
Dividend income	(142,775)	(231,807)
Change in provisions for insurance liabilities, net	388,444	307,088
Share of loss of associate	7,417	4,891
Gain on disposal of property and equipment	(662)	(881)
Gain on disposal of investment properties	(30,275)	(63,566)
(Gain) loss on disposal of other assets	(8,775)	(1,328)
Impairment loss on financial assets	14,004	88,769
Reversal of impairment loss on financial assets	(16,900)	-
Impairment loss on non-financial assets	-	8,470
Reversal of impairment loss on non-financial assets	(2,151)	(7,827)
Gain on disposal of collaterals assumed	-	(3,052)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and other banks	(27,904,886)	7,740,493
Increase in financial assets at fair value through profit or loss	(9,937,649)	(8,947,205)
Increase in available-for-sale financial assets	(34,911)	(6,690,470)
Decrease in derivative financial assets for hedging	2,512	1,941
Decrease in receivables	10,602,455	2,162,157
Increase in discounts and loans	(2,604,761)	(72,723,661)
Decrease (increase) in assets under reinsurance contracts	3,343	(31,560)
(Increase) decrease in held-to-maturity financial assets	(2,106,008)	43,906,940
Decrease (increase) in other financial assets	15,090,206	(30,577,414)
Decrease in deposits from the Central Bank and banks	(15,219,948)	(31,440,147)
(Decrease) increase in financial liabilities at fair value through profit or loss	(4,485,926)	2,139,822
Decrease in derivative financial liabilities for hedging	(6,687)	(44,852)
(Decrease) increase in securities sold under agreements to repurchase	(5,188,103)	8,153,956
(Decrease) increase in payables	(2,384,836)	5,521,176
Increase in deposits and remittances	89,335,931	90,775,221
Decrease in provisions	(389,391)	(600,494)
Increase in other financial liabilities	10,515,344	5,130,591
Increase (decrease) in other liabilities	2,324,213	(1,080,385)
Cash generated from operations	50,379,094	6,766,078
Interest received	41,755,093	40,252,203
Dividend received	121,309	231,807
Interest paid	(15,725,252)	(15,404,175)
Income tax paid	(2,545,063)	(1,873,333)
Net cash provided by operating activities	73,985,181	29,972,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(994,718)	(1,929,571)
Proceeds from disposal of property and equipment	3,695	1,329
Acquisition of intangible assets	(193,123)	(116,623)
Proceeds from disposal of collaterals assumed	-	45,035
Acquisition of collaterals assumed	(3,356)	(33,560)
Acquisition of investment properties	(14,541)	(473,531)
Proceeds from disposal of investments properties	147,121	290,464
Decrease (increase) in other assets	2,062,043	(2,021,907)
Net cash provided by (used in) investing activities	1,007,121	(4,238,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(582,000)	619,000
Increase in commercial paper payables	5,483,328	1,602,037
Bank debentures issued	3,200,000	15,000,000
Repayment of bank debentures on maturity	(1,700,000)	(9,200,000)
Cash dividends	(5,783,866)	(6,321,174)
Net cash provided by financing activities	617,462	1,699,863
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	1,252,026	883,498
NET INCREASE IN CASH AND CASH EQUIVALENTS	76,861,790	28,317,577
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	130,662,345	102,344,768
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 207,524,135	\$ 130,662,345
Cash and cash equivalents in consolidated balance sheets	\$ 39,189,783	\$ 65,139,086
Due from the Central Bank and other banks that meet the definition of cash and cash equivalents in IAS 7	167,856,137	65,064,668
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	478,215	458,591
Cash and cash equivalents in consolidated statements of cash flows	\$ 207,524,135	\$ 130,662,345

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 **HUA NAN FINANCIAL HOLDINGS CO., LTD.**



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