

 HUA NAN FINANCIAL HOLDINGS CO., LTD.

2017

ANNUAL REPORT

HUA NAN FINANCIAL HOLDINGS CO., LTD.



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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. (HNAMEC)

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: King-Huo Lu

Title: Executive Vice President

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

E-Mail: public@hnfhc.com.tw

Name of Deputy Spokesperson: Hsin-Tien Ting

Title: Executive Vice President

Tel No.: (886-2-2371-3111 Ext. 1862

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: Ding-Sheng Chang, 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. 6316/6317

E-Mail: ir@hnfhc.com.tw

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- *H*onesty
- *E*fficiency
- *A*ctiveness
- *R*esponsibility
- *T*eamwork





CHAIRMAN

Ma, Tzong-chieh

A. The Group's Business Results for 2017

1. Domestic and Foreign Financial Environment in 2017

In 2017, the international trade recovered, fund availability eased, and raw material prices stabilized bringing in a momentum to growth of major advanced economies. According to IHS Markit and the International Monetary Fund (IMF), the estimated global economic growth rate is between 3.2% and 3.7%, a significant growth, compared to the 2.5%~3.1% in 2016 gradually emerging from a new mediocre growth rate. According to preliminary estimates by the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, R.O.C. (Taiwan), the economic growth rate in Taiwan was 2.86% in 2017, an increase of 1.45% compared with 1.41% in 2016. The main contributors were the steady growth in global economy, the boosting effect of the peak season and the continued increase in

the prices of agricultural and industrial raw materials globally, which kept the trade momentum. On top of this, the improvement in the domestic job market and the booming stock market supported the private consumption momentum.

Benefiting from the booming international stock and debt markets, the Taiwan Stock Exchange Weighted Index grew by 15%. The trading volume grew by about 36% buoyed by the lowering of the day trading transaction tax by half. Also, there were fewer natural disasters and major accidents during the year. Thus, the profitability of securities and insurance industries improved significantly. However, as the banking industry is subject to numerous huge overdue loans, the credit cost increased and the overall profit increased only slightly.



VICE CHAIRMAN

Ming Chen Zhi

2. Changes to the Company Organization

Since its inception on 2001 December 19, Hua Nan Financial Holdings Co., Ltd (hereafter "the Company" or "HNFHC") has operated financial services across various professional fields of banking, securities, insurance, investment trusts, asset management, and venture capital. In order to reduce the operating costs and improve operational performance, Hua Nan Commercial Bank (hereinafter "HNCB" or the "Bank") formally merged with HNCB Insurance Agency on September 30, 2017. At the end of 2017, the Company has 100% ownership control over of all its six subsidiaries.

3. Business Plan and Results of Business Strategies

In 2017, the Company generated a net income after tax of NT\$12.015 billion with an earnings per share (EPS) of NT\$1.09. The return on equity (ROE) was 7.43%, a decrease of 14.7% from 2016, mainly due to provisioning for increased bad debt in the subsidiary, HNCB, owing to the Ching Fu scandal. The losses have been fully provided for. The main operating results for 2017 are as follows:

1. Strengthen Management

- (1) Asset quality: HNCB continues to maintain its asset quality amid the adverse impact of huge overdue loans. The non-performing loan and loan loss coverage ratios were 0.34% and 354.81%, respectively.
- (2) Capital adequacy ratio: The Group's capital adequacy ratio at the end of 2017 was 127.69%. The Bank's capital adequacy ratio was 14.25%, with a Tier 1 capital adequacy ratio of 11.23% and a common equity ratio of 10.91%, all of which showed significant growth compared to 2016.
- (3) Corporate governance: The Company is included in the top 5% of listed companies in the Corporate Governance Evaluation formed by the Taiwan Stock Exchange for two consecutive years. It is also selected for inclusion in the "Corporate Governance 100 Index Constituent Stocks", "FTSE4Good Emerging Index", and "TSE4Good TIP Taiwan ESG Index".



PRESIDENT

Lo, Pao-chu

(4) Legal compliance, anti-money laundering and counter-financing of terrorism (AML/CFT): In response to tightening of international financial supervision, we plan to put in place procedures to ensure that the Group's legal compliance system and operations comply with both domestic and foreign financial supervision.

2. Strengthened Cross-Selling

- (1) Cross-Selling efficiency of the Group: In 2017, cross-selling contributed up to NT\$1.138 billion of total income with an achievement rate of 122%.
- (2) Strengthened Group customer quality and scale: We required an effective Group customer relationship management mechanism. In 2017, the number of natural person clients, total assets, total contribution levels, and high-value customers grew by 2.6%, 6.0%, 11.8%, and 12.6%, respectively compared to those in 2016. The total assets of corporate clients and total contribution levels have grown by 4.4% and 4.3%, respectively. Group customer quality is progressing in positive direction.

3. Expand the Overseas Operations

- (1) The Manila branch and Yangon representative office of HNCB were officially opened on June 14, 2017 and July 14, 2017, respectively.
- (2) In 2017, the OBU and overseas branches of HNCB generated a pre-tax profit of NT\$5.087 billion, accounting for 39.03% of the Bank's 2017 pre-tax profit.
- (3) In line with the Government's New Southward Policy, we will pay close attention to developing trends among the new ASEAN emerging countries and carefully assess branch organization, merger, and equity participation.

4. Promote Digital Finance

- (1) Digital channel:
 - A. HNCB has pioneered the "HNCB Red Envelope" service. It is the first government-invested bank to launch the "prompt login" service with biometric authentication and the "Taiwan Pay QR Code mobile payment" service.



B. Hua Nan Securities (hereinafter “HNSC”) launched the well-acclaimed Hua Nan Foresight App and Hua Nan AccuPrediction and provided instant communication and services through the official Line@fans to strengthen the bonding between customers and the Group. The market share of securities brokerage grew by 3.09%.

C. South China Insurance strengthens digital marketing and offers services such as purchase of insurance online, e-insurance policy and mobile car insurance claims to simplify insurance and claims procedures.

(2) Financial technology (FinTech) patents: We are the first government-invested bank to obtain FinTech patents. By 2017, the Bank has obtained 20 utility model patents and won the “Best Digital Innovation Customer Service and Product Award” of the 2017 Gartner Financial Service Innovation Award with “SnY+Taiwan Pay Digital Services”.

(3) Organization of the FinTech competition series: The second FinTech Innovation Contest was held to provide a platform for communication in the industry, academia and research sectors of the FinTech competition. We hope to identify talent in financial technology applications and potential through competitions.

5. Corporate Social Responsibilities

(1) Fulfill corporate social responsibility: The Group's primary goals of social welfare are to care for the disadvantaged groups, promote knowledge popularization, support sport events and nurture cultural and creative industries. Activities sponsored and hosted include the charity event of “Excellent Hua Nan Care for the Elderly”, “Your Generation, our Future Part 2: Changing perspective, What If I Am”, “2017 Master Think Tank Forum”, “HNCB Scholarship for the Disadvantaged” of National Taiwan University, and “Baseball Dream Come True” as the baseball incubator program. The Group also sponsored gymnasts, Chih-Kai Lee and Ko-Chiang Huang; coach, Yu-Hsin Lin, and the release of “Jump

Men”, “NOTRE DAME DE PARIS (French)”, “I Musici Chamber Orchestra by Italian Musicians”, “Chicago The Musical”, etc.

(2) The Company has long invested in laying the foundation for baseball at home and has continued to sponsor and organize baseball events and sports activities. In 2017, it was awarded the Sponsorship Gold Medal, Long-term Sponsorship Awards and Promotion Bronze Medal of the “Sports Activists Award” organized by the Sports Administration, Ministry of Education.

(3) Implementation of green finance and procurement: The subsidiary, HNCB, commenced the introduction of Equator Principles for internal credit review to judge, evaluate and manage the environmental and social risks of large-scale project financing. The Group implements the corporate social responsibility of the financial industry through actions. It also sets out the code of conduct for suppliers of the Group in order to fulfill the Group's commitment and responsibility in supplier engagement.

4. Budget Implementation, Financial income, and Profitability Analysis

In 2017, the Company and its subsidiaries generated consolidated net income after tax of NT\$12.016 billion with an EPS of NT\$1.09. The consolidated return on assets (ROA) was 0.47% and the consolidated ROE was 7.43%. Profitability of subsidiaries was as follows:

1. Hua Nan Commercial Bank (HNCB)

In 2017, the net income after tax was NT\$11.363 billion with an EPS of NT\$1.52. The ROA was 0.46% and the ROE 6.73%.

2. Hua Nan Securities (HNSC)

In 2017, the net income after tax was NT\$730 million with an EPS of NT\$0.90. The ROA was 1.89% and the ROE 6.20%.

3. South China Insurance

In 2017, the net income after tax was NT\$671 million with an EPS of NT\$3.35. The ROA was 3.80% and the ROE 14.48%.

4. Hua Nan Investment Trust (HNIT)

In 2017, the net income after tax was NT\$12 million with an EPS of NT\$0.39. The ROA was 1.38% and the ROE 2.59%.

5. Hua Nan Venture Capital (HNVC)

In 2017, the net income after tax was NT\$6 million with an EPS of NT\$0.03. The ROA was 0.35% and the ROE 0.36%.

6. Hua Nan Assets Management Company (HNAMC)

In 2017, the net income after tax was NT\$157 million with an EPS of NT\$1.57. The ROA was 6.25% and the ROE 13.56%.

5. Research and Development

1. Hua Nan Financial Holdings

The Company continued to use the "Analytical CRM System" and introduced the models of "Customer Purchase propensities", "Fund Customer Win-back", and "High-value Customer Asset Plummet". These models helped the subsidiaries to improve product sales, customer maintenance effectiveness and implemented the group customer relationship management mechanism to strengthen the association between the customers and the Group, strengthen customer contact, and thus improve the Group's profits.

The Company promotes the development of digital finance. We are committed to integrate the use of Group resources and the physical and virtual channels, introduce the latest technology on the basis of our financial profession, and establish an automated Group-wide financial product & service recommendation mechanism to create a one-stop financial service platform that meets the diverse needs of customers. We aim to provide customers with the most timely and appropriate financial products and services, accelerate the expansion in the number of digital customers, and maintain relationship with existing customers and increase their interest to interact with us.

2. Hua Nan Commercial Bank

The Bank encourages employees to actively

participate in research and development work. Of the 349 R&D cases submitted by employees in 2017, 73 were accepted for implementation.

3. Hua Nan Securities

(1) Nurture mobile services: Continuously optimize the mobile trading platform to provide the best service experience, including the construction of mobile salesperson app, e-counter, and the mobile trading system for wealth management and recommission system to provide comprehensive online mobile banking services.

(2) Strengthen community management: Continuously deepen the Line@ services, bind customer electronic transaction accounts through Line@ groups, and answer customer account enquiries, wealth management information, e-counters for securities, stock picking and other related services. Introduce semantic robots, utilize diverse community platform, increase customer touchpoints, cultivate social media operations, and create new value for channels via resource integration using virtual and physical services to enhance customer satisfaction.

(3) Big data analysis and application: Employ tools of financial holding Big Data systems and environmental analysis, generate accurate images of customers, assist salespersons in understanding customers, enhance service quality to achieve precision marketing.

(4) Build mobile on-line E-counter: Build an APP Portal platform to offer regular fixed time and amount transactions, all-purpose loans, two-way security lending, online account opening, and other services. Introduce services enabling customers obtain certificates, e-statements, document execution, e-passbook, etc.

(5) Implement the competent authority's openness policy: Provide unlimited money borrowing, securities firm entrusted fixed time and amount securities trading, and digital central depository book assignment to provide diversified services to customers.



- (6) Establish a proper AML/CFT system: To improve the AML/CFT procedures, the Company has signed a system construction contract with SYSTEX Corporation on December 15, 2017. We will adopt the “AML, Anti Money Laundering” system developed by SAS Institute Inc. to strengthen the monitoring of the Company’s accounts and transactions, and detect suspected money laundering and terrorism financing transactions. The system is expected to be ready by June 2018.
- (7) Enhance and strengthen information security: Plans to replace Log Server at the Headquarters are ready. The Banqiao IDC and Shenyi IDC will use brand new Log Servers to retain necessary Log data and meet the requirements for non-repudiation and retention period. It also introduces active protection from malicious software on the DNS and conduct social engineering exercises to ensure network security and prevent data leakage.
- (8) Enhancements to the software and hardware of the warrants market making system: The Taiwan Stock Exchange Corporation plans to implement the stock one-by-one matching mechanism by 2019, which will impact warrant-type financial commodity business. We will gradually enhance the software and hardware of the warrant market making system this year.
- (9) Combined the professional knowledge of the Overseas Commodity Unit, Financial Commodity Unit, and Futures Self-Operation Unit and committed to the financial commodity arbitrage R&D endeavors and developed the spreads, arbitrage, and hedging computer trading programs for a variety of new financial derivatives. Use technical judgments such as artificial intelligence graphs to master long-short operational directions and grasp the perfect trading times to maximize profits.
- (10) Promote trust type wealth management businesses: In response to the popularization of digital financial trends and mobile devices, a mobile device trading platform is built to provide customers with more convenient transaction and asset management services to attract more customers. Also, we take advantage of the trust platform to continuously increase the wealth management products, increase customers’ investment allocation options, and create a source of income for the trust business.
- (11) Promoted the OSUs. We will employ additional professionals to promote the relevant businesses and increase our niche.
- (12) The Hua Nan Securities Investment Management subsidiary has conducted in-depth research in the fundamental, technical, and financial aspects of global financial, domestic and international economy, industry, and individual company information to master the investment trends and avoid risky industries. In addition to bringing out relevant investment publications and organizing investment seminars regularly, we also provide financial holding group related unit investment information and credit references.
- (13) Planned the following relevant information system planning:
- A. In conjunction with the planning of the blueprint of the Company and the digital financial environment, Bank 3.0, we built a complete digital financial environment and will gradually work towards the following goals:
 - a. Establish a digital trading environment.
 - b. Establish AI Interactive customer service center.
 - c. Make good use of the digital marketing system.
 - d. Deepen the social media management and marketing.
 - e. Master the FinTech development trends and plan for related technologies and services.
 - f. Make good use of the financial holding’s big data project platform to provide digital marketing services.
 - g. Use business intelligence analysis platform for real-time performance management.

- B. Planning for construction of overseas re-commissioned web trading platform: Construct the multi-nation trading platform that enables clients to make trading operations for a variety of commodities simultaneously on the same platform. The NTD currency pricing subsystem is also being built to increase transaction convenience for customers.

4. South China Insurance

In response to business channels and consumer demand for diversification, South China Insurance focuses on R&D of new products and innovative portfolios for new marketing projects. In 2017, 153 new products were developed and of which 106 are being marketed. Besides understanding the market demand, it can provide comprehensive professional service to policy holders. The long-term commitment to product innovation and social welfare has won SCIC the "Faith, Hope & Love Awards of Insurance" under the "Best Insurance Professionalism" and "Best Insurance Product Innovation" categories for several years consecutively. It also won the "Best Corporate Social Responsibility" award, winning the support and trust from all sections of the society.

Integrity, precision, and transparency are the DNA of the core values of our risk management culture. We have also employed audit, legal compliance and discipline, as also risk management unit collaborative platform to promote specific risk management mechanisms to enhance corporate governance and risk management.

Sound operation is the guiding business principle for SCIC, which received "Financial strength: A (stable), Issuance credit a, stable for two rating outlooks" from the A.M. Best Credit Rating Company. This indicates that SCIC has strong capital, good underwriting experience, neutral business profile and appropriate corporate risk management. In addition, Taiwan Ratings gave a credit rating of "twAA, rating outlook is stable", reflecting SCIC's strong capital adequacy, a good percentage of sales channels, excellent capital liquidity, and adequate risk management and control.

A spirit of business innovation, customer orientation and efficient service and with the collective efforts of all employees, SCIC's business continued to grow steadily in 2017. In future, the business strategy is to follow the leading principle of business efficiency enhancement. We keep looking for new developments and offer customers a full range of services. We will also carry forward with information hardware expansion, information integration management enhancement and fulfillment of corporate social responsibility. We move forward to achieve better results.

5. Hua Nan Investment Trust (HNIT)

At the end of 2017, the overall investment trust fund size was approximately NT\$2.32 trillion, which reflects an increase of approximately NT\$195 billion or a 9.18% increase from the end of 2016. The Company's public fund collection was NT\$37.412 billion at the end of 2017, a decrease of approximately NT\$3.5 billion over that of 2016, with 20th position in the market.

The data on funds in the market suggests that the domestic money market fund experienced the largest decrease in 2017 with an annual reduction of NT\$65.2 billion. This fund type has the largest size decrease for two consecutive years, reflecting that the market's preference for risk-weighted assets is increasing as the global economy continues to improve. The fund type ranking in the second place is the international balanced fund with a decrease of NT\$18 billion. The top three types of funds with the largest increase in scale are global equity funds, overseas ETF and global fixed-income funds with an increase of NT\$99.7 billion, NT\$66.1 billion and NT\$40.6 billion, respectively.

6. Hua Nan Venture Capital (HNVC)

We keep abreast with trends in industrial development by participating in industry seminars and related training courses. Strengthened investment case assessment and enhanced professionalism in post-investment management. We also assisted in investment business operations, financial planning,



established strategic alliances and partnerships to ensure smooth market listing and profitability.

7. Hua Nan Assets Management Company (HNAMC)

Hua Nan Assets Management Company has a diversified business model. In addition to management and disposal of non-performing loans, we have also accepted commissions from financial institutions and enterprises to handle bad debts and assets. We also directly invested in court-auctioned real estate and entrusted bidding. We can flexibly adjust our management strategies and human resources based on market changes to avoid missing on business operations and business concentration risk. In addition, HNAMC also accelerates the urban renewal of its own assets. The self-build urban renewal project in “the Plant in Minquan Street of Tucheng Industrial Zone” was approved by the Urban

Redevelopment Office, New Taipei City Government in June 2017. It is the first self-build urban renewal project completed by a government-invested financial institution since the government promoted urban renewal policy. It is also the first instance, where the urban renewal application dealing with industrial park developed by the Industrial Development Bureau of the Ministry of Economic Affairs was approved.

B.2018 Group Business Plan and Future Development Strategies

Looking forward to 2018, it is estimated that the global economy will continue its steady recovery mainly because the fundamentals of major economies, such as the United States and the European Union, are solid, and emerging markets, such as China, India, etc.,





Vice President Sarah C.T.Hsu, Vice President Hsin-Tien Ting, Vice Chairman Ming-Cheng Lin, Chairman Tang-Chieh Wu, President Pao-Chu Lo, Vice President King-Huo Lu, Chief Internal Auditor Neng-Tung Lin (from left)

have maintained their growth momentum. It is hoped that the domestic demand will increase as a result of the lowering unemployment rate and increase in basic wages and salaries of military and civil servants. However, the following risks are inherent: (i) influenced by the normalization of international monetary policy, financial market fluctuations will intensify; (ii) raw material prices may rise and lead to an increase in commodity prices; (iii) geopolitical risks in Middle East and Korean Peninsula. In the financial sector, the United States is likely to continue to raise interest rates, which will lead to an increase in the interest rate spreads of the Group. In addition, as the lodgment was completed for most of the huge overdue loans, the Group will continue to generate earnings from diverse sources, strengthen its capital efficiency, and actively pursue digital development. The Group will also establish internal control, internal audit, risk management and legal compliance culture, protect information security, and fulfill its corporate social responsibility to achieve the four major operational objectives: (i) continue to implement the operational strategies of the rule of law, risk, technology, and human resources; (ii) promote effective utilization of capital, including optimization of bank lending structure to increase interest rate spreads and adjust asset allocation to improve the position of Taiwan stocks and domestic and foreign bonds, etc., to improve profits. (iii) In line with the policies of the Taiwanese government, we will seize business opportunities emerging from the following five-plus-two innovative industries initiative: green industry, New Southbound Policy, urban renewal, elderly care and senior sector; (iv) Establish FinTech core competency, introduce big data technology applications and analysis, and encourage differentiated marketing. Since 2018 is the 99th anniversary of the Group's key subsidiary, Hua Nan Commercial Bank, all directors, supervisors and employees of the Group will work together to improve the operations and face external challenges and competition fearlessly to welcome the 100th anniversary with outstanding achievement.

C. Credit Rating

Assessed Institution	Rating Agency	Long-term Credit Rating	Short-term Debt Rating	Future Outlook
Hua Nan Financial Holdings	Taiwan Ratings (2018/05)	twAA-	twA-1+	Stable
Hua Nan Commercial Bank	Taiwan Ratings (2018/05)	twAA+	twA-1+	Stable
	Moody's Ratings (2017/12)	A2	P-1	Stable
	Fitch Ratings (2018/03)	A-	F1	Stable
Hua Nan Securities	Taiwan Ratings (2017/06)	twAA-	twA-1+	Stable
South China Insurance	Taiwan Ratings (2017/12)	twAA	-	Stable
	A.M. Best (2018/01)	A	a	Stable

Chairman 

Vice Chairman 

President 

*H*onesty

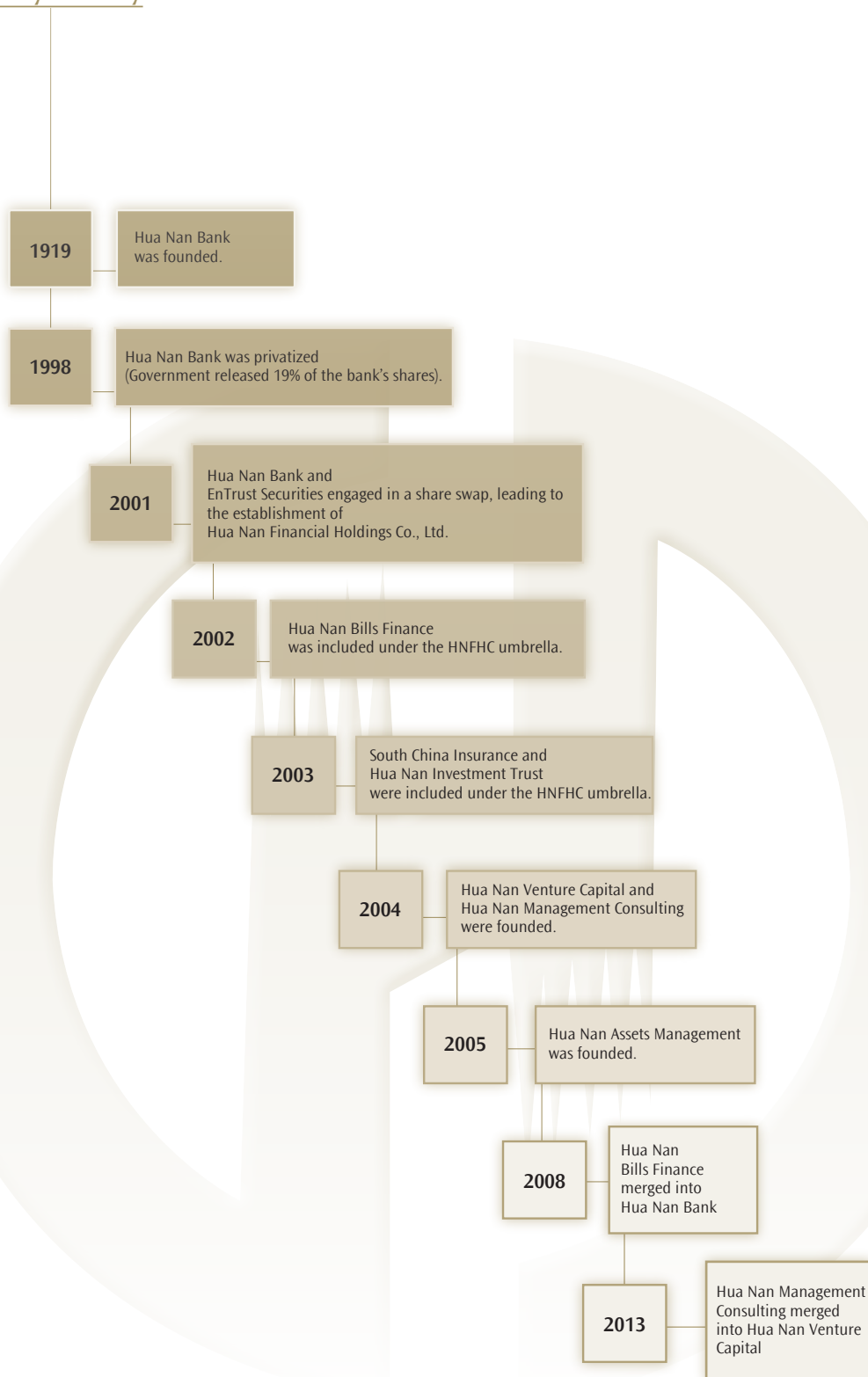


II | Company Profile

1. Date of Establishment

The Company was established using the equity conversion method by Hua Nan Commercial Bank and Hua Nan Securities on December 19, 2001, and is headquartered in Taipei with the paid-in capital of NT\$180 billion.

2. Company History

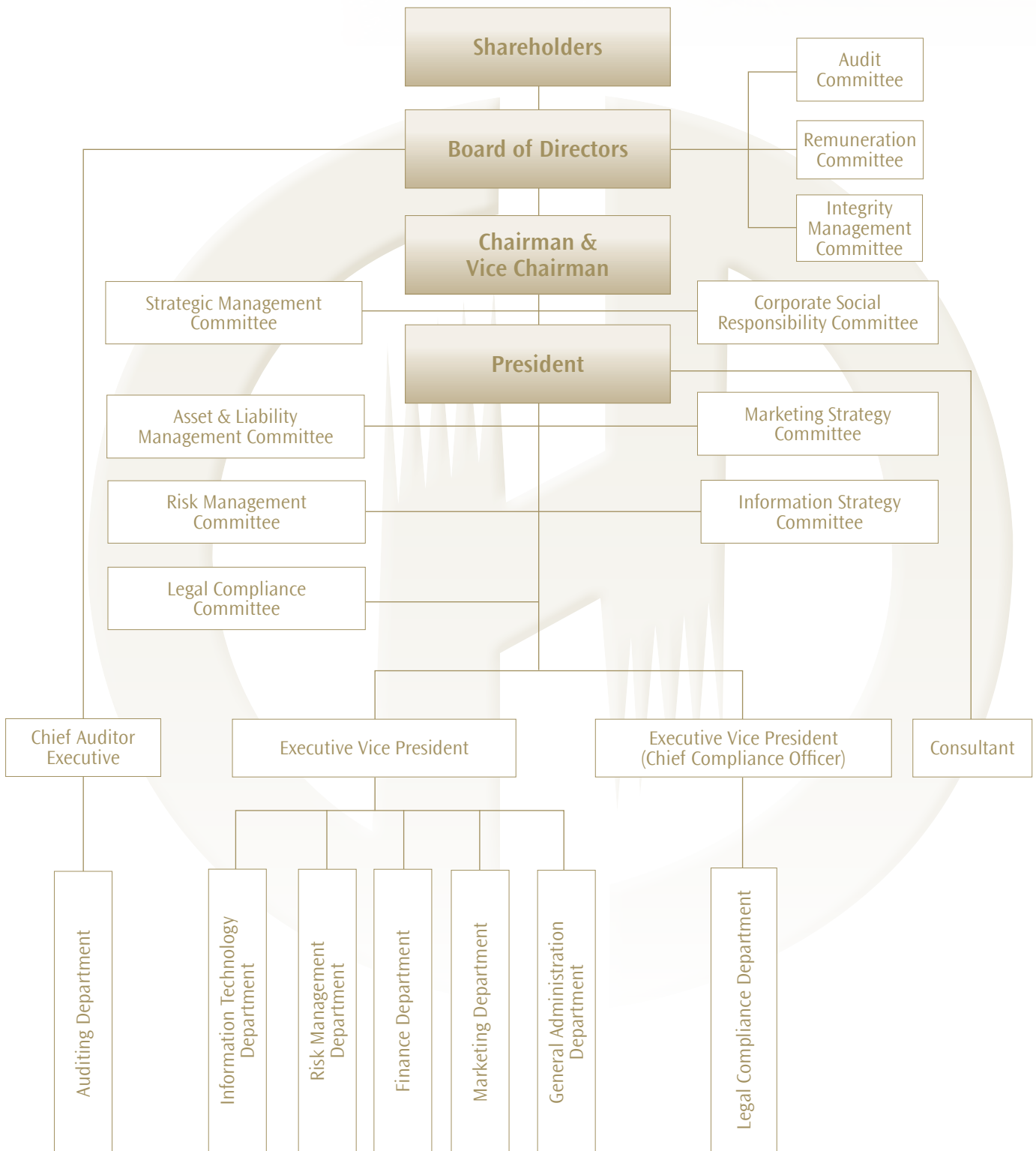


Efficiency



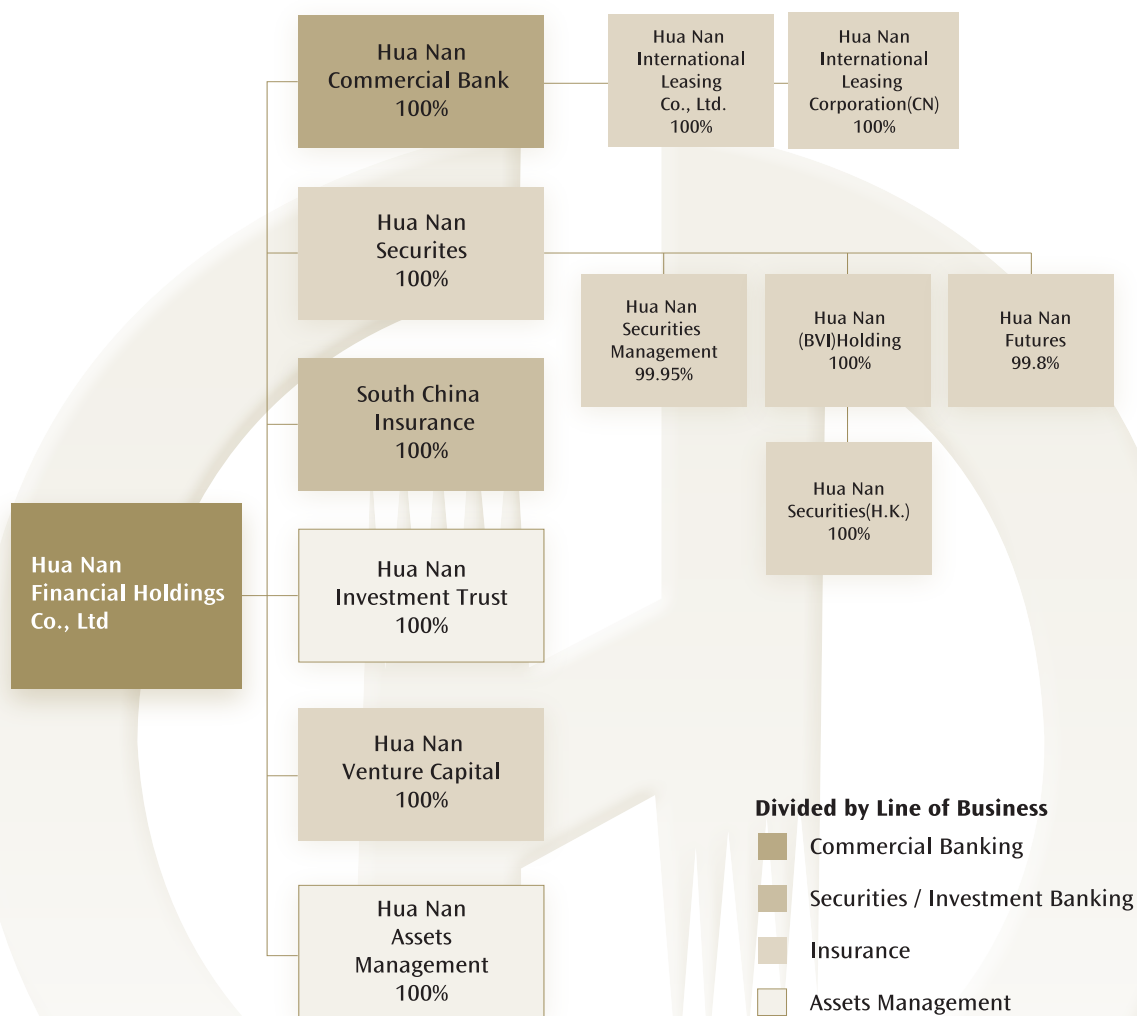
III | Corporate Governance

Organization Chart





Company Organization



Directors and Management Team

(1) Director Information

Shareholding as of April 24, 2018

Position (note 1)	Nationality or Registered Address	Name	Gender	Date of Electing (Appointment)	Term	Date of Initial Electing (note 2)	Shares held when elected		Current number of shares held		Current shares held by spouse and minor children		Shares held in the names of others		Highest educational attainment/ Work experience (note 3)	Positions held in financial holdings company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share- holding Percentage	Number of shares	Share- holding Percentage	Number of shares	Share- holding Percentage	Number of shares	Share- holding Percentage			Title	Name	Relationship
Chairman	R.O.C.	Ministry of Finance Representative: Tang-Chieh Wu	Male	2016.09.12	Term expires on 2019.06.30	2016.09.12	168,393,472	1.70%	187,775,560	1.70%	0	0.00%	0	0.00%	Vice Chairman of the Financial Supervisory Commission, Deputy Minister of the Ministry of Finance, Chairman of the Land Bank of Taiwan (Master from the Department of Public Finance, National Chengchi University)	Chairman of Hua Nan Commercial Bank	None	None	None
Vice Chairman	R.O.C.	Memorial Scholarship Foundation to Mr. Lin Hsiung- Chen Representative: Ming-Cheng Lin	Male	2016.07.01	Term expires on 2019.06.30	2001.12.19	174,952,571	1.77%	195,089,611	1.77%	0	0.00%	0	0.00%	Chairman of Hua Nan Financial Holdings; Chairman of Hua Nan Commercial Bank; Director of Central Bank; Director of Taiwan Asset Management Corporation; Supervisor of Taiwan Financial Asset Service Corporation (Master of Law of Keio University, Japan)	Director of Lin Pen Yuan Industrial Co., Ltd.	Director Director	T. Lin Chih-Yu Lin	Father and Son Father and Son
Director	R.O.C.	Ministry of Finance Representative: Pao-Chu Lo	Female	2017.06.01	Term expires on 2019.06.30	2017.06.01	168,393,472	1.70%	187,775,560	1.70%	0	0.00%	0	0.00%	Manager of E-Financial Department/ Manager of Audit Office of Board of Directors of Hua Nan Commercial Bank; Chief Auditor of Hua Nan Financial Holdings (Department of Public Finance, National Chung Hsing University)	President of Hua Nan Financial Holdings; Director of the Taiwan Asset Management Corporation; Director of Taiwan Small Business Integrated Assistance Center	None	None	None
Director	R.O.C.	Bank of Taiwan Representative: Chih-Wen Hsu	Male	2016.07.01	Term expires on 2019.06.30	2014.09.09	2,103,232,337	21.23%	2,345,314,378	21.23%	0	0.00%	0	0.00%	Associate Manager in Singapore Branch/ Manager in Hong Kong Branch/ Manager of International Department/ Manager of Corporate Finance of Bank of Taiwan (Department of Economic, Soohow University)	Director of Hua Nan Commercial Bank; Vice President of Bank of Taiwan	None	None	None
Director	R.O.C.	Bank of Taiwan Representative: Chun-Liang Lin	Male	2018.01.24	Term expires on 2019.06.30	2018.01.24	2,103,232,337	21.23%	2,345,314,378	21.23%	0	0.00%	0	0.00%	Manager of Department of Domestic Operations/ Chief Secretary of Secretariat, Board of Directors/ Chief Auditor of Department of Auditing, Board of Directors/ Executive Vice President of Bank of Taiwan (Department of Insurance, Tamkang University)	Executive Vice President and Chief Secretary of Secretariat, Board of Directors of Bank of Taiwan; Director of Taiwan Fire & Marine Insurance Company, Ltd.	None	None	None
Director	R.O.C.	Bank of Taiwan Representative: Shih-Ching Jeng	Female	2016.07.01	Term expires on 2019.06.30	2016.07.01	2,103,232,337	21.23%	2,345,314,378	21.23%	0	0.00%	0	0.00%	Associate Professor in the Department of Risk Management and Insurance/ Deputy Director of the Risk and Insurance Research Center of National Chengchi University; Member of the Council of Indigenous Peoples (Ph.D in Financial Insurance, University of Rhode Island, U.S.A.)	Associate Professor in the Department of Risk Management and Insurance of National Chengchi University	None	None	None
Director	R.O.C.	Bank of Taiwan Representative: Lung-Huei Tai	Male	2016.07.01	Term expires on 2019.06.30	2016.07.01	2,103,232,337	21.23%	2,345,314,378	21.23%	0	0.00%	0	0.00%	Deputy Supervisor of National Treasury Administration, Ministry of Finance; Deputy Director of Finance Department, New Taipei City Government; Deputy Director of National Treasury Administration, Ministry of Finance (College of Law, National Chengchi University)	Deputy Director of National Treasury Administration, Ministry of Finance	None	None	None
Director	R.O.C.	Bank of Taiwan Representative: Keh-Her Shih	Male	2017.11.10	Term expires on 2019.06.30	2017.11.10	2,103,232,337	21.23%	2,345,314,378	21.23%	0	0.00%	0	0.00%	Deputy County Mayor of Yunlin County Government, Consultant of Executive Yuan (Master from the London School of Economics and Political Science, UK)	Deputy Minister of Ministry of Labor	None	None	None
Director	R.O.C.	Bank of Taiwan Representative: I-Hui Lee	Female	2017.02.23	Term expires on 2019.06.30	2017.02.23	2,103,232,337	21.23%	2,345,314,378	21.23%	0	0.00%	0	0.00%	Member/ Deputy Director/ Director of the Taxation Administration, Ministry of Finance; Director-General of the Department of Planning, Ministry of Finance (Master from the Department of Public Finance, National Chengchi University)	Director-General of the Department of Planning, Ministry of Finance	None	None	None
Director	R.O.C.	Memorial Scholarship Foundation to Mr. Lin Hsiung- Chen Representative: T. Lin	Male	2016.07.01	Term expires on 2019.06.30	2001.12.19	174,952,571	1.77%	195,089,611	1.77%	0	0.00%	0	0.00%	Fund Manager of Mercury Asset Management (Master of Real Estate Economics and Finance, the London School of Economics and Political Science, UK)	Vice Chairman of Hua Nan Commercial Bank	Vice Chairman Director	Ming-Cheng Lin Chih-Yu Lin	Father and Son Brother



Position (note 1)	Nationality or Registered Address	Name	Gender	Date of Electing (Appointment)	Term	Date of Initial Electing (note 2)	Shares held when elected		Current number of shares held		Current shares held by spouse and minor children		Shares held in the names of others		Highest educational attainment/ Work experience (note 3)	Positions held in financial holdings company and other companies	Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Share- holding Percentage	Number of shares	Share- holding Percentage	Number of shares	Share- holding Percentage	Number of shares	Share- holding Percentage			Title	Name	Relationship
Director	R.O.C.	Memorial Scholarship Foundation to Mr. Lin Hsiung- Chen Representative: Chih-Yang Lin	Male	2016.07.01	Term expires on 2019.06.30	2005.01.14 (Note: Term was interrupted between July 1, 2013 to June 30, 2016)	174,952,571	1.77%	195,089,611	1.77%	0	0.00%	0	0.00%	Attorney of Taipei Bar Association (Master of Business Administration, National Taiwan University)	Managing Director of Hua Nan Commercial Bank; Chairman of Yongqi Asset Management Company; Director of Yongshi Development Company; Director of Yongqing R&D Company; Chairman of Xunyou Company; Director of Tianye Construction Company; Director of Taiwan Mineral Industry Company	None	None	None
Director	R.O.C.	Memorial Scholarship Foundation to Mr. Lin Hsiung- Chen Representative: Chih-Yu Lin	Male	2016.07.01	Term expires on 2019.06.30	2016.07.01	174,952,571	1.77%	195,089,611	1.77%	0	0.00%	0	0.00%	Assistant Vice President of Hua Nan Venture Capital (Master of Business Administration, University of California, Los Angeles, U.S.A.)	Director of Hua Nan Commercial Bank; Vice President of Hua Nan Venture Capital	Vice Chairman Director	Ming-Cheng Lin T. Lin	Father and Son Brother
Director	R.O.C.	Representative of Entrust Foundation: An- Lan Hsu Chen	Female	2016.07.01	Term expires on 2019.06.30	2001.12.19	342,114	0.003%	381,491	0.003%	0	0.003%	0	0.00%	Chairman of Hua Nan Securities, Director of Hua Nan Commercial Bank (Department of Foreign Languages and Literature, Tungshai University)	Chairman of Yuan Ding Investment Co., Ltd.; Chairman of Yong Chang Investment Co., Ltd.; Chairman of He Quan Investment Co., Ltd.; Director of Han Ting Industry Co., Ltd.; Supervisor of He Qing Investment Co., Ltd.; Supervisor of Mao Tong Investment Co., Ltd.; Director of Entrust Foundation Managing.	Director	Michael, Yuan-Jen Hsu	Mother and Son
Director	R.O.C.	Representative of Entrust Foundation: Michael, Yuan- Jen Hsu	Male	2016.07.01	Term expires on 2019.06.30	2009.05.16	342,114	0.003%	381,491	0.003%	0	0.003%	0	0.00%	Vice Chairman of Hua Nan Securities (MBA from the Wharton School of the University of Pennsylvania)	Director of Hua Nan Commercial Bank; Vice Chairman of Hua Nan Securities; Director of Hua Nan Securities (Hong Kong) Limited; Managing Director of Entrust Foundation; Chairman of Li Shih Investment; Director of Ru Yuan Enterprise Company; Supervisor of AppWorks Fund II; Chairman of Polywide Investment Limited; Director of Taiwan Futures Exchange	Director	An-Lan Hsu Chen	Mother and Son
Director	R.O.C.	China Man- Made Fiber Corporation Representative: Vivien, Chia- Ying Shen	Female	2016.07.01	Term expires on 2019.06.30	2005.08.31	49,413,600	0.50	55,101,105	0.50%	0	0.00%	0	0.00%	Vice President of Hongkong and Shanghai Banking Corporation Limited (HSBC) (Ph.D of Public Health Administration from John Hopkins University, USA)	Director of Hua Nan Commercial Bank	None	None	None
Independent Director	R.O.C.	Kuei-Sun Wu	Male	2016.07.01	Term expires on 2019.06.30	2016.07.01	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Director General of Accounting Department, Central Bank; Chairman of Taiwan Clearing House Development Foundation (Master of Business Administration, National Taiwan University)	None	None	None	None
Independent Director	R.O.C.	Chung-Yuan Hsu	Male	2016.07.01	Term expires on 2019.06.30	2007.07.01	72,358	0.00%	80,686	0.00%	0	0.00%	0	0.00%	Professor/Department Head of Accountant of the Department of Accounting, National Chengchi University; CPA (Doctor of Accounting, University of Memphis)	Independent Director of Hua Nan Commercial Bank; Independent Director of TONS Lightology Inc.	None	None	None
Independent Director	R.O.C.	Chun-Pin Chen	Male	2016.07.01	Term expires on 2019.06.30	2007.07.01	60,298	0.00%	67,237	0.00%	0	0.00%	0	0.00%	Partner attorney of Lei Shi Law Firm; Lecturer of Department of Public Administration, Tamkang University; Lecturer of Department of Law, Soochow University Master of Law, National Taiwan University	Independent Director of Hua Nan Commercial Bank	None	None	None
Independent Director	R.O.C.	Ching-Hsiu Chen	Male	2016.07.01	Term expires on 2019.06.30	2010.07.01	60,298	0.00%	67,237	0.00%	0	0.00%	0	0.00%	Professor of the School of Law, Soochow University; Director of Personnel Administration, Executive Yuan. (Ph.D in Law, National Taiwan University)	Professor of the School of Law, Soochow University; Director of the Yuan- Zhang Weng Culture and Education Foundation.	None	None	None

Note 1: For corporate shareholder representatives, specify the names of the corporate shareholders and fill out Table I below.

Note 2: Fill in the date when directors or supervisors of the financial holding company were elected for the first time. Terms interrupted shall be indicated.

Note 3: Experience associated with current position, e.g. a position in the CPA's firm or affiliates of the Company in the abovementioned period. The position and in-charge duties shall be specified.

(2) Presidents, Executive Vice Presidents, and various Department Supervisors

Shareholding as of April 24, 2018

Position	Nationality	Name	Date of Appointment	Shares held		Shares held by spouse and minor children		Shares held in the names of others		Highest educational attainment/Work experience	Positions held in other companies	Manager who is a spouse or a relative within second degree of kinship			Managers with employee stock options
				Number of shares	Shareholding Percentage %	Number of shares	Shareholding Percentage %	Number of shares	Shareholding Percentage %			Title	Name	Relationship	
President	R.O.C.	Pao-Chu Lo	2017.06.01	108,197	0.00	0	0.00	0	0.00	Chief Auditor of Hua Nan Financial Holdings Manager of Audit Office, Board of Directors/ Manager of E-Financial Department/ Manager of Operating Management Department/ Associate Manager of International Financial Department / Associate Manager of Overseas Management of Hua Nan Commercial Bank Department of Public Finance, National Chung Hsing University (reorganized to National Taipei University)	Director of the Taiwan Asset Management Corporation Director of Taiwan Small Business Integrated Assistance Center	None	None	None	Not issued
Executive Vice President and G.M. of Law and Ordinance Compliance Department	R.O.C.	Hsin-Tien Ting	2015.02.06	135,539	0.00	7,278	0.00	0	0.00	Manager of Juihsiang Branch and Huajiang Branch/ Chief Secretary of Board of Directors/ Executive Vice President of General Administration Management Department/ Executive Vice President of Law and Ordinance Compliance Department of Hua Nan Commercial Bank; G.M. of Law and Ordinance Compliance Department, Hua Nan Financial Holdings Department of Law, National Taiwan University (Minor: Department of Economics)	Managing Director of China Real Estate Management Co., Ltd.; Supervisor of Hua Nan Securities Investment Management	None	None	None	Not issued
Executive Vice President and G.M. of Administration Department	R.O.C.	Sarah C.T. Hsu	2017.6.1	688	0.00	0	0.00	0	0.00	Director of Department of Economic Research, Bank of Taiwan Ph.D in Economics, National Chengchi University	Director of Hua Nan Venture Capital; Director of Hua Nan Securities Investment Management	None	None	None	Not issued
Executive Vice President and G.M. of Finance Department	R.O.C.	King-Huo Lu	2017.6.1	0	0.00	0	0.00	0	0.00	Manager of Financial & Accounting Department of Hua Nan Commercial Bank Graduated from Department of Accounting, Soochow University	Supervisor of South China Insurance Co., Ltd. Supervisor of Hua Nan Assets Management Company	None	None	None	Not issued
Chief Auditor	R.O.C.	Neng-Tung Lin	2017.6.1	134,625	0.00	3,111	0.00	0	0.00	Manager of International Financial Department/ Manager of Trust Department/ Manager of General Administration Management Department/ Manager of Chungshiao East Road Branch/ Manager of Chienchen Branch of Hua Nan Commercial Bank Department of Finance and Taxation, National Chengchi University	None	None	None	None	Not issued
G.M. of Risk Management Department	R.O.C.	Han-Chun Hsieh	2017.7.01	148,285	0.00	0	0.00	0	0.00	Assistant Manager of Risk Management Department / Section Chief of International Financial Department of Hua Nan Commercial Bank Master in Business Management, The City University of New York	Manager of Risk Management Department, Hua Nan Commercial Bank	None	None	None	Not issued
G.M. of Marketing Department	R.O.C.	Chao-Chi Yeh	2017.7.01	67,237	0.00	1,279	0.00	0	0.00	Manager of Taoyuan, Taishan and Pa Teh Branch/ Associate Manager of Wu Ku Branch/ Section Chief of E-Financial Department of Hua Nan Commercial Bank Master in Business Administration, Fu Jen Catholic University	None	None	None	None	Not issued
G.M. of Information & Technology Department	R.O.C.	Michael Duh	2008.03.01	58,314	0.00	0	0.00	0	0.00	Vice President of Information Department of Taishin International Bank Master of Electrical Engineering, National Taiwan University	Director of CDIB Partners Investment Holding Corp.	None	None	None	Not issued
G.M. of the Audit Office of Board of Directors	R.O.C.	Fang-Ling Zhou	2016.11.01	111,657	0.00	0	0.00	0	0.00	Associate Manager of the Corporate Banking Department/ Associate Manager of Corporate Finance Credit Management Department/ Associate Manager of the Audit Department, Board of Directors of Hua Nan Commercial Bank Department of Economics, Fu Jen Catholic University	None	None	None	None	Not issued



3. Remuneration paid to Directors (including Independent Directors), President and Executive Vice Presidents and Distribution of Employee Compensation in 2017

(1) Remuneration of Directors (including Independent Director) (summarized pay-grade name disclosure method)

Job Title	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)		This company
		This company	All companies mentioned in the finance report	This company	All companies in the finance report	This company	All companies in the finance report	This company	All companies in the finance report	
Chairman	Ministry of Finance Tang-Chieh Wu									
Vice Chairman	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen Ming-Cheng Lin									
Director	Ministry of Finance Yun-Peng Chang (Discharged on June 1, 2017) Pao-Chu Lo (Appointed June 1, 2017)									
Director	Bank of Taiwan Chih-Wen Hsu									
Director	Bank of Taiwan Shi-Tien Chiang (Discharged on July 18, 2017) Hsiu-Hsien Hsieh (Appointed on Oct 3, 2017)									
Director	Bank of Taiwan Yun Lin (Discharged on Feb 23, 2017) I-Hui Lee (Appointed on Feb 23, 2017)									
Director	Bank of Taiwan Xhao-Xi Huang (Discharged on Jan 16, 2017) Kuo-Wen Kuo (Appointed on Jan 16, 2017, discharged on Sep 8, 2017) Ming-Jen Chen (Appointed on Oct 13, 2017, discharged on Nov 10, 2017) Keh-Her Shih (Appointed on Nov 10, 2017)									
Director	Bank of Taiwan Lung-Hui Tai									
Director	Bank of Taiwan Shih-Ching Cheng									
Director	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen T. Lin									
Director	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen Chih-Yu Lin									
Director	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen Chih-Yang Lin									
Director	Yongchang Charity Foundation An-Lan Hsu Chen									
Director	Yongchang Charity Foundation Michael, Yuan-Jen Hsu									
Director	China Man-Made Fiber Corporation Vivien, Chia-Ying Shen									
Independent Director	Kuei-Sun Wu									
Independent Director	Ching-Hsiu Chen									
Independent Director	Chung-Yuan Hsu									
Independent Director	Chun-Pin Chen									
Total		9,087	26,613	650	2,027	121,221	121,221	7,082	11,764	1.15%

*In addition to those disclosed in the table above, the amount of remuneration for services (such as non-employee consultants, etc.) provided to all of the companies in the financial report for the last year by the company's directors : 0.

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(2) Director remuneration grade table

Range of the Remunerations paid to each Director of the Corporation	Director Names			
	Sum of the 4 Remunerations (A+B+C+D)		Sum of the 7 Remunerations (A+B+C+D+E+F+G)	
	This company	All companies in the finance report	This company	All investment enterprises
Less than NT\$2,000,000	Tang-Chieh Wu, Yun-Peng Chang, Pao-Chu Lo, Chih-Wen Hsu, Shih-Tien Chiang, Hsiu-Hsien Hsieh, Yun Lin, I-Hui Lee, Xhao-Xi Huang, Kuo-Wen Kuo, Ming-Jen Chen, Keh-Her Shih, Lung-Huei Tai, Shih-Ching Jeng, T. Lin, Chih-Yu Lin, Chih-Yang Lin, An-Lan Hsu Chen, Yuan-Jen Hsu, Chia-Ying Shen, Kuei-Sun Wu, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen	Yun-Peng Chang, Pao-Chu Lo, Chih-Wen Hsu, Shih-Tien Chiang, Hsiu-Hsien Hsieh, Yun Lin, I-Hui Lee, Xhao-Xi Huang, Kuo-Wen Kuo, Ming-Jen Chen, Keh-Her Shih, Lung-Huei Tai, Shih-Ching Jeng, Chih-Yu Lin, Chih-Yang Lin, An-Lan Hsu Chen, Chia-Ying Shen, Kuei-Sun Wu, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen	Tang-Chieh Wu, Yun-Peng Chang, Chih-Wen Hsu, Shih-Tien Chiang, Hsiu-Hsien Hsieh, Yun Lin, I-Hui Lee, Xhao-Xi Huang, Kuo-Wen Kuo, Ming-Jen Chen, Keh-Her Shih, Lung-Huei Tai, Shih-Ching Jeng, T. Lin, Chih-Yu Lin, Chih-Yang Lin, An-Lan Hsu Chen, Yuan-Jen Hsu, Chia-Ying Shen, Kuei-Sun Wu, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen	Chih-Wen Hsu, Shih-Tien Chiang, Hsiu-Hsien Hsieh, Yun Lin, I-Hui Lee, Xhao-Xi Huang, Kuo-Wen Kuo, Ming-Jen Chen, Keh-Her Shih, Lung-Huei Tai, Shih-Ching Jeng, Chih-Yang Lin, An-Lan Hsu Chen, Chia-Ying Shen, Kuei-Sun Wu, Ching-Hsiou Chen, Chung-Yuan Hsu, Chun-Pin Chen
NT\$2,000,000 (including) to NT\$5,000,000 (excluding)			Pao-Chu Lo	Pao-Chu Lo, Chih-Yu Lin,
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	Ming-Cheng Lin, China Man-Made Fiber Corporation	Tang-Chieh Wu, Ming-Cheng Lin, T. Lin, Yuan-Jen Hsu, China Man-Made Fiber Corporation	Ming-Cheng Lin, China Man-Made Fiber Corporation	Tang-Chieh Wu, Ming-Cheng Lin, T. Lin, Yuan-Jen Hsu, China Man-Made Fiber Corporation
NT\$10,000,000 (including) to NT\$15,000,000 (excluding)	Yongchang Charity Foundation	Yongchang Charity Foundation	Yongchang Charity Foundation	Yongchang Charity Foundation
NT\$15,000,000 (including) to NT\$30,000,000 (excluding)	Ministry of Finance	Ministry of Finance	Ministry of Finance	Yun-Peng Chang, Ministry of Finance
NT\$30,000,000 (including) to NT\$50,000,000 (excluding)	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan	Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen, Bank of Taiwan
NT\$50,000,000 (including) to NT\$100,000,000 (excluding)				
Over NT\$100,000,000				
Total	30	30	30	30

Note 1: The Company rented a car for its chairman and vice chairman, of which the car rental and fuel expenses were included in the business execution costs. The company rented a car for its president, of which the car rental and fuel expenses were included for calculation in column (E).

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

Note 3: The amounts disclosed in (B) and (F) are the actual amount paid for separation and pension pay and the contribution amounts set aside for expenditure-based separation and pension pay.

Activeness



IV | Capital Overview

1. Stocks and Dividends

1. Sources of Capital Stock

Unit: Shares; NTD

Period	Price at issuance	Authorized Capital		Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Sources of Capital Stock	Other
2001.12	\$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
2002.08	\$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-tzuti- 09101432670
2003.08	\$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) 802,650,000 (Hua Nan Investment Trust)	Ministry of Economic Affairs – Aug. 15, 2003-Letter No. of Ching-shou-shang-tzuti- 09201240920 Ministry of Economic Affairs – Aug. 27, 2003-Letter No. of Ching-shou-shang-tzuti- 09201253580
2004.08	\$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-tzuti- 09301166350
2005.08	\$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
2008.08	\$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
2009.09	\$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
2010.08	\$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
2011.09	\$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

Period	Price at issuance	Authorized Capital		Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Sources of Capital Stock	Other
2011.12	\$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
2012.09	\$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
2013.09	\$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
2014.09	\$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
2015.09	\$10	10,000,000,000	100,000,000,000	9,906,304,245	99,063,042,450	Capitalization of Earnings 5,783,341,460	Ministry of Economic Affairs – Sep. 24, 2015-Letter No. of Ching-shou-shang-tzu-ti-10401204820
2016.09	\$10	18,000,000,000	180,000,000,000	10,520,495,108	105,204,951,080	Capitalization of Earnings 6,141,908,630	Ministry of Economic Affairs – Sep. 20, 2016-Letter No. of Ching-shou-shang-tzu-ti-10501226210
2017.09	\$10	18,000,000,000	180,000,000,000	11,046,519,863	110,465,198,630	Capitalization of Earnings 5,260,247,550	Ministry of Economic Affairs – Sep. 18, 2017-Letter No. of Ching-shou-shang-tzuti-10601130940

Note 1: The information for the year shall be updated to the publication date of the annual report.

Note 2: The effective (approval) date together with the document number shall be added for any capital increase.

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

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

Note 5: Those who have private placement shall indicate it in a noticeable way.



Unit: shares

Kind of Stock	Authorized Capital			Remarks
	Outstanding capital stock	Un-issued shares	Total	
Common stock	11,046,519,863	6,953,480,137	18,000,000,000	Listed stock

2. Shareholder Structure

Unit: Shares; April 24, 2018

Shareholder StructureQuantity	Government Agency	Financial Institution	Other Corporation	Individual	Foreign Company or Foreigner	Total
Number (people)	8	35	795	257,473	947	259,258
Number of shares held (shares)	2,678,347,023	892,372,677	2,302,968,436	2,969,084,129	2,203,747,598	11,046,519,863
Shareholding Percentage (%)	24.25	8.08	20.85	26.88	19.94	100.00

3. Status of Stock Dispersion

Date: April 24, 2018

Level of Shares Held			Numbers of Shareholders	Number of shares held	Shareholding Percentage (%)
1	~	999	93,524	14,768,605	0.13%
1,000	~	5,000	90,869	206,714,343	1.87%
5,001	~	10,000	26,852	193,245,372	1.75%
10,001	~	15,000	13,291	161,239,493	1.46%
15,001	~	20,000	7,539	130,886,043	1.18%
20,001	~	30,000	8,270	201,433,883	1.82%
30,001	~	40,000	4,450	152,936,666	1.38%
40,001	~	50,000	2,703	121,694,652	1.10%
50,001	~	100,000	6,111	422,932,462	3.83%
100,001	~	200,000	3,162	430,825,173	3.90%
200,001	~	400,000	1,330	360,759,183	3.27%
400,001	~	600,000	333	162,996,652	1.48%
600,001	~	800,000	169	117,035,548	1.06%
800,001	~	1,000,000	139	123,344,741	1.12%
1,000,001	above		516	8,245,707,047	74.65%
Total			259,258	11,046,519,863	100.00%

4. List of Major Shareholders

The shareholder whose shareholding percentage is more than 1% of the company's shares or belongs to top ten shareholders of the company:

Date: April 24, 2018

Name of Major Shareholders	Shares	Number Held (shares)	Shareholding Ratio (%)
Bank of Taiwan		2,345,314,378	21.23%
Bank Taiwan Life Insurance Co., Ltd.		424,474,168	3.84%
First Commercial Bank		269,721,151	2.44%
Yuan Ding Investment Co., Ltd.		240,131,867	2.17%
Yung Tsai Investment Co., Ltd.		212,698,954	1.93%
Memorial Scholarship Foundation to Mr. Lin Hsiung-Chen		195,089,611	1.77%
Ministry of Finance		187,775,560	1.70%
HWATAI Bank as custodian of Trust Account		149,128,016	1.35%
Standard Chartered Bank as custodian of Vanguard Emerging Market Stock Index Fund Account		140,880,018	1.28%
JPMorgan Chase Bank as custodian of Vanguard Star Vanguard Total International Stock Index		113,907,176	1.03%

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

Item		Year	2017	2016	From the beginning of the year to March 31, 2018 (Note 8)
Market value per share (Note 1)	Highest		18.40	17.85	17.65
	Lowest		16.15	13.90	16.55
	Average		17.00	16.13	17.19
Net value per share (Note 2)	Before issuance		14.87	15.11	15.32
	After issuance		Note 9	14.39	Note 10
Earnings per share	Weighted average of shares (thousand shares)		11,046,520	10,520,495	11,046,520
	Earnings per share - before adjustment (Note 3)		1.09	1.34	0.30
	Earnings per share - after adjustment (Note 3)		Note 9	1.28	Note 10
Dividend per share	Cash dividend		0.50	0.70	Note 10
	Scrip issue	Shares allocated from earnings	0.45	0.50	Note 10
		Dividend from capital reserve	None	None	Note 10
	Accumulated undistributed dividends (Note 4)		None	None	Note 10
Return on Investments	Price/earnings ratio (Note 5)		15.60	12.04	14.33
	Dividend ratio (Note 6)		34.00	23.04	Note 10
	Cash dividend yield (Note 7)		2.94%	4.34%	Note 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 2017 earnings distribution will be resolved in the 2018 shareholders' meeting.

Note 10: The 2017 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 aside a legal surplus reserve. Then, a special surplus reserve shall be allocated or reversed according to the regulations and laws or as required by business needs. The balance can be added to the undistributed earnings of the previous year and the shareholder's meeting shall resolve the distribution of the shareholder's dividend and bonus according to 30% to 100% of the distributable amount. 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 the case that the cash dividend per share is less than NT\$0.1, unless otherwise separately resolved by the board of shareholders, it shall not be distributed.

2. Dividend distribution to be proposed in shareholders' meeting: Cash dividends at NT\$0.5 per share for NT\$5,523,259,932 and stock dividends at NT\$0.45 per share for NT\$4,970,933,930 (NT\$0.95 per share in total) will be proposed in this general shareholder's meeting.

7. The Effects of the Stock Grant Proposed by the Shareholder's Meeting on Business Performance and Earnings per Share:

		2018 (estimate)
Paid-up capital at the beginning of the period		NT\$110,465,199,000
Dividend distribution status for this year	Cash dividend per share	NT\$0.5
	Surplus to capital increase shares allocated per share	0.045 shares
	Capital reserve to capital increase shares allocated per share	-
Changes in business performance	Operating income	Not applicable
	Operating profit increase (decrease) ratio over the same period last year	
	Net income after tax	
	Post-tax net profit increase (decrease) ratio over the same period last year	
	Earnings per share	
	Earnings per share increase (decrease) ratio over the same period last year	
	Annual average return on investment (reciprocal of average annual interest rate)	
Pro-forma earnings per share and P/E ratio	Change the distribution to all cash dividends in case of surplus to capital increase	Pro-forma earnings per share
		Pro-forma average annual return on investment
	If capital reserve to capital increase has not yet been undertaken	Pro-forma funding per share
		Pro-forma average annual return on investment
	If capital reserve to capital increase has not yet been undertaken and the surplus to capital increase is changed to cash dividend distribution	Pro-forma earnings per share
		Pro-forma average annual return on investment

8. Employee Compensation and Director and Supervisor Remuneration:

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

If the company has any profit left in its annual final account, the company should set aside a certain amount as director remuneration and employee compensation based on the profit before tax. The compensation shall be determined according to the below-mentioned ways and the Board of Directors shall be authorized to proceed. However, the accumulated losses shall be covered first, if there is any.

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

B. Employee compensation ranges from 0.02% to 0.15%. If employee compensation will be distributed by issuing new shares, the Board of Directors will set rules specifying the requirements that the employee must meet.

- (2) Accounting handling for any differences between the estimates of the current period's employee compensation and director remuneration amounts, calculation basis of the shares distributed to employees, and actual distributed amount:

The 2017 employee compensation and director remuneration are estimated pursuant to the Articles of Incorporation of the company and profits in 2017 and was approved by both the Remuneration Committee and the Board of Directors with the actual distributed amount being the same as the estimates. The Company does not distribute share bonuses.

- (3) Information on the distribution of employee compensation and director remuneration approved by the Board of Directors:

A. In 2017, NT\$121,221,000 was distributed as remuneration to directors, and NT\$9,717,000 was distributed as compensation to employees. The amount was distributed in cash.

B. The ratio of employee compensation in the form of stock to the net profit after tax in the standalone financial statement and the total employee compensation: Not applicable as the company does not plan to distribute shares bonuses.

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

The 2016 director remuneration and employee compensation distributed in 2017 were NT\$140,565,000 and NT\$11,268,000 respectively.

9. Buy-back of the company's shares by a financial holding company: As of the date of publication for this annual report, there has not yet been any treasury share buy-back.



2. Corporate Bonds

Type of Corporate Bonds	2012 First term of unsecured corporate bonds	2017 First term of unsecured corporate bonds
Date of Issuance (Undertaking)	2013.1.21	2018.1.9
Face Value	NT\$10,000,000	NT\$10,000,000
Place of Issuance and Transaction	Taiwan	Taiwan
Issuing Price	Issued according to 100% of face value	Issued according to 100% of 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 issuing conditions. Issue A amounts to NT\$5 billion and Issue B amounts to NT\$4.9 billion.	Total amount for corporate bonds issued in this offering is NT\$9.9 billion. Bonds will be classified into A and B according to issuing conditions. Issue A amounts to NT\$7 billion and Issue B amounts to NT\$5 billion.
Coupon Rates	The coupon rate of Issue A is a fixed annual rate of 1.23%. The coupon rate of Issue B is a fixed annual rate of 1.55%.	The coupon rate of Issue A is a fixed annual rate of 0.92%. The coupon rate of Issue B is a fixed annual rate of 1.75%
Term	The issuance period for Issue A is five years, maturing on January 21, 2018. The issuance period for Issue B is seven years, maturing on January 21, 2020.	The issuance period for Issue A is five years, maturing on January 9, 2023. The issuance period for Issue B is ten years, maturing on January 9, 2028.
Priority order of compensation	Creditors holding Issue A have the same order of compensation priority as the other holders of the company's unsecured liabilities. Creditors holding Issue B are only placed slightly ahead in the right to claim for the distribution of residual property of company shareholders. They are placed behind all other company creditors.	Creditors holding Issue A have the same order of compensation priority as the other holders of the company's unsecured liabilities. Creditors holding Issue B are only placed slightly ahead in the right to claim for the distribution of residual property of company shareholders. They are placed behind all other company creditors.
Warranty Agency	None	None
Trustee	Trust Department, Yuanta Bank	Trust Department, Yuanta Bank
Underwriting Agency	None	None
Legal Service Signatory:	Chan Kang-Jung Attorney Office: Attorney Kang-Jung Chan	Eternity Attorney Office: Attorney Kang-Jung Chan
CPA signatories	Deloitte & Touche: Wei Chung, Yi-Chun Wu	Deloitte & Touche: Yi-Chun Wu, Kuang-Chung Lai
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.	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	NT\$12,000,000,000
Provisions for redemption or advance payoff	None	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, but the original coupon rates shall be applied to the interest and principal of the extended term).	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, but 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	Issue B (NT\$5 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-	None
Other appended rights	None	None
	None	None
The effects that the measures for issuance and conversion, trade, or warrants, issuing condition may have on the potential dilution of equity and current shareholder's equity	None	None
Name of the custodian institution entrusted with swapped collateral	None	None

A photograph of a baseball catcher in a white and black striped uniform, wearing a black helmet and chest protector. The catcher is in a crouched position, ready to catch a ball. The background is a blurred baseball field with green grass and brown dirt. A brown rectangular box is overlaid on the upper right portion of the image, containing the word 'Responsibility' in a stylized font.

R esponsibility

V | Corporate Social Responsibility

Corporate Social Responsibility

Evaluation Item	Operations			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and their root causes
	Yes	No	Brief Description	
I. Implementing the Promotion of Corporate Governance				
(1) Has the Company established Corporate Social Responsibility (CSR) policies or systems and reviewed the performance implementations?	√		(1) The Company established a CSR Committee for the Group in 2014 which main task is to carry out major CSR strategies so that the entire company can actively perform its CSR obligations from top to bottom. A CSR report was published in 2015, presenting the existing social responsibility activities in the 5 major fields of corporate governance, customers' rights and interests, staff care, environmental sustainability, and societal participation in a report format. Sufficient communication and timely reviews are conducted with stakeholders.	Compliant
(2) Does the Company conduct CSR education and training on a regular basis?	√		(2) The Company organizes regular social welfare activities to promote CSR and corporate ethics to its Board of Directors, supervisors, and employees. The Board and the staff have also participated in internal and external ethics-related training sessions.	Compliant
(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 Group with the Chairman serves as the convener and the Vice Chairman as the deputy convener. The members include the Company's President and the president of each subsidiary. Meetings are held at least once every six months. The main responsibilities are: Plan the Group's major strategies for fulfilling corporate social responsibility, supervise the implementation of CSR, supervise, plan and review annual CSR report, review relevant CSR regulations and discuss major CSR issues. The Department of General Administration is in charge of planning CSR related matters and report to the Chairman on major implementation plans and execution status. Depending on the significance of the implementation plan and implementation, it shall report to the Board of Directors in due course.	Compliant
(4) Has the Company established a relevant salary and remuneration policy, and combined its employee performance assessment system with the CSR policies? Has the Company established a clear reward and penalty system?	√		(4) The Company has established relevant regulations such as the "Management Guidelines for Employee Salary," "Management Guidelines for Employee Bonus," and "Directions Governing Employee Compensation Distribution," to implement duty and performance-oriented compensation package and stay compatible with the compensation system of the external market. The objective is to effectively motivate employees to perform and contribute, and improve their competency. There are also "Principles of Business Ethics" and "Employee Working Rules" in place to guide the employees in conforming to the ethical standards and the Company's "Internal Control System" with a specific reward-disciplinary mechanism. Employees' annual reward-disciplinary records are incorporated as part of their assessments.	Compliant
II. Developing a Sustainable Environment				
(1) Has the Company endeavored to maximize the use of the various resources and utilize renewable materials that have the least environmental impact?	√		(1) 1. The Company abides by government energy conservation policies, adjust the air-conditioning system temperatures, and use energy conserving illumination fixtures to reduce power consumption. 2. The Company has also set up an electronic documentation system to promote paperless operations and reduce paper use. 3. The Company has installed water-saving equipment to conserve water.	Compliant
(2) Has the Company established an appropriate environmental management system according to the specific nature of the industry?	√		(2) The Company is in the financial service industry, and its operating environment and business establishments are committed to maximizing resource 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. The Company introduced ISO14001 in 2016 and was certified by BSI for two consecutive years.	Compliant
(3) Has the Company paid attention to the impacts of climate change in terms of operational activities, implemented greenhouse gas inventory, and drafted energy carbon and greenhouse gas reduction strategies?	√		(3) The Company has strictly enforced budget control, set goals for conserving water and power within the Company, established energy saving measures, and disseminated the relevant information on reducing the impact of climate change on operational activities. In December 2014, the Company moved to its new building in the Xinyi District and has completed the greenhouse inventory at the end of 2016, and the data is going to serve as the basis for future data comparisons. The Company introduced ISO14064-1 in 2016 and was certified by BSI for two consecutive years.	Compliant

Evaluation Item	Operations			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and their root causes
	Yes	No	Brief Description	
III. Maintaining Social Welfare				
(1) Has the Company drafted the management policies and procedures according to the relevant laws and the International Conventions on Human Rights?	✓		(1) The Company has established "Employee Work Rules" in accordance with the Labor Standards Act and other relevant laws to clearly define employee rights and responsibilities as well as the management procedures. In addition, the Company has established an "Employee Welfare Committee" to take charge of the various welfare measures and handle pension disbursements to ensure a secure life for employees after retirement.	Compliant
(2) Has the Company established the employee appeal system and channels, and are the employee appeals handled appropriately?	✓		(2) To maintain good communication with employees, the Company has established an evaluation commission, an employee welfare committee, and a complaint hotline to protect the interests of staff members.	Compliant
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3) In accordance with relevant laws and regulations, the Company has organized regular health check-ups for employees as well as fire safety checks to ensure the safety and well-being of its employees.	Compliant
(4) Has the Company established a system to regularly communicate with its employees, and used appropriate means to notify the employees of operation changes that may result in material impacts?	✓		(4) As part of the performance management system, the supervisors will meet the employees during the beginning, middle, and end of each year to set the annual goals, discuss the achievement status and development needs, provide appropriate assistance and counseling, and continue to care for employees. The supervisors will also conduct various briefing sessions to communicate and listen to the voices of the employees for issues that may have significant impacts on employees.	Compliant
(5) Has the Company established an effective competency development career training program for employees?	✓		(5) Plan diversified training courses for employees in different professional fields, and offer opportunities for rotation based on personal expertise, performance contribution, and career development. We encourage employees to continue their studies and provide resources for their development.	Compliant
(6) Has the Company drafted the relevant consumer protection policies and complaint procedure for R&D, procurement, operations, and customer services?	✓		(6) To protect consumer interests, the Company has established a firewall policy and cross-selling management regulations. In addition, the Company published confidentiality measures regarding customer information and website privacy policy on corporate websites, in compliance with the competent authorities' regulations.	Compliant
(7) Does the Company follow the relevant regulations and international norms with regard to the marketing and labeling of products and services?	✓		(7) The Company and its subsidiaries have established the relevant internal regulations in accordance with the "Financial Consumer Protection Act," "Financial Holdings Company's Inter-subsidiary Cross-selling Management Regulations," and other relevant laws.	Compliant
(8) Has the Company evaluated whether the suppliers have had past records of adverse impact on the society and the environment before conducting businesses with them?	✓		(8) The Company double checks the relevant stakeholder information in its dealings with suppliers, and evaluates the information regarding each supplier's social and environmental impacts as one of the requirements for the awarding of supply contracts.	Compliant
(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 be in violation of its CSR policy and to have caused any adverse impacts on the society and the environment?	✓		(9) The Company formulated a Supplier Commitment Form on September 2016 that requires its suppliers which have business with every company of the Group to abide by the regulations in terms of business ethics, promotion of environmental sustainable development and protection of human rights.	Compliant
IV. Strengthening Information Disclosure Has the Company disclosed important and reliable information pertaining to CSR on its website and the Market Observation Post System (MOPS)?	✓		The Company disclosed important information about CSR on the official website and MOPS and formulated a CSR report.	Compliant
V. If the Company has drafted its CSR Code of Policies in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," please state any differences between the actual operations and the Code: The Best Practice Principles is established by the Taiwan Stock Exchange Corporation as a mean to assist TWSE/TPEX listed companies in the practice of corporate social responsibility. There is no mandatory requirement for TWSE/TPEX listed companies to establish the Principles. We have established the Group's CSR Code of Policies to fulfill our CRS. There is no difference between these two.				
VI. Additional important information that may assist in the understanding of CSR operations: Please refer to the "Major Charity and Other Events in 2017" on pages 32 to 35 of the annual report and the 2017 CSR Report.				
VII. Please state if the Company's CSR report has passed the verification standards of relevant verification bodies: The Company's 2017 CSR Report adopted the Statements of Assurance Engagements Standards No. 1 (with reference to the authentication method in ISAE 3000).				



The Group integrates all of its resources to promote economic prosperity and stability. Our four primary goals in assisting the society's stable development and fulfilling our corporate social responsibility are to popularize knowledge and education, care for the disadvantaged groups in society, support sports activities, and nurture the cultural and creative industries. In 2017, the Group devoted NT\$58,239,241 to charitable events with 2,348 volunteer hours.

Major charitable events in 2017:

Serial Number	Name	Date	Description
1	NOTRE DAME DE PARIS (French)	February 24 to March 5, 2017	The Company sponsored the "NOTRE DAME DE PARIS (French)" organized by the United Daily News. We are committed to promoting international quality performances, so that people in Taiwan have access to more diverse cultural and artistic elements.
2	2017 Love from Financial Sector - Food (Goods) Bank	Once every quarter, from July 2017 to June 2018	The Company donated to the "2017 Love from Financial Sector - Food (Goods) Bank" initiated by the Taiwan Futures Exchange to take care of the disadvantaged families in 22 counties and cities in Taiwan and to fulfill the corporate social responsibility of the Company.
3	Your Generation, Our Future - Face-to-Face with President Tsai Seminar	May 13, 2017	The Company sponsored the "Your Generation, Our Future - Face-to-Face with President Tsai" seminar organized by Business Today magazine with the theme of "Changing Perspectives What If I Am". President Tsai was invited to speak with senior high school delegates across the nation on the topic of "If I Am the President" in the face-to-face interaction in hope to inspire youth people to explore the future.
4	2017 Hua Nan Financial Group Badminton and Table Tennis Tournaments	May 13, 2017	The "2017 Hua Nan Financial Group Badminton and Table Tennis Tournaments" was hosted at the NTU Sports Center. With the theme of "Self-Improvement, Be Ready for the Next Move", employees within the Group were called on to participate and foster the ethos of exercise in the Group.
5	2017 Hua Nan Financial Holdings Cup Junior Baseball Championship Games	May 14-21, 2017	The Company supported the Chinese Taipei Baseball Association in organizing the "2017 Hua Nan Financial Holdings Cup Junior Baseball Championship Games" so as to promote grassroots baseball development and select athletes for the national team.
6	2017 Hua Nan Financial Holdings Cup Youth Baseball Championship Games	June 2 - 28, 2017	The Company supported the Chinese Taipei Baseball Association in organizing the "2017 Hua Nan Financial Holdings Cup Youth Baseball Championship Games" so as to promote grassroots baseball development and select athletes for the national team.
7	Italian Chamber Orchestra I MUSICI	June 8, 2017	We sponsored Philharmonic Radio Taipei to organize the "I MUSICI Concert" by Italian musicians. We are committed to promoting international quality performances, so that people in Taiwan have access to more diverse cultural and artistic elements.
8	The Fourth Cross-strait Free Trade Forum	June 23, 2017	The Company sponsored the "Fourth Cross-strait Free Trade Forum" jointly organized by Economic Daily News and the Shanghai Academy of Social Sciences. The topics under discussion included the cross-strait innovative cooperation, transformation and enhancement between industries, aiming to promote knowledge exchange at an international level.
9	2017 Master Think Tank Forum	July 13, 2017	The Company sponsored "2017 Master Think Tank Forum" organized by the Economic Daily News, inviting the Nobel-winning economist, Robert Shiller, and the academician of Academia Sinica, Lawrence J. Lau, to be the keynote speakers. The president of National Chengchi University, Edward H. Chow, and the former Managing Director of Barclays Capital, Kirk Yang, were invited to conduct the round-table forum, aiming to promote knowledge exchange at an international level.
10	The Fourth WBSC U-12 Baseball World Cup in 2017	July 28 - August 6, 2017	We supported the Chinese Taipei Baseball Association in organizing the "2017 The Fourth WBSC U-12 Baseball World Cup" to raise the visibility of Taiwan baseball in the world.
11	Chicago The Musical	August 16 - 27, 2017	The Company sponsored the "Chicago The Musical" organized by the United Daily News. We are committed to promoting international quality performances, so that people in Taiwan have access to more diverse cultural and artistic elements.

Serial Number	Name	Date	Description
12	2017 Wealth Influence Forum	August 23, 2017	The Company sponsored the "Wealth Magazine's 2017 Forum" organized by the Wealth Magazine. The chief economist of Nomura Research Institute in Japan, Richard C. Koo, was invited to be the keynote speaker and joined Deputy Minister of the National Development Council, Ming-Xin Gong and economist, Ma Kai, in key talks, aiming to promote knowledge exchange at an international level.
13	Sports Activists Awards	September 6, 2017	The Company has long invested in laying the foundation for baseball at home and has continued to sponsor and organize baseball events and sports activities. In 2017, it was awarded the Sponsorship Gold Medal, Long-term Sponsorship Awards and Promotion Bronze Medal of the "Sports Activists Award" organized by the Sports Administration, Ministry of Education.
14	The 2017 Invoice Cup Road Race of Ministry of Finance (Hsinchu)	September 10, 2017	The Company organized the 2017 Invoice Cup Road Race of Ministry of Finance (Hsinchu) to encourage sports for all.
15	Excellent Hua Nan Care for the Elderly	September - December, 2017	The Company supported HonDao Senior Citizen's Welfare Foundation in organizing the "Excellent Hua Nan Care for the Elderly" dinner parties and donations, and sponsored home-delivered meal and breakfast subsidy programs to care for the elder leading a solitary life.
16	The documentary of "Jump Men"	October 27, 2017	We sponsored the documentary "Jump! Men" directed by Yu-Hsien Lin. The film shows the complete journey of gymnast, Chih-Kai Lee, during diligent training, tournaments and the glorious moment of receiving the gold medal for pommel horse.
17	Gymnasts, Chih-Kai Lee and Ko-Chiang Huang, and coach, Yu-Hsin Lin	2017 to 2020	The Company integrated Group resources to sponsor gymnasts, Chih-Kai Lee and Ko-Chiang Huang, and coach, Yu-Hsin Lin, with annual training expenses of NT\$1.68 million and subsidized the personal injury insurance of those two gymnasts with an insured amount of NT\$10 million per person from 2017 to the 2020 Tokyo Olympic. There are additional bonuses if they achieve excellent results in international competitions.
18	The 15th Chinese Business Leaders Summit in 2017	November 1-2, 2017	We sponsored the Global Views Monthly in organizing the "The 15th Chinese Business Leaders Summit in 2017". The focus was placed on "Transformation – Reshaping the Chinese Future. New Technology, New Business, New Market and New Society". It provided a platform for worldwide Chinese business leaders to exchange opinions, aiming to promote knowledge exchange at an international level.
19	Financial Services Concerning for the Community Carnival (Taichung)	November 11, 2017	The Company participated in the carnival of "Financial Services Concerning for the Community (Taichung)" hosted by the Taiwan Financial Services Roundtable and donated to the Taichung City Government for the "Shan Shuei Primary and Junior High School – Acquisition of Library Facilities Program".
20	Baseball Grassroots Cultivation Fund	December 8, 2017	We donated baseball gears to four grassroots baseball schools in Kaohsiung and organized the "Baseball Dream Camp", where professional baseball players were invited to instruct students in person, pass on their valuable experience and promote the grassroots baseball sport.
21	Financial Services Concerning for the Community Carnival (Kaohsiung)	December 16, 2017	The Company participated in the carnival of "Financial Services Concerning for the Community (Kaohsiung)" hosted by the Taiwan Financial Services Roundtable and donated to the Kaohsiung City Government in helping the local disadvantaged groups.



Figure 1: The President of the Executive Yuan, Lai Qingde (who was the mayor of Tainan, right second), and Tang-Chieh Wu (first from right), Chairman of Hua Nan Financial Holdings and Hua Nan Bank, hosted the kick-off ceremony of the "2017 Hua Nan Financial Holdings Cup National Youth Baseball Tournament" championship.

Figure 2: Hua Nan Financial Holdings received the 2017 "Sports Activists Award", Sponsorship Gold Medal and Long-term Sponsorship Award from the Sports Administration, Ministry of Education. Vice President Chen Jianren (left) presented the award personally, and Ms. Pao-Chu Lo General Manager of Hua Nan Financial Holdings (right) Represents the award.

Figure 3: Lin Yiyang (first from the right), Deputy Mayor of Taichung City, and Tang-Chieh Wu (third from right), Chairman of Hua Nan Financial Holdings and Hua Nan Bank, hosted the kick-off ceremony of the "2017 Hua Nan Financial Holdings Cup National Youth Baseball Tournament" championship.

Figure 4: Ms. Pao-Chu Lo General Manager of Hua Nan Financial Holdings (right) receives a thank-you note from Riccardo Fraccari (left), president of World Baseball Softball Confederation.

Figure 5: Tang-Chieh Wu, chairman of Hua Nan Financial Holdings and Hua Nan Bank (right) donated 1 million yuan to the "Baseball Dreams Come True" grassroots baseball training fund, and was received by the Chinese Taipei Baseball Association Secretary-General Zongcheng Lin (left).

Figure 6: The donation ceremony for the "Dream Baseball Camp" of the year 2017 was donated by Sarah C.T. Hsu (third from left), vice president of Hua Nan Financial Holdings.

Figure 7: Sarah C.T. Hsu (fourth from left), vice president of Hua Nan Financial Holdings, attend the musicals "Notre-Dame de Paris", and took a group photo with the students of the National Taiwan College of Performing Arts.





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Figure 8: "2017 Hua Nan Financial Group Badminton and Table Tennis Tournament" opening ceremony. Tang-Chieh Wu, chairman of Hua Nan Financial Holdings and Hua Nan Bank (left) and Ming-Cheng Lin, Vice Chairman of Hua Nan Financial Holdings (right) jointly attend it.

Figure 9: "Financial Services Caring for the Public Welcoming Carnival (Kaohsiung Field)". Gu Lixiong (right fifth), the chairman of the Financial Supervisory Commission, and Tang-Chieh Wu (fourth from the right), chairman of Hua Nan Financial Holdings and Hua Nan Bank, took photos with the colleagues at the Hua Nan Financial Group booth.

Figure 10: "2017 MOF Uniform Invoice Run Cup (Hsinchu)". Su Jianrong, Vice Minister of the Ministry of Finance (second right, sixth row), and Tang-Chieh Wu (second from the right, fifth row), chairman of Hua Nan Financial Holdings and Hua Nan Bank, were jointly with colleagues.

Figure 11: Tang-Chieh Wu, chairman of Hua Nan Financial Holdings and Hua Nan Bank (third from right) attended the "Food (Goods) Bank" joint donation ceremony.

Figure 12: "Excellent Hua Nan Care for the Elderly" (Taoyuan) Group photo.

Figure 13: "Jump Men" Premiere Press Conference Sponsorship Ceremony. From left to right, coach Lin Yuxin, player Huang Keqiang, Tang-Chieh Wu, chairman of Hua Nan Financial Holdings and Hua Nan Bank, and player Li Zhikai.

Figure 14: "Jump Men" Taipei Premiere Party. Tang-Chieh Wu (left fifth), chairman of Hua Nan Financial Holdings and Hua Nan Bank, and Ming-Cheng Lin (fourth from left), vice chairman of Hua Nan Financial Holdings, took a photo with everyone in the cinema.

Teamwork



VI | The Company's Businesses

(I) HNFHC

1. Business scope:

(1) Main business

A. The Company is engaged in the financial holding business. According to the Financial Holding Company Act, its business is limited to investments and management of invested enterprises.

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

- (1) Financial holding companies
- (2) Banking enterprises
- (3) Bills finance enterprises
- (4) Credit card business
- (5) Trust enterprises
- (6) Insurance enterprises
- (7) Securities enterprises
- (8) Futures enterprises
- (9) Venture capital enterprises
- (10) Foreign financial institutions approved by the competent authorities for investment
- (11) Other enterprises related to financial businesses as recognized by the competent authorities

C. Also, in accordance with Article 37 of the Financial Holding Company Act, the Company may apply to the competent authority for approval to invest in enterprises other than those prescribed in Article 36 of the same act. Unless otherwise approved by the competent authority, a financial holding company and its representative shall not act as the director or supervisor of the enterprise in question or designate anyone to be the manager of the enterprise. The total amount of investment in other enterprises shall not exceed 15% of the financial holding company's net value. The financial holding company's investment in an enterprise shall not exceed 5% of the voting shares issued by the invested enterprise.

C. According to Article 6 of the Regulations Governing Cross-Selling among Financial Holding Company's Subsidiaries, subsidiaries of a financial holding company may engage in cross-selling business among themselves. The business covers the deposit account opening, credit cards, securities brokerage, futures, funds, insurance, etc.

(2) Business proportions in the past two years:

Unit: NT\$1,000

Item	Year	2017		2016	
		Amount	%	Amount	%
Operating Income					
Gains on long-term equity investments (Note)		12,662,017	100	14,591,924	100
HNCB		11,363,268	88	13,653,155	94
HNSC		729,526	6	249,025	2
SCIC		671,259	5	600,590	4
HNIT		12,014	-	28,536	-
HNVC		6,401	-	10,436	-
HNAMC		157,071	1	50,182	-

Note: The gain of NT\$277 million from property transaction between HNAMC and the related parties of HNCB was eliminated from the Company's profits in 2017.

2. 2018 business plan

The Company's 2018 business plan covers five major directions: diversify income sources, focus on assets and capital utilization efficiency, innovate financial products and services, construct a culture of governance, risk management and compliance (GRC) to ensure information security and fulfill corporate social responsibility. Details are as follows:

(1) Diversify income sources: Raise the proportion of non-interest income

A. Enhance the efficiency of proprietary trading in securities, tie in with outsourced professional brokerage services, flexibly engage in foreign exchange transactions and diverse the uses of funds to boost the investment and foreign exchange earnings.



- B. Reshape the wealth management operation system, select domestic and foreign products that align with market trends, expand the all-round wealth management product line with the addition of professional investment advices to set customized services.
 - C. Utilize the economies of scale from our over-one-million credit cards in circulation and supplement with precision marketing driven by big data to cultivate customers and deepen customer loyalty in order to increase benefits derived from credit card business.
 - D. Adjust the structure of deposits and loans and promote small and medium-sized enterprises (SMEs) and foreign-currency loans which are more profitable in order to improve loan-to-deposit ratio and deposit spreads.
 - E. Accelerate the disposal of non-performing assets, improve the recovery performance of non-performing assets, and activate idle assets to increase lease incomes in order to boost non-operating incomes.
- (2) Focus on assets and capital utilization efficiency
- A. Establish a Group capital planning team to regularly review capital requirements, allocation, adequacy, and utilization efficiency.
 - B. Enhance subsidiaries' operation performance. Profit contribution shall match asset allocation.
 - C. Complete the measurement tool kit for risk control, introduce a scoring mechanism for venture capital and execute risk pricing disciplines in order to create the link between performance compensation and risk undertaking for capital efficiency enhancement.
- (3) Innovate financial products and services: Develop digital finance and financial innovations
- A. Continue to promote physical channel transformation, incorporate local cultures and introduce new and emerging technology applications. Proceed with the integration of virtual and physical channels and develop smart functional bases with local features to strengthen brand image and innovate financial services.
 - B. Actively develop blockchain technology, mobile financial services, cloud-based digital technology and big data applications. Apply artificial intelligence (AI) in providing anthropomorphic automation services and creating a "digital social circles" in order to offer customers with a simple and enjoyable service experience.
 - C. Acquaint customers with digital financial services, cultivate internet media and community operations and strive for transactions with all sorts of customers to realize the value of financial inclusion.
 - D. Align with the trends of population aging and low birth rate, implement the segment management concept, and launch various debt and wealth management products that cater to the financial needs of young, middle-aged, and retired generations.
- (4) Construct a culture of GRC to ensure information security
- A. Build Group GRC culture through various functional committees and conduct relevant education and trainings regularly.
 - B. Carry out the Group's legal compliance system through concerns over changes in regulatory environment, regular seminars, reporting mechanisms, survey on execution performance, risk evaluation on legal compliance, analysis and management of violations, and continuous monitoring and evaluation.
 - C. Keep track of the important changes in laws and regulations at home and abroad through the Group's key legal compliance projects, and stipulate the Group's compliance standards to ensure its overall compliance effectiveness.
 - D. Besides banking, companies in key sectors, such as security, investment trust, property insurance, and futures, have all established and introduced an independent anti-money laundering system ahead of peers, leading to an effective implementation of Group-wide anti-money laundering operation.

- E. Carry out information management systems and information security evaluation procedures, cooperate with the government in the planning of a Financial Information Sharing Platform, and increase active defense mechanisms in order to enhance the Group's information security defense capability.

(5) Fulfill corporate social responsibility:

- A. Establish an effective governance structure and continue to practice relevant ethical standards in order to strengthen corporate governance and comply with local laws and regulations of all operation bases.
- B. Reduce greenhouse gas emissions and energy consumption from operations, improve the efficiency of energy and resource utilization, and promote the idea of going green in the workplace and green procurement in order to achieve environmental sustainability.
- C. Strive to provide employees with a safe and healthy work environment, safeguard human rights, establish a smooth communication channel and care about employee salaries and benefits in order to create a sound career development environment.
- D. Integrate Group resources and promote social prosperity and stability in order to practice the concept of being in harmony with the society.

- (6) Continuously evaluate and mitigate the potential impact of investments and loans on the environment and society, support projects that can solve economic, environmental, and social risks, and develop green and innovative financial products or services to capitalize on the core influence of the financial industry.

3. Industry overview:

(1) Financial management

- A. Banking industry: Profits of the entire banking industry have gradually declined since the NT\$345.8 billion in 2014, mainly due to numerous huge overdue loans which lifted the credit costs. The profits in 2017 were

approximately NT\$305.9 billion, which showed a slight increase of 1.9% from 2016. In 2018, operations are expected to benefit from the continuous recovery of economy. However, there are still challenges such as lending growth stagnations, increased credit cost and rising legal compliance and anti-money laundering costs.

- B. Security industry: The entire security industry generated profits of NT\$43.7 billion in 2017, grew by NT\$24.4 billion, or 126%, compared with the NT\$19.3 billion in 2016. The primary causes were the 15% increase in the stock market which stayed robust and the policy-driven 36% increase in trading volume. It is anticipated that policies such as the reduction of day trading transaction tax and tax reform will help to maintain the TAIEX's trading volumes in 2018.

- C. Property insurance industry: As of the end of November 2017, the entire property insurance industry generated profits of approximately NT\$12.478 billion, which exceeded the annual profits of NT\$10.65 billion in 2016, mainly due to less natural disasters and major accidents in 2017. The annual profits are expected to exceed the record high of NT\$13.437 billion in 2013. The industry has enjoyed a steady profit of over NT\$10 billion in recent years. However, the domestic market is approaching the mature stage. The growth is limited.

(2) Marketing

The advance in digital technology has comprehensively impacted and changed customers' behavior patterns. The popularity of internet and mobile communication devices turns customers away from physical to digital channels and the customer behaviors have become increasingly fragmented. This poses a serious challenge to the operation model and business thinking of traditional financial industry. Thus, the financial holding industry in Taiwan has stepped up its efforts to promote the



development of digital FinTech and is committed to making differentiated and customized financial products and services, in hope to maintain its core competitiveness in the highly competitive financial market.

In response to technological advances and the changing demands of customers in the digital era, the Group actively seeks for changes. Build on our solid and stable professional finance bases, we introduce advanced technology applications and aggressively deploy FinTech patents. We focus on researching and developing technologies for innovative payment measures, transaction security certifications, etc. to secure our competitive advantages in the market.

4. Research and development:

(1) Marketing:

The R&D expenditures of the Company's marketing department were NT\$1,551 thousand and NT\$145 thousand in 2017 and 2016, respectively. In the past two years, the key researches covered innovative service designs and technical demonstration of FinTech, such as Mobile, Blockchain and AI; exploration and implementation of new technology in Big Data; customer operation under digital finance trends, etc.

A. R&D results over the past two years:

a. Customer operation and management mechanism

The Company continues to adopt the customer-oriented business management structure by assigning customer operations to each subsidiaries and prioritizing customers based on their values. Customers are divided into three groups: "high value", "potential" and "general". Differentiated treatment plans are offered based on customer attributes and requirements. Also, in accordance with the annual customer operation focuses, customer operation's key performance management indicators are refined to link more directly to the financial indicators and help to boost profitability of the Group.

In response to the trends of financial digitization and population aging in Taiwan, we focus on managing the young and retired generations and develop financial products or services that meet the needs of all generations. We effectively implement the concept of segment marketing strategy and build a win-win relationship with our customers.

b. One-stop financial service platform

Effectively integrate resources of the Group's subsidiaries, create a unifying financial service platform, and provide customers with the most timely and appropriate products and services:

I. Integrate the digital, online community and offline trading data and customer service text files of Group subsidiaries' customers. Establish a full view of Group customers and use big data analysis to explore their various financial demands.

II. Group subsidiaries have direct access to the automated product recommendation data to fully support the marketing and sales communication of each interaction point.

III. Integrate the digital and physical marketing channels of Group subsidiaries to offer customers a consistent experience.

IV. Establish a cross-subsidiary marketing analysis organization and satisfy customers' various financial service requirements in a timely basis through demand analysis of financial service chain at the Group level and the corresponding cross-channel marketing process.

c. FinTech innovation competition

The competition combines commercial innovations with technical implementations and focuses on the three major areas of "Finance MBA": Mobile, Blockchain, and AI.

Through competition, we connect creativities from manufacturing, government, academia, research, and innovation sectors and encourage the research and development of Fintech. Information is provided to subsidiaries as reference for the development of digital finance products and service applications to accelerate their applications in daily operations.

B. Future R&D plans are as follows:

Continuously integrate and flexibly allocate Group resources and develop advanced financial products and services with distinct features to drive the growth of the core business and expand the scale of customers:

a. Enhance data value:

Further apply the data in the four aspects of Insight, Creative, Engagement, and Measurement: Besides helping get acquainted with historical experience, data provide insights into new business opportunities. With better understanding on customer demands, the creative content used in marketing can be more precise. Utilize different contact methods, e.g. multi-screen and cross-screen, to engage customers in deeper interactions. Use data measurement analysis and real-time information feedback to continuously optimize the customer experience.

b. Accumulate key technology potential:

I. Technology R&D:

Externally seek opportunities of attracting or cooperating with technology companies or new industrial technologies; internally enhance R&D skills and actively execute Fintech patent strategies to secure market competitive advantages.

II. Cultivate potential:

Externally, organize industry/academia collaborations, establish financial exchange platforms on campuses to discover and recruit talents in advance; internally, cultivate big data culture, expand analytical capabilities and produce applications with business benefits.

c. Expand AI applications:

With enhanced AI and machine learning capabilities, the “human-machine collaboration” would be the trend of financial industry reform in the future. AI research aims at four areas of application, including smart investment consultation, smart customer service, security monitoring, and financial supervision. Group employees can then focus more on providing humane services that automation cannot replace.

(2) Risk management

A. Achieve the balance between risks and returns

In order to achieve the balance between risks and returns, HNFHC plans to apply the Risk-Adjusted Return on Capital (RAROC) in evaluating businesses and understanding their risk-adjusted profitability. We can then draft business development strategies beforehand to elevate capital allocation efficiency and measure risk-adjusted performance after the execution of these strategies.

B. Renew the asset-liability management system

We will assist subsidiaries with renewing their asset-liability management systems and enhancing the precision of interest rate risk analysis by reviewing and adjusting the asset-liability management models. We will also strengthen the liquidity risk analysis instruments to enhance our control capacity over asset-liability management.



C. Complete the upgrade of Group's value at risk (VaR) system Complete the upgrade of Group's VaR system, and upgrade and replace related software and hardware to facilitate the output of Group's daily VaR and risk analysis reports, the control over market risk limits of daily trading positions and the stabilization of system operations.

D. Management of non-financial risks

To meet global trends and comply with the main supervision points carried out by the competent international authorities, HNFHC will strengthen its study and management in other non-financial risk specific fields, e.g., operational conduct risk, in order to obtain a better understanding of the Group's overall risk outline.

E. In addition to having a review mechanism at subsidiaries for wealth management and asset management related new products, HNFHC also implements a second review mechanism. This is done to offer customers appropriate products which can create value for them, protect their rights and interests, and maintain Group reputation by fulfilling corporate social responsibility.

5. Long-term and short-term business development plans

(1) Financial management

A. Short-term -

- a. Diversify income sources
- b. Focus on assets and capital utilization efficiency
- c. Innovate financial products and services
- d. Construct a culture of GRC to ensure information security
- e. Fulfill corporate social responsibility.

B. Long-term -

Develop FinTech innovations and a financial institution that is profitable, legally compliant and risk-bearing.

(2) Marketing management

A. Short-term business development plans:

- a. The four directions of customer operation strategy are to focus on developing new customers and young customers, expand the number of important customers, further the active customers' product and business transactions, and increase the use of digital services.
- b. Execute the Group's customer relationship management mechanism, tighten the bond between customers and Group and strengthen the customer structure. In response to the trends of population aging and low birth rate in Taiwan, researches on customer profiles are conducted for the retired and young groups to understand the potential needs and business opportunities of each generation that are directly or indirectly related to the financial industry in order to create diverse and convenient quality services.
- c. Integrate subsidiaries' products and promote marketing campaigns for complex products to satisfy customers' requirements for comprehensive financial products and maximize HNFHC's marketing synergy.
- d. Integrate the Group's marketing resources and publicize the Group's brand image and key products. Use digital advertising to enhance our digital finance brand image.
- e. Establish an "integrated corporate finance marketing team" across subsidiaries to persistently promote integrated corporate finance marketing and boost the volumes of corporate finance business.
- f. Improve the one-stop financial service platform, enhance the depth and breadth of customer data collection, activate the analysis and application of big data, and provide the best personalized content and customized pricing marketing strategies so that the target customers can enjoy

a consistent user experience across all channels and achieve the goal of precise marketing.

- g. Guide employees to garner various business marketing licenses to aggressively strengthen the professional image and business capacity of all employees and attain the goal of marketing across the board.

B. Long-term business development plans:

- a. Continue to increase the ratio of cross-selling businesses to maximize HNFHC's cross-business marketing synergy.
- b. Execute the concept of "provide financial services and products that integrate with customers' life based on internet with technology being the core" to expand the scale of digital customers. Accumulate big data analysis potential in order to accurately pinpoint customers' requirements. Continue to optimize customer experiences, strengthen the promotional performance of the various businesses, and strive to become a sound digital financial institution.
- c. Continue to increase the members of HNFHC's IE Life Reward Points Redemption Platform and expand the redemption business to elevate customer satisfaction in the long run and assist subsidiaries with tightening the bond between customers and the Group.

(II) HNCB

1. Business scope

(1) Details on business items:

- HNCB currently engages in the following business items:
- Accept a variety of deposits (Replace the checking deposits, demand deposits, time deposits, savings deposits, etc. originally listed on the business license with this one).
- Issue bank debentures.
- Engage in loan business (Replace the provision of short-term, mid-term and long-term loans, deposit certificate pledge, and consumer loans originally listed on the business license with this one).
- Engage in note discounting business.
- Invest in securities (Replace the investments in government bonds, short-term notes, corporate bonds, bank debentures and corporate stocks originally listed on the business license with this one).
- Engage in domestic exchange business.
- Engage in commercial draft acceptance business.
- Issue domestic L/Cs.
- Issue corporate bonds with guarantee
- Engage in local guarantee business (Replace the engagement in guarantee business originally listed on the business license with this one).
- Act as a collecting and payment agent.
- Act as an agent to sell government bonds, treasure notes, corporate bonds, and corporate stocks.
- Underwrite securities (Replace the underwriting of government bonds, treasure notes, corporate bonds, and corporate stocks originally listed on the business license with this one).
- Proprietary trading of securities.
- Trade securities for customer accounts.
- Engage in custody and warehouse business.
- Engage in safety deposit box rental.
- Engage in agency services related to the businesses listed in the business license or approved by the competent authorities.
- Engage in credit card business (Replace the issuance of credit cards and the provision of cash advances originally listed on the business license with this one).
- Act as an agent to sell gold bullion, gold coins, and silver coins.



- Trade gold bullion, gold coins and silver coins.
- Engage in export and import exchange, inward and outward remittances, foreign-currency deposits, foreign-currency loans and foreign-currency guaranteed payments.
- Engage in inward and outward remittance and foreign-currency deposits.
- Engage in foreign-currency note and traveler's cheque.
- Engage in derivative financial product business approved by the competent authorities.
- Engage in businesses prescribed by the Trust Enterprise Act.
- Engage in trust business of the Headquarters' dedicated trust department approved by the competent authorities.
- Engage in proprietary trading of government bonds.
- Engage in margin purchase or short sale of securities.
- Engage in short-term bill brokerage, proprietary trading, certification, and underwriting.
- Issue stored-value cards.
- Engage in public welfare lottery agency business approved by the competent authorities.
- Proprietary trading of corporate bonds and bank debentures.
- Proprietary trading of bonds.
- Engage in receivables acquisition.
- Engage in asset-backed beneficiary securities.
- Engage in personal insurance agency business.
- Engage in property insurance agency business.
- Engage in money trusts.
- Engage in the trust of money loans and their security interests.
- Engage in securities trust business.
- Engage in real estate trust.
- Engage in superficies trusts.

- Engage in discretionary investment services in the form of trust.
- Act as an agent to issue, transfer and register securities and to distribute stock dividends, interest and bonuses.
- Offer advisory services for issuance and placement of securities.
- Act as a certifying agent for stock and bond issuance.
- Engage in securities certification.
- Engage in custody business.
- Consigned for custody of securities investment trust funds.
- Offer investment, property management and real estate development advisory services.
- Act as the trustee for bond issuance.
- Act as an agent for the collection and payment of actual transaction funds.
- Receive stored funds.
- Transfer funds between e-payment accounts.

(2) Proportions of main business items

Summary Table of Incomes from Main Business Items

Unit: Millions of NTD

Business Item	2017		2016		Increase/ (decrease)	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
Corporate banking	12,837	25%	12,635	25%	202	2%
Consumer banking	12,243	24%	12,399	25%	(156)	-1%
Financial transactions	6,498	13%	7,752	16%	(1,254)	-16%
Foreign exchange	14,760	28%	12,666	25%	2,094	17%
Trust and wealth management	4,379	8%	3,596	7%	783	22%
Others	1,245	2%	1,159	2%	86	7%
Total main incomes	51,962	100%	50,207	100%	1,755	3%

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

(3) New financial products and services planned to be developed in the future

- Start from customer experience and expand various digital finance businesses to build a solid foundation for digital finance operations.
- Aggressively develop the mobile payment business and align with international standards. Collaborate with different industries, e.g., electronic ticketing or e-payment, to create new business models so as to achieve synergies and build a win-win relationship.
- Plan and execute customer service channel marketing project (including inbound and outbound telephone marketing) to increase cross-selling business and enhance customer loyalty and contribution.
- “Voice to text” is under planning due to HNFHC’s “big data project”.
- Plan and implement the replacement of “full customer service system” project.
- Plan to build the “Smart Voice Dialogue and Navigation.”
- Take advantage of the business opportunities arising from the “5+2” innovative industries initiative promoted by the government and aggressively explore potential corporate customers. Offer customized project financing products as enticements for transacting with HNCB.
- Strengthen the cross-departmental integration functions via the “Urban Renewal Promotion Team,” and partner with largescale construction corporations and real estate management companies to provide urban renewal plans and financing services in order to seize the urban renewal business opportunities.
- Actively introduce young customers, continue to cooperate with Sanrio Company Limited in issuing co-branded cards with Sanrio characters and strive for an opportunity to issue the second HNCB’s department store co-branded card.
- Launch global payment services and actively cooperate with Apple Pay. Initiate JCB HCE mobile phone credit card in the second quarter to be the first issuing bank to launch the HCE credit cards of the three major international organizations.
- Enhance customer’s investment performance with equal weightings in funds and insurance operations. Flexibly adjust the allocation of equity and debt funds in line with market trends to improve the overall profitability of the investment portfolio.
- Enhance the overall quality and quantity of wealth management and advisory personnel and strengthen the marketing capability of counter clerks in order to fulfill the function of full personnel marketing.
- Develop new customers, activate old customers and establish a comprehensive post-sales service procedure. Group customers based on asset scale and attributes, effectively manage customer groups at all levels using diversified activities, and activate and contact the existing wealth management customers.
- Launch the wills execution and estate manager services, as well as the will trust business, to expand the trust product line and explore potential business opportunities.
- Introduce the use of automated tools for securities investment advisory service. It facilitates HNCB to explore young customers through its features of low threshold, low cost and innovation.
- New financial products and services under planning: Plan to initiate a structured product linking one or two of the following four elements: interest rates, exchange rates, commodities, and equity. In principle, the product would adopt the principal-guarantee framework.
- In line with the financial inclusion trend, HNCB would expand its online insurance product line in order to increase the interactive channels for the online customers.



- Support the security needs of life at all stages, strengthen the insurance agents' policy review function, and promote the Wonderful Life Project to build a brand image of health and safety.

2. 2018 business plans:

- (1) Continue to strengthen the deposit quality management in order to maintain HNCB's advantage of low capital cost.
- (2) Continue to explore new customers and solidify the deposit service foundation.
- (3) Evaluate and select appropriate business units to initiate the safe deposit box service or install more safe deposit boxes in order to improve the occupancy rate and thus the service charge income.
- (4) Work in line with the parent company's policies and collaborate closely with sister companies to increase HNCB's cross-selling proportion within the Group and the service charge income.
- (5) Promote physical channel transformation, complete the introduction of a bank-wide smart welcome system, and apply the latest digital FinTech to connect online and offline customer experience so as to enhance the quality of customer service.
- (6) Build the foundation for "Financial MBA Era":

A. Financial MBA Era - M (Mobile)

- a. Expand the mobile banking user base.
- b. Promote Taiwan Pay application and introduce bill payment service. Align with global trends by increasing the popularity degree of mobile payment and create a friendly and convenient payment environment.

B. Financial MBA Era-B (Blockchain)

Participate in the blockchain e-confirmation letter project of Financial Information Service Co., Ltd. and work with industry players in developing the application standards and message formats of blockchain to create a blockchain financial ecosystem.

C. Financial MBA Era-A (AI)

Incorporate AI services into mobile banking, e.g. smart customer service, VIP wealth management services, etc.

- (7) Plan and execute customer service channel marketing project (including inbound and outbound telephone marketing) to increase cross-selling business and enhance customer loyalty and contribution.
- (8) "Voice to text" is under planning in line with the financial digital development in order to provide novel customer service experiences.
- (9) "Voice to text" is under planning due to HNFHC's "big data project".
- (10) Plan and implement the replacement of "full customer service system" project.
- (11) Continue to adjust the New Taiwan Dollar loan structure under corporate finance, increase the number of profitable SME loans and take advantage of the various policy-oriented preferential loan projects and credit guarantee mechanisms to reduce HNCB's credit risks and enhance competitiveness in SME credit business.
- (12) Actively promote syndicated loan business where HNCB acts as a leading and managing bank. Strengthen HNCB's cooperation with financial peers in international syndicated loans on top of cultivating quality customers in order to improve the Bank's market share in the syndicated loan market and increase service charge incomes.
- (13) Increase fee incomes from corporate finance, strengthen the professional knowledge and marketing capability of corporate finance personnel and offer customers tailor-made financing proposals to expand the sources of service charge revenues.
- (14) Take advantage of the business opportunities arising from the 5+2 innovative industries initiative promoted by the government and aggressively explore corporate customers in relevant industry. Offer customized project financing products to strengthen the bonding between customers and HNCB.

- (15) Provide various green energy preferential loan projects or special quotas in line with government's green energy policy to support the development of green energy industry, and evaluate and participate in syndicated project financing of green energy industry (offshore wind power, solar power). Incorporate SME credit guarantee mechanism whenever necessary to strengthen risk management and control measures and enhance the HNCB's competitiveness in green energy financing business.
- (16) Continue to promote online e-financing operations, strive for financing opportunities within the customers' supply chain, and cultivate new customers through the online financing promotion activities and the supplier lists of center factory. Explore new customers, tighten the bonding with customers and increase the average financing balance and revenues of this business.
- (17) Expand the self-liquidating loan businesses and reward business units for actively searching for customer sources via the development supplier list and regular promotion activities. Also, strengthen cooperation with financial industry peers, search for large receivables acquisition sources and increase the credit business volumes and revenues.
- (18) Through the "Urban Renewal Promotion Team", HNCB takes the initiative to work with Chung Hwa Real-Estate Management Co., Ltd. and the Ministry of Trust and actively visits local construction and autonomous urban renewal committees to promote urban renewal and reconstruction of dangerous and old residential buildings so as to enhance the visibility of our urban renewal business and increase the Bank's income from deposits, loans and trust business.
- (19) Aggressively expand our overseas presence: Increase overseas footholds and profit contribution.
 - A. Greater China Region:
 - Incorporate leasing and cross-selling with Group subsidiaries and utilize existing business locations in Shenzhen, Shanghai, Fuzhou, Baoan, etc., to expand our presence in the Greater China Region.
 - B. Southeast Asia Region:
 - a. Actively strive for the upgrade of Hanoi Office in Vietnam to a branch.
 - b. Keep an eye on the development trends of ASEAN emerging countries and carefully assess the feasibility of establishing branch agencies, mergers, acquisitions or equity participations.
- (20) Center on the quality mortgage loan groups of sound financial standing and target on the "revolving mortgage" and "mortgage life insurance" to increase the contribution of high-quality customers.
- (21) Respond positively to the government's "reverse mortgage" policy, promote our image as devoting to social welfare, and provide senior citizens with diverse selections and security over living funds. Continue to promote "Good Luck Home Credit" and "Wonderful Life Loan" with the latter being scheduled to add 15 and 25-year insurance guarantee periods, aiming at providing comprehensive care to seniors.
- (22) Expand credit business with higher interest rate spreads. Continue to promote the "Quick and Easy Loans", an e-loan application, credit loans and revolving loans, and push for centralized review loans so as to raise the amounts and service charge income of other personal finance.
- (23) Continue to proceed with the top-level customer engagement programs. Issue prestige VIP cards charging annual fees to distinguish consumers at the top of economic pyramid. Use product packaging to present a high-class, luxurious experience and secure the high-spending customers group.



- (24) Establish comprehensive customer services for credit card business and promote suitable credit card products to different customer groups.
- (25) Continue to cultivate consumer channel concessions in areas such as food, tourism, wholesale, 3C, online shopping, fuel, and department stores to enhance card owner contribution levels and actively expand new cooperation channels, e.g. the medicine and cosmetics channels, health care, etc.
- (26) Adjust customers' allocation of funds and insurance flexibly in accordance with changes of market conditions and provide customers with more diverse investment strategy options.
- (27) Comprehensively enhance the quality and quantity of personnel in physical channels and explore customer groups at digital virtual channels through diversified marketing campaigns.
- (28) Develop new customers, activate old customers, offer wealth management review services and establish a comprehensive post-sales service procedure. Group customers based on asset scale and attributes, effectively manage customer groups at all levels using diversified activities, and activate and contact the existing wealth management customers.
- (29) HNCB launches a new type of account service which combines deposits with the value-added features of money market funds to meet the customers' needs for wealth management and spending.
- (30) Add foreign funds with subsequent service charge collection as trustee investment subjects to enhance trust product diversity.
- (31) Strive to win business opportunities from retirement security demands. Continue to promote safety and health-care trust, and incorporate individual investment products, loans, and credit cards to create happy lives for customers.
- (32) Properly adjust the allocation of excessive NTD current assets and elevate the yield of current capital.
- (33) Strengthen foreign-currency securities investments in line with changes of international financial status and increase capital gains and dividend incomes.
- (34) Flexibly leverage the net FX Swap position to increase HNCB's income.
- (35) Focus on larger-scale credit risk-free professional customers whose primary need is hedging supplemented by financial operations. Steadily promote exchange rate derivative financial commodity businesses and increase product diversity, especially the low-risk principal-guarantees products, to satisfy customers' investment needs under risk considerations.
- (36) Understand market trends and products and represent quality and competitive products in order to satisfy customers' needs for insurance, wealth management and security.
- (37) Extend the Wonderful Life project and provide appropriate insurance product combinations to the targeted groups of youth, middle-aged, prime and retired generations. Tie in with the integrated marketing on all sorts of personal finance products to satisfy customers' needs for wealth management products and enhance HNCB's market penetration.
- (38) Continue to promote policy-oriented products, i.e. medical protection products, including micro insurance, long-term care and disability assistance, in order to enhance HNCB's brand image.

3. Industry overview: Current status and development of the industry

The fierce competitions among banks in Taiwan limit the growth potential of profitability. Thus, many banks have aggressively expanded their markets overseas. However, given that China's economy has slowed down and the industrial restructuring has continued, Taiwanese enterprises have shifted to emerging countries in the Southeast Asia. Banks have gradually turned their focus to countries such as Philippines, Cambodia, Thailand, Indonesia, etc. where Taiwanese enterprises have clustered and the local financial industry is developing slowly.

4. Research and development:

- (1) R&D costs in the past two years: NT\$11,222 thousand in 2016 and NT\$10,148 thousand in 2017. Primarily used for commissioned survey and research, printing and binding costs, lecture fees, article fee, and newspaper and magazine subscriptions.
- (2) R&D items over the past two years: A total of 127 cases have produced results, which significantly enhance HNCB's business performance, operational efficiency, and service quality. In the future, HNCB will continue to encourage employees to conduct R&D work in order to generate excellent performance and contribute to business success.

5. Long-term and short-term business development plans:

(1) Short-term business development plans:

- A. Construct a deposit structure good in both quality and quantity and increase service charge income.
- B. Build the foundation for "Finance MBA era" and seize the FinTech business opportunities.
- C. Adjust the corporate finance loan structure and increase the amount of SME loans with higher profitability.
- D. Actively promote syndicated loan business where HNCB acts as a leading and managing bank. Improve the Bank's market share in the syndicated loan market and increase service charge incomes.
- E. Reinforce the integration of financial product marketing services through the corporate finance integrated marketing team to provide customers with well-rounded financial service planning and elevate high-end customers' contribution.
- F. Raise the interest, service charge and commission income of personal loans and maintain mortgage loan quality. Continue to improve the mortgage and mortgage life insurance business of the elite customer group, and organize preferential mortgage loan projects.

G. Increase engagement in high-spread products, initiate other personal loan enhancement projects such as resolving mortgage, and utilize promotion via network technology and news media and mass communication via social platforms to enhance product marketing.

H. Adjust the investment position according to the customers' risk tolerance, assist the customer to stay profitable or discard underperforming products through asset reallocation and increase the wealth management service charges at the same time. A win-win situation for the customer and the Bank.

I. Continue to expand the wealth management and advisory personnel, and strengthen the function of advisory personnel at the channel center to enhance the sales skills and performance of wealth management personnel within the jurisdiction.

J. Strengthen customers' awareness of foreign bonds and use funds and insurance as part of the asset allocation plan for customers.

K. Promote marketable products, provide various insurance product services, and utilize HNCB's advantages of engaging in property insurance and life insurance agency business to improve the Bank's profit and customer service.

(2) Long-term business development plans:

A. Continue to push for operating unit transformation plan to elevate the channel effect.

B. Increase cross-industry cooperation, develop brand new business models and construct digital life circles. Incorporate banking services into customer's daily life and enhance their digital financial experience.

C. Plan to build the "Smart Voice Dialogue and Navigation."

D. Continue to adjust the Bank's revenue structure. Actively explore corporate finance service charge sources and increase the proportion of risk-free service charge sources.



- E. Integrate personal finance products and differentiate target customers based on their stages of life. Use sub-group marketing to strengthen the debt and wealth management services and satisfy the diversified financial needs of customers from different generations.
- F. Provide customers with a full range of products and services and comprehensively improve the quality and quantity of personnel at physical channels to satisfy customer's needs for integrated planning.
- G. Continue the promotion of digital marketing activities. Use social media, video and audio platforms and big data analysis and incorporate robot advisers to increase the number of products purchased by the young and general customers and boost their contribution.
- H. Establish the Bank's image as the trust business brand for the elderly.
- I. In response to the New Southbound Policy, apart from continuing to apply for the upgrade of Hanoi representative offices to a branch, the Bank assesses the possibility of establishing branches in the Southeast Asia to participate in local economic growth, serve local Taiwanese enterprises and enhance the Bank's performance in profitability.
- J. Continue to further the management of various customer bases. Provide customers with comprehensive insurance services through the introduction of quality products and insurance policy reviews.

(III) HNSC

1. Businesses scope:

(1) Main businesses items:

- Consigned trading of securities in the stock exchange market.
- Consigned trading of securities at its business premises.
- Proprietary trading of securities in the stock exchange market.
- Proprietary trading of securities at its business premises.
- Underwrite securities.
- Act as an agency to handle stock affairs for securities firms.
- Securities trading, margin purchases, and short sales.
- 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 advisory services on asset allocation and financial planning, or sales services on financial products.
 - B. Execute asset allocation for customers via trust.
- Other securities related businesses approved by the competent authorities.

(2) Revenue proportion of main business items over the past two years:

Unit: Thousand NTD

Business item	2017		2016	
	Amount	Proportion	Amount	Proportion
Brokerage	2,567,839	82.66%	1,852,280	88.20%
Underwriting	61,658	1.98%	78,792	3.75%
Proprietary business	477,078	15.36%	168,997	8.05%
Total	3,106,575	100.00%	2,100,069	100.00%

Changes in revenue contribution of main business items are as follows:

- A. Brokerage business: The average daily volume for the overall stock market in 2017 was approximately NT\$135.82 billion, a growth of 38.76% compared with NT\$97.88 billion in 2016. HNSC's average market share for 2017 was 3.09%, exceeding 3% for the first time, and represented a 13.60% growth compared with 2.72% in 2016. The performance put HNSC as one of the top ten brokers (the ranking in

monthly brokerage market share has even risen to No. 8 last year). The achievement rate of net brokerage fee income was 126.09%. This was mainly due to the robust Taiwan stock market in the second half of 2017. The annual growth rate of our heavy users (with buying and selling transactions) ranked first in the industry and the financing balance has risen from over NT\$6 billion in 2016 to NT\$10 billion by the end of 2017. Significant increases in financing clearly buoyed the overall performance. The increase in both the brokerage and financing market shares also ranked first in the industry. The overall brokerage revenue increased from NT\$1,852 million in 2016 to NT\$2,568 million in 2017. The pre-tax profit was NT\$926 million and the achievement rate was 182.16%.

B. Underwriting business: The underwriting income for 2017 amounted to NT\$61,658 thousands, a 21.75% decrease from 2016 as four IPO lead underwriters postponed their cases to 2018. This resulted in a lower-than-expected IPO cases and a significant decrease in underwriting fee income. However, as expenses declined comparing to 2016, the pre-tax loss was NT\$-13,058 thousands, a turn from the profit in 2016. The achievement rate was -135.76%.

C. Proprietary business: Proprietary business generated pre-tax profits of NT\$215,103 thousands in 2017, a significant increase from the NT\$-29,155 thousand in 2016. HNSC was out of red mainly because the proprietary business unit had well-selected stocks and outperformed the market index in the second half of 2017. In addition, HNSC aggressively increased the proportions of corporate bonds to boost interest revenue in the first half of 2017. In the fourth quarter, the government bonds were settled as yields declined.

(3) New financial products and services under planning:

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, proactively working on research and planning, and cultivating required talents. In 2018, HNSC will evaluate and plan the following new products and related businesses according to the progress made by the competent authorities of lifting related laws and regulations:

A. Promote trust type wealth management businesses: In response to the popularization of digital financial trends and mobile devices, a mobile device trading platform is built to provide customers with more convenient transaction and asset management services to attract more customers. Also, we take advantage of the trust platform to continuously increase the wealth management products, increase customers' investment allocation options, and create a source of income for the trust business.

B. Aggressively develop a well-rounded investment banking business: Encouraged by the government to transform securities firms into investment banks, HNSC has developed its financial advisory business to include services such as corporate reorganizations, acquisitions, or mergers. Other broadly defined brokerage and underwriting businesses are also included to move toward establishing a well-rounded investment bank.

C. Promotion of re-commissioned business: Accompany the direct selling (DS) teams to visit corporate customers, compile market reports regularly, entice corporate customers to place orders and explore new corporate customers. Promote cross-selling between securities and banking business through marketing activities and increase customer engagement. Continue to develop potential customers with the help of sales assistant team and to accompany visits to key customer. Attract business associates to promote channels for overseas bond sales through the sharing of successful case.



- D. Increase the types of fixed income instruments for bond business: In terms of spot market, consider the financing costs and sources of funds. Besides the existing US dollar bonds, an expansion to include Euro bonds is under consideration. In terms of futures market, the main focus is on the sovereign bond futures at North America and Western Europe. In addition to the US Treasury bond futures currently in operation, an expansion to include government bond futures of Germany, France, and U.K. is under consideration.
- E. Aggressively participate in market making activities covering futures, TAIFEX, individual stock options, and ETF: The financial commodities department and futures trading department will continue to promote market making activities so as to activate Taiwan's future related commodity transactions.
- F. Design and promote financial derivatives such as call/put warrants, asset swaps and structured products.
- G. Overseas Taiwanese enterprises return to Taiwan for IPO: In conjunction with the government's offer of preferential terms to encourage overseas Taiwanese corporations to list their stocks in Taiwan, the Underwriting Department intends to actively contact overseas Taiwanese entrepreneurs through various channels, including the Hong Kong base, attorneys, and CPA firms, to help the entrepreneurs list stocks in Taiwan.
- H. Study the feasibility of introducing the new-type offshore securities units (OSU) business to expand the space of business operations.

2. 2018 business plans:

Looking into 2018, the monetary policy of central banks of the European and American countries has begun or is preparing to move from easing to tightening. However, as inflation has not reached the inflation target set by the central banks of the countries, it is generally expected that the central banks will remain cautious where the monetary policy is concerned. After the U.S. raised interest rates at the end of 2017, the market expects interest

rate to rise three times this year. The base rate will reach between 2% and 2.25%, and the pace of balance sheet reduction will also be moderate. The European Central Bank will cut the scale of bond purchases to 30 billion euros per month earlier this year. The bond-buying plan will exit the market by the year end. However, interest rate is expected to rise no sooner than next year. As for Japan, which has the weakest inflation, it is difficult to change its ultra-loose monetary policy position in short term.

According to the latest Global Economic Prospects released by the World Bank, 2018 global economic growth rate is forecast to be 3.1%, the most optimistic figure over the past seven years. However, the World Bank also warns that global economic growth seems to have peaked. The aging population in China and other countries, the lack of investment, a slowing in productivity gains and tightening monetary policy may limit the economic expansion. The main drives in global economic expansion, i.e. emerging and developing economies, might have hit the limit and its contribution to the global economy will weaken in the future. The World Bank projects the growth in emerging market and developing economies as a whole to be 4.5% in 2018. The fastest-growing region this year is the East Asia and Pacific region. The economic growth rate is expected to be 6.4% in China and 7.3% in India. In contrast, the outlook of developed economies is not optimistic in 2018. The estimated growth rate is expected to slow down from 2.3% in 2017 to 2.2% in 2018. This is mainly due to the gradual exits of the easing measures adopted by the central banks of advanced countries and weakening investment. Nevertheless, the world's leading economy, the United States, is expected to benefit from President Trump's US\$1.5 trillion Tax Cuts and Jobs Act. The growth rate in U.S. is projected to be 2.5% in 2018. Domestically, the Directorate-General of Budget, Accounting, and Statistics estimates the economic growth rate of Taiwan to be 2.29% in 2018, which is lower than the 2.58% in 2017. Several major domestic institutions also hold slightly more conservative views than last year. However, the economic growth in Taiwan is still full of uncertainties, including the trend of global monetary policy, the impact of hot money

movement, the trend and volatility of exchange rates, China's economic development and the cross-strait relations, the implementation rate of the government's Forward-looking Infrastructure Development Program, the policy preference of the new central bank governor, etc. Their impact on the subsequent performance of the domestic economy is remained to be observed.

Looking ahead to the global stock market this year, with strong economic growth, U.S. tax reforms, and solid corporate fundamentals, experts are optimistic about the continuity of the bull market in the U.S. and Europe. The prospects of emerging markets are also promising. However, we must keep an eye out for risks from the increasing global inflation, monetary tightening and asset bubble. There are indications that the 8-year bull market of stock and risk assets have reached the end and a large-scale corrections may occur this year. As for the Taiwan stock market, which still synchronizes with the US-led international stock market, the government will continue to implement concessional measures, such as day trading transaction tax. Unreasonable tax regulations, e.g., different taxes for domestic and foreign investments, are expected to be modified. Those are measures taken in hope to bring back participants and boost the stock market. HNSC shall remain prudent, tighten control on risks and make cautious response in order to stay profitable. HNSC's operating principles are as follows:

- (1) Adjust the operating models of branch offices in line with the Financial 3.0 Digital Era. Educate and transform existing salespersons into comprehensive wealth management specialists. Promote relevant wealth management products, such as funds and insurance, and offer customers more product selections. Strengthen the channel marketing strategy in Taiwan and improve channel performance.
- (2) Establish a digitalized channel service center team to strengthen guidance and assistance for digital transformation of business units.
- (3) Expand the corporate service team, enhance the service quality of key corporate clients and focus on in-depth operations to improve business performance.

- (4) Reduce operating costs through channel mergers and relocations, and seek acquisition opportunities to increase HNCB's market share.
- (5) Integrate related study resources, steadily conduct stock proprietary trading and strictly abide by the stop-loss mechanism.
- (6) In conjunction with the lifting of laws and regulations, continue to promote new types of businesses, such as "unrestricted-use capital loan" or "securities firm entrusted fixed time and amount securities trading", to increase relevant niches.
- (7) Promote key businesses, e.g., OSU and trust-type wealth management, at international securities branches.

3. Industry overview

The status and development of the securities industry are briefly described as follows:

- (1) The industry consolidation continues, and the total number of securities firms has been decreasing each year. In addition to the continual consolidation of large brokerage or financial holding companies by professional brokers, as e-trading gradually matures, the proportion of corporate transactions continue to grow. Based on the consideration of enhancing single branch's competitiveness, some brokers begin to adjust the distribution of their business bases, and mergers among their branches are also taking place.

List of securities firms in recent years

Year	Item	Total number of securities firms		
		Headquarters	Branch	Total
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
2016		138	951	1,089
2017		132	913	1,045

Source: Website of Taiwan Securities Association



The local securities industry has encountered the problems of withering trading volumes, international competition, and the offshore relocation of many securities firms. Therefore, the organizational development strategy of HNSC will head in the direction of financial holdings or strategic alliances. As for business development strategy, HNSC will move towards new businesses such as wealth management, cash deposit accounts, trusts, etc. Thus, HNSC will move towards new directions in terms of organization, business and products.

(2) Booming development of securities firms' network and mobile e-trading

The proportion of e-trading in HNSC has reached 58.2% of the total transaction volume by the end of 2017. In terms of mobile trading, it accounts for 49.2% of the overall e-trading by the end of 2017. The high-growth figure indicates that HNSC's e-trading system has been well-received and recognized by customers and the market.

With the emergence of Fintech, HNSC has launched two mobile apps, Hua Nan Smart Stock Advisor and Hua Nan Smart Trader, in 2017 offering innovative solutions in today's fast-paced marketplace. Smart Stock Advisor utilizes patented SMART stock scoring system and easy-to-navigate radar filter interface that sift through vast amounts of data to deliver timely information to help clients make better informed investment decisions. Smart Trader is the first app to the industry that boasts back-testing features that help clients evaluate the performance of trading strategies before making real trades. On top of launching industry leading apps in the market, HNSC also won the "Best in Fintech" award of excellence in 2017, all of which demonstrates our continued commitment to better serve our customers through technology.

(3) In response to the Financial 3.0 Digital Era, HNSC will gradually adjust the branch business model as follows:

- A. Miniaturize operation sites using the concentrated order acceptance center concept. Reduce the number of employees within branches to cut down operating expenses.
- B. Encourage customers to abandon the traditional manual ordering method and adopt e-trading so that salespersons do not have to stay at the operating center to receive orders.
- C. Educate and transform existing salespersons into comprehensive wealth management specialists. During the trading hours, they can team up and explore businesses externally, take care of customers' specific needs in terms of services and products, enhance service quality, create customer loyalty, and boost sales.

4. Research and development

The future R&D focuses of HNSC are planned as follows:

- (1) Nurture mobile services: Continuously optimize the mobile trading platform to provide the best service experience, including the construction of mobile salesperson app, e-counter, and the mobile trading system for wealth management and re-commission system to provide comprehensive online mobile banking services.
- (2) Strengthen community management: Continuously deepen the Line@ services, bind customer e-trading accounts through Line@ groups, and answer customer account enquiries, wealth management information, e-counters for securities, stock-picking push and other related services. Introduce semantic robots, utilize diverse community platform, increase customer touchpoints, cultivate social media operations, and create new value for channels via resource integration using virtual and physical services to enhance customer satisfaction.

- (3) Big data analysis and application: Employ tools of financial holding Big Data systems and environmental analysis, generate accurate profiles of customers, assist salespersons in understanding customers, and enhance service quality to achieve precision marketing.
- (4) Build mobile online E-counter: Build an APP Portal platform to offer regular fixed time and amount transactions, all-purpose loans, two-way security lending, online account opening, and other services. Introduce services enabling customers obtain certificates, e-statements, document execution, e-passbook, etc.
- (5) Implement the competent authority's openness policy: Provide unlimited money borrowing, securities firm entrusted fixed time and amount securities trading, and digital central depository book assignment to provide diversified services to customers.
- (6) Establish a proper AML/CFT system: To improve the AML/CFT procedures, HNSC has signed a system construction contract with SYSTEX Corporation on December 15, 2017. The "AML, Anti Money Laundering" system developed by SAS Institute Inc. will be adopted to strengthen the monitoring of accounts and transactions, and detect suspected money laundering and terrorism financing transactions. The system is expected to be ready by June 2018.
- (7) Enhance and strengthen information security: Plans to replace Log Server at the Headquarters are ready. The Banqiao IDC and Shenyi IDC will use brand new Log Servers to retain necessary Log data and meet the requirements for non-repudiation and retention period. It also introduces active protection from malicious software on the DNS and conduct social engineering exercises to ensure network security and prevent data leakage.
- (8) Enhancements to the software and hardware of the warrants market making system: The Taiwan Stock Exchange Corporation plans to implement the stock one-by-one matching mechanism by 2019, which will impact warrant-type financial commodity business. We will gradually enhance the software and hardware of the warrant market making system this year.
- (9) Combined the professional knowledge of the Overseas Commodity Unit, Financial Commodity Unit, and Futures Self-Operation Unit and committed to the financial commodity arbitrage R&D endeavors and developed the spreads, arbitrage, and hedging computer trading programs for a variety of new financial derivatives. Use technical judgments such as artificial intelligence graphs to master long-short operational directions and grasp the perfect trading times to maximize profits.
- (10) Promote trust type wealth management businesses: In response to the popularization of digital financial trends and mobile devices, a mobile device trading platform is built to provide customers with more convenient transaction and asset management services to attract more customers. Also, we take advantage of the trust platform to continuously increase the wealth management products, increase customers' investment allocation options, and create a source of income for the trust business.
- (11) Promoted the OSUs. We will employ additional professionals to promote the relevant businesses and increase our niche.
- (12) The Hua Nan Securities Investment Management subsidiary has conducted in-depth research in the fundamental, technical, and financial aspects of global financial, domestic and international economy, industry, and individual company information to master the investment trends and avoid risky industries. In addition to bringing out relevant investment publications and organizing investment seminars regularly, we also provide financial holding group related unit investment information and credit references.
- (13) Planned the following relevant information system planning:



A. In conjunction with the blueprint of digital financial environment, Bank 3.0, of HNFHC and HNSC, we built a complete digital financial environment and will gradually work towards the following goals:

- a. Establish a digital trading environment.
- b. Establish AI Interactive customer service center.
- c. Make good use of the digital marketing system.
- d. Deepen the social media management and marketing.
- e. Master the FinTech development trends and plan for related technologies and services.
- f. Make good use of the financial holding's big data project platform to provide digital marketing services.
- g. Use business intelligence analysis platform for real-time performance management.

B. Planning for construction of overseas re-commissioned web trading platform: Construct the multi-nation trading platform that enables clients to make trading operations for a variety of commodities simultaneously on the same platform. The NTD currency pricing subsystem is also being built to increase transaction convenience for customers.

5. Long-term and short-term business development plans

(1) Short-term strategies: Balance the development of respective businesses covering brokerage, underwriting, proprietary trading and new financial commodities. Promote new types of businesses related to financial management and march ahead to become one of Taiwan's top 10 securities firms in terms of operating profit.

(2) Mid- and long-term strategies:

- A. Brokerage business: Complete merging of channels and expand new-type businesses.
- B. Investment banking business: Strengthen underwriting business and expand capital size.
- C. Asset management: Broaden capital management scale and enhance operation management efficiency.

D. Financial innovation: Strengthen financial engineering capacity and introduce new financial products both at home and abroad.

E. Corporate e-operations: Establish various Bank 3.0 systems, integrate corporate resources and elevate operation efficiency.

F. Risk management: Monitor risk-adjusted assets to reduce operational risks.

(IV) SCIC

1. Businesses scope:

(1) Main businesses items:

- Fire insurance:

Commercial fire insurance

Commercial fire comprehensive insurance

Commercial fire supplement insurance

Residential fire and earthquake basic insurance

Residential comprehensive 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 property insurance

- Health and personal injury insurance:

Health insurance

Injury insurance

Travel comprehensive insurance

Travel agency liability insurance

Employer compensation contractual liability insurance

2. Business proportion

Proportions of main business items in the past three years:

Unit: Thousands of NT dollars

Year Item	2015		2016		2017	
	Amount	Weighting (%)	Amount	Weighting (%)	Amount	Weighting (%)
Written premium income	7,846,497	95.08	8,378,902	95.20	8,606,403	94.70
Fire insurance	1,269,429	15.38	1,391,949	15.82	1,415,064	15.57
Marine insurance	572,786	6.94	564,183	6.41	533,863	5.87
Auto insurance	4,850,502	58.78	5,195,081	59.02	5,329,534	58.64
Casualty insurance	647,434	7.85	679,300	7.72	711,174	7.83
Health & personal injury insurance	506,346	6.13	548,389	6.23	616,768	6.79
Reinsurance premium income	405,711	4.92	422,736	4.80	481,810	5.30
Total	8,252,208	100.00	8,801,638	100.00	9,088,213	100.00

3. New products and services under planning

SCIC will continue to develop new products according to the requirements of varying markets in 2018 to satisfy consumers' varying requirements and offer them a wide selection of products. The newly-planned products are as follows:

Product Name
Long-term leased auto insurance
Comprehensive residential insurance with clause on housework chore agency cost
Jeweler's block comprehensive insurance with clause on general exhibition
Crop insurance
Fine arts all risks insurance with clause on famous wine
Fine arts all risks insurance with clause on private collection
Three-year term personal injury insurance
Personal sudden illness and injury 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 SCIC. Therefore, the related R&D expenses have been included in the annual business expense items.

2. 2018 business plans:

- (1) Expand the market share: Develop regional insurance brokerage/agency businesses, further cultivate and expand business with banks and life insurance channels and increase the proportion of channel sales. Increase the scale of B2B and B2B2C, expand the business organization and operation teams, and continue to introduce innovative products to boost revenue.
- (2) Enhance the overall information management efficiency and improve the information security control mechanism: Construct a B2B system for travel comprehensive insurance, mobile assessment system for vehicle insurance claim, e-policy application system, etc. to enhance the overall information management efficiency. Also, complete information security enhancement project, e.g. security management over mobile devices and data security of personal computer, to enhance the security capabilities of mobile devices and personal computers.
- (3) Implementation of legal compliance, internal control, internal audit, and risk control: Raise legal compliance awareness and implement the internal control and internal audit system to comply with laws and regulation. Carry out performance evaluation of legal compliance and risk management. Continuously apply data science and technology to develop key risk control and management indicators for business units, and request respective units to literally execute the loss reporting operation.
- (4) Anti-money laundering and counter-financing of terrorism (AML/CFT): Formulate relevant policies and guidelines on AML/CFT for each department to follow. The chief compliance officer of the headquarters is the chief AML/CFT compliance officer, personnel of the legal compliance department are the dedicated AML/CFT personnel and each department (including branches) has an AML/CFT supervisor in place. All of them have completed the AML/CFT training and education in accordance with regulations.



(5) Strengthen the promotion and management proficiency of the Personal Information Protection Act: Comply with the amendments to regulations related to Personal Information Protection Act to formulate internal operation standards and facilitate legal compliance of relevant units. Strengthen data access and network transmission control mechanisms to achieve the personal data management effects.

(6) Enhance asset investment allocation and increase investment income: Promote bond investment and prudently adjust stock allocation in order to stabilize investment gains, increase capital efficiency and raise the overall revenue.

(7) Optimize the service quality and efficiency of the customer service center: Provide diverse personal online insurance services through eCover e-commerce network, increase online customers, improve online insurance performances, and establish multimedia integrated customer service centers, which integrate interactive functions such as voice, e-mail, etc., to enhance service effectiveness.

(8) Fulfill corporate social responsibility: Continue to promote public welfare activities and have the Hua Nan volunteers organize or assist in the various charity activities based on event nature. Provide care to disadvantaged groups and donate to charity organizations and social welfare foundation in order to take practical action in caring for the disadvantaged groups.

3. Industry overview: Elaborate on the industry's current status and development

The written premium income of the entire property insurance market was NT\$155.98 billion in 2017, an increase of 7.44% from 2016. For SCIC, the written premium income was NT\$8.606 billion in 2017, an increase of 2.72% from 2016. The premium income increased by NT\$228 million, and the market share was 5.52%.

4. Research and development: List the R&D expenditures and results over the past two years and roughly describe future R&D plans.

(1) R&D expenditures and results on new insurance products over the past two years

SCIC's new products have been developed by its product development workforce. The key products developed over the past two years are as follows:

Product Name
Auto third party liability insurance with clause on additional disability liability.
Shop Comprehensive Insurance (Type A)
Clause on earthquake excess indemnity insurance
Contractual liability coverage for counterfeit product from online shopping
Elderly and handicapped welfare agency comprehensive insurance
Jeweler's block comprehensive insurance
Cancer health group insurance
Daily hospitalization expenditure medical group insurance
Personal injury insurance, clause on cycling contest or performance.
Personal injury insurance (Type A) with clause on facial damage.
Comprehensive motorcycle insurance
Clause on vehicle roadside assistance expense
Clause on compensation for loss in real estate price due to specific incidents
Residential comprehensive insurance with clause on the use of green building materials.
Jeweler's block comprehensive insurance with clause on exhibition venue.
Data protection insurance
Electronic and computer crime comprehensive insurance
Travel comprehensive insurance with clause on loss of mobile phones due to theft.
Travel comprehensive insurance with clause on losses due to credit card fraud.
Injury group insurance (standard) with clause on nursing cost payment.

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

(2) Future R&D plans:

We plan to develop new products based on different market demands in order to satisfy consumers' varying requirements and choices. The newly planned products include: long-term leased auto insurance, comprehensive residential insurance with clause on housework chore agency cost, jeweler's block comprehensive insurance with clause on general exhibition, crop insurance, fine arts all risks insurance with clause on famous wine, fine arts all risks insurance with clause on private collection additional, three-year term personal injury insurance and personal insurance covering sudden illness and injury. Also, SCIC will continue to strengthen information system integration and improve e-commerce marketing efficiency.

5. Long-term and short-term business development plans

(1) Business guidelines

- A. Expand business organization and scale, and increase market share.
- B. Adjust business structure and increase the proportion of quality business.
- C. Optimize the functions of information system and enhance automation processes.
- D. Continue to organize training for key personnel and prepare talents for management positions.
- E. Enhance capital utilization and improve investment returns.
- F. Strengthen risk management mechanism and carry out corporate governance.
- G. Continue to participate in public welfare activities and fulfill our corporate social responsibilities.

(2) Business objectives

The premium income of SCIC in 2017 was NT\$9.088 billion, including NT\$8.606 billion of written premium income and the re-insurance premium income of NT\$482 million. The average

claim ratio of insurance was 57.22%. The 2017 operating income was NT\$6.964 billion, covering the net premiums earned of NT\$6.013 billion, the net investment profit of NT\$343 million, and other operating incomes of NT\$608 million. The 2017 operating cost was NT\$4.701 billion, covering the net claims incurred of NT\$3.237 billion, the net changes of liability reserve of NT\$125 million, and the other operating costs of NT\$1.339 billion. The operating expense was NT\$1.503 billion, operating profit was NT\$759 million, net non-operating income was NT\$11 million, and pre-tax profit was NT\$770 million. After deducting the income tax expense, the net after-tax income was NT\$671 million, with which the after-tax net income per share was NT\$3.35, return on assets was 3.80% and return on shareholders' equity was 14.48%. The budget achievement rate was 107.40%.

(3) Important operating policies

A. Business development:

- a. Expand the scale of business organization and teams, and enhance the professional knowledge and marketing capabilities of the operating personnel.
- b. Continue to develop new business channels and increase the proportion of quality channel business. Secure car dealership business and explore new dealers to improve the sales of regional insurance brokerage and agency businesses. Moreover, aggressively develop and expand the B2B and B2B2C online trading platforms to improve the proportion of online insurance businesses.
- c. Continue to optimize the e-commerce network and strengthen membership liaisons. Employ the electronic discount coupon system to conduct promotions and enhance the scale of the e-commerce business.



- d. Participation in the “Insurance Industry Prominence Award” competition in which SCIC won the “Risk Management Project Planning Prominence Award” recognition for numerous years in the “Best Insurance Profession” and “Best Insurance Product Innovation” fields.

B. Risk management:

- Continue to advance the key risk control indicator of respective businesses to literally enhance the effectiveness of sales unit’s risk control.
- Continuously review risk management mechanism and stress test scenarios to strengthen SCIC’s solvency.
- Continue to promote the integration of internal audit, legal compliance and risk management functions and strengthen the Risk Self-Assessment (RSA) method to effectively reduce the legal compliance risk and elevate internal control efficacy.

C. Expense control:

- Use energy-saving lights, increase switch circuits and replace old air conditioning systems during office relocations and decorations to reduce electricity costs.
- The Headquarters would enquire about the prices of copying papers from numerous vendors and make purchases for the entire company to receive volume discount and save costs.
- Continue to strictly implement the annual cost budget management system, execute the cost allocation mechanism, require units to strictly control cost expenditures, and regularly track the expenditure status so that each unit have full knowledge on cost budget progress and execution status and thus achieve the control objectives.

D. Capital management:

- The asset risk has been the primary reference for SCIC to determine its external capital utilization and investments. In addition, in conjunction with its parent company’s risk control integration mechanism, SCIC inspects and adjusts the current risk asset position using indicators such as VaR. 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, SCIC must take priority in liquidity and safety in its establishment of capital utilization tactics. This is followed by considering its earnings yield so that its solvency can be strengthened and the rights and interests of the insured can be protected.

(V) HNIT

1. Businesses scope: State the primary businesses and their proportions, and new financial products and services under planning.

(1) Main business items:

- Securities investment trust business.
- Discretionary investment services.
- Other businesses approved by the competent authorities.

(2) Business Proportion (2017)

Asset type		Weighting (%)
Mutual fund	Equity type	63.61
	Fixed income type	26.80
Private placement fund		2.34
Discretionary services		6.85
Service charge income		0.40
Total		100.00

- (3) New financial products and services under planning:

HNIT will continue to research and develop funds with unique features that meet market trends and customer needs to provide customers with a diverse product selection and satisfy customers' different financial needs.

2. 2018 business plans

- (1) Expand the size of monetary funds and continue to develop non-monetary market funds to enlarge overall scale and improve asset management structure.
- (2) Continue to strengthen fund performance with stable net worth growth.
- (3) Develop digital financial services to improve customer service and the frequency of e-trading.
- (4) Strengthen the operation of custodian banks and other external channel, and further engage high-value customers to enhance proprietary trading capabilities.
- (5) Strengthen strategic cooperation with life insurance companies, link funds to investment-oriented policy platforms for sales to maintain long-term scale operation.
- (6) Strengthen customer service and relationship maintenance.

3. Industry overview

By the end of 2017, thirteen out of the twenty-two fund types increased in size, and nine of them decreased in size. The top five fund types displaying the largest increases were international stock funds, the international exchange traded funds (ETFs), the international general bond funds, the high-yield mutual fund, and international balanced fund of funds. The top five investment trust companies were Yuanta Funds, Cathay Securities Investment Trust, Capital Investment Trust, Fu Hua Investment Trust, and Fubon, all of which are domestic companies with public offering of funds exceeding NT\$100 billion. Four of the top ten investment trust companies were foreign companies, including JPMorgan Asset Management (Taiwan) Ltd., PineBridge Investments Management Taiwan Ltd., Allianz Global investors Taiwan Ltd. and Eastspring Securities Investment Trust Co., Ltd.

4. Research and development:

The development of new financial products under securities investment trust business depends on the approvals from competent authorities. In addition to paying attention to the policies of competent authorities, HNIT also takes into account market trends in developing new financial products. The new products developed in the past two years are as below:

- Issued the “HNIT Global Asia-Pacific Dynamic Balance Fund” on April 18, 2016.
- Issued the “HNIT Global Asia-Pacific Strategic Compensation Fund” on August 30, 2016.
- Issued the “HNIT Four-Year Maturity Emerging Market USD Bond Fund” on June 14, 2017.
- Issued the “HNIT Value Selected Umbrella Fund - Shiller US CAPE® ETF Fund of Funds and Shiller US REITs Fund» on July 24, 2016.

5. Long- and short-term business development plans

- (1) Short- and mid-term business development plans
 - A. Continue to develop and issue products in accordance with sound development principles and customer requirements. Continue to construct an intact product line.
 - B. Continue to strengthen the research capabilities and fund management performance of the investment team to enhance customers' faith in HNIT and in turn help to drive sales and secure fund balance.
 - C. Strengthen the development and service of internal and external channel to boost sales ability.
 - D. Strengthen customer service and digital finance services to elevate customer satisfaction.
- (2) Long-term business development plans
 - A. Expand business scale and make HNIT one of the top fifteen investment trust firms.
 - B. Seek further opportunities to provide discretionary investment services for government funds and legal entities.

**(VI) HNVC****1. Businesses scope:****(1) Main business items:**

- Venture capital business
- Investment advisory business
- Management advisory business

(2) 2017 Business Proportion:

Item	Weighting
Investment income	98%
Management advisory income	2%

2. 2018 business plans:

- (1) Utilize diversified channels to develop quality case sources: In addition to the case sources recommended by peers and the financial holding system, HNVC will also continue to strengthen its interaction with large corporate groups and internationally acknowledged venture capital institutions to strengthen the global deployment of investment portfolio. HNVC will also aggressively participate in the match meetings held by venture capital associations and the government in an attempt to identify the newly established businesses with potential.
- (2) Follow investment disciplines and seize profitable opportunities: If the investment object has become liquid and the stock price has reached the return rate target, HNVC shall quickly close the transaction and realize the profits. If the stock price of investment object has reached the stop-loss point, HNVC shall prudently consider whether to cut the losses in order to effectively activate the capital.
- (3) Collaborate with government fund investment: HNVC has obtained the "Small and Medium Enterprises Strengthened Commission Investment Management Plan" qualification from the Small and Medium Enterprise Administration, Ministry of Economic Affairs. If a suitable subject is encountered in the future, the subject will be recommended to the Small and Medium Enterprise Administration for investment assessment in order to increase revenues.

(4) Strive for external fund management: Most of HNVC's managers have more than 10 years of experience in source development and investment evaluation, and possessed a certain level of connection and industrial network. If funds are offered by an external organization in the future, HNVC will strive to participate in the operation and management of the external funds. Besides serving as a breakthrough in operations, it demonstrates HNVC's ability and image in managing external funds.

3. Industry overview:

According to statistics from the Taiwan Venture Capital Association, Taiwan has a total of 244 venture capital businesses that manage a total capital of approximately NT\$148.354 billion.

Analyses based on the investment amount in Taiwan's venture capital industry over the years indicated that the investment regions are still dominated by the domestic market. The investment amounts in the expansion period and the maturity period account for over 80% of the total investment amounts. The industry invested in centers on IT industry. The cultural and creative, service and agricultural science and technology industries which enjoyed a lesser degree of investment now have their proportions increased every year.

4. Research and development:

Strengthen assessment of investment cases, elevate professional quality of post-investment management, offer reinvestment advisory services when necessary, and assist investees in smoothly going public to benefit from the associated profits. Seize industry development trends by participating in industrial seminars and related training courses and adjust investment portfolios in a timely manner.

5. Long- and short-term business development plans:

- (1) Establish the optimal investment portfolio, strengthen asset quality, and close transactions in a timely manner to boost the investment returns.
- (2) Observe industry fluctuations, seize investment opportunities, and timely correct investment strategies. Increase the level of contribution to the Group's profits every year and generate maximum return for shareholders.
- (3) Establish cross-field professional teams, strengthen assessment depth and enhance the odds of investment portfolios so as to gradually expand the fund size with excellent investment performance.

(VII) HNAMEC

1. Business scope

(1) Main business items:

- A. Management and disposal of non-performing loans acquired from financial institutions.
 - Purchase non-performing loans from financial institutions.
 - Manage and dispose non-performing loans acquired from financial institutions.
 - Disposal after purchasing the assets guaranteed for non-performing loans from financial institutions.
 - Disposal after accepting the assets guaranteed for non-performing loans from the compulsory execution agency.
- B. Accept the commission from financial institution or enterprise to dispose of non-performing loans and assets.
 - Accept the commission to dispose of non-performing loans of financial institutions and overdue receivables of enterprises.
 - Accept the commission to dispose the assets already undertaken by financial institutions.
- C. Direct investment of court-auction real estate.
- D. Serve as the self-owned asset urban renewal implementer.

E. Court-auction bidding agency business.

F. Undertake other asset management-related businesses not prohibited or restricted by laws.

(2) 2017 Business proportion

Item	Weighting
Non-performing loan investment and disposal business	14.45%
Direct real estate investment business	84.97%
Consigned management business	0.58%

(3) New financial products and services under planning:

- A. Study and formulate the advance payment service for urban renewal in accordance with the amendments to the "Operating Principles for Financial Holding Companies to Trans-invest in Asset Management Companies" released by FSC on December 29, 2017 to accelerate the financial services for urban renewal.
- B. Build a "good partner in legal auction" brand. Combine diversified digital marketing models with the Group's co-marketing resources to enhance the visibility of the "consigned legal auction bidding business" and service effectiveness.

2. 2018 business plans

(1) Non-performing loan investment and disposal business

A. Investment strategies

- Continue to monitor the domestic non-performing loans released by the market and the changes in overdue loans and the land and building financing of financial institution.
- Keep interacting with local and foreign peer groups, understand their operating status and seek any cooperation opportunities for existing or new businesses approved by the FSC.



B. Disposal strategy

- Accelerate the elimination of non-performing loans.

(2) Direct real estate investment business

A. Investment strategies

- It is expected that housing prices will remain flat and under correction next year. The general investment strategy will focus on direct sales for short-term holdings which are supplemented by value-added and profit-sharing investments. We hope to control the price risk of real estate through improved capital utilization efficiency.
- The target market chooses areas of commercial heavy demand or commercial buildings, industrial real estate in the form of commercial offices, factory offices and factory buildings, or real estate with higher capital turnover and potential for capital gains as major investment targets.

B. Disposal strategy

To group real estate target markets and product types and consider increasing rents to secure profits and activating assets to increase capital gains, direct investments are classified into the following three types:

- General investment: Adopt the strategy of direct sale or lease before sale to win the bid at a reasonable price (lower than the market price) in the legal auction market. This would be followed by repairing and cleaning up before the real estate is ready for lease or sale.
- Investment with added value: Aggressively activate assets by adding value through joint construction, participation in urban renewal (including acting as the executor) or changing the application. Asset activation is used as the strategy to create asset value, gain rental incomes, and obtain more capital gain in the future.

- Profit-sharing investment: The major cooperation targets include those engaged in shopping malls, hotels, business centers, fitness centers, and mini warehousing. The purpose is to increase the rental-return ratio and rental incomes and stabilize operating income sources through such types of investment. However, the final purpose of such types of investment is still to sell the real estate carrying the lease contract.

(3) Consigned business

A. Consigned collection business

- Provide financial institutions and Group's corporate customers with collection services to cultivate HNAMC's collection talents in hope to strengthen the integrity of the Group's financial products at the same time.

B. Consigned legal auction bidding business

- Offer professional consigned legal auction bidding services. Make good use of existing professional talents to demonstrate our capabilities in legal auction, real estate investment and property management.
- Provide one-stop financial services to Group's corporate customers and enhance their trust and loyalty to the Hua Nan Financial Holding Group, which in turn increases the Group's overall revenue.

3. Industry overview

The FSC's statistics indicate that the local financial institutions' overdue loan ratio had been maintained at under 0.3% since 2015. On top of this, the competent authorities amended the terms concerning financial institutions' sale of non-performing loans, leading to a shortage of market supply. As a result, the total released amount of domestic financial institutions' non-performing loan (NPL) in 2015 and 2016 was approximately NT\$2.137 billion. As of the end of December 2017, the NPL released amount was only NT\$2.688 billion, which is a far cry from the peak NPL sales of NT\$236.8 billion in 2007.

In recent years, foreclosure cases have decreased in the real estate market as a result of decreasing bank overdue loan cases and continuously low interest rates. The statistics show that the foreclosure cases in the three major urban regions of Taipei, Taichung and Kaohsiung quickly declined since 2009 with 43%, 72% and 71% decreases, respectively, from the peak in 2009. The number of legal auctions in each district court continue to fall in 2017. Under such circumstances, the competition in the real estate foreclosure market is becoming intense and direct investment selection items decrease accordingly.

In order to solve the problems of diminishing cases faced by asset management companies under domestic financial holding companies and banks, and to make good use of the debt consolidation experience accumulated by asset management companies to promote the government's urban renewal policy, the FSC made amendments to the "Operation Principles of Asset Management Companies Reinvested by Financial Holding Companies (Banks)" on August 12, 2015 and December 29, 2017. The business items of asset management companies were added and the scope of asset management companies' role as urban renewal executors was expanded to clearly identify the direction of future business development.

4. Research and development

HNAMC is the first amongst peers to actively push for all urban renewal operation projects at Tucheng Industrial Zone in the New Taipei City. The project was finally approved by the Urban Redevelopment Office, New Taipei City Government in June 2017. It is the first self-build urban renewal project completed by a government-invested financial institution since the government promoted urban renewal policy. It is also the first instance, where the urban renewal application dealing with industrial park developed by the Industrial Development Bureau of the Ministry of Economic Affairs was approved.

5. Long-term and short-term business development plans:

(1) Short-term plans

- A. Add on to the acquisition source, increase the proportion of value-added investment real estate (such as construction, participation in urban renewal, etc.) to increase revenue.
- B. Align with government policies to accelerate the urban renewal of self-owned assets.
- C. Step up publicity efforts on the "consigned legal auction bidding business" to expand HNAMC's revenue sources.
- D. Study and formulate the initiation of "advance payment service" and await opportunities to participate in order to look for transformation opportunities.

(2) Long-term plans

- A. Expand asset scale through direct real estate investment business and pursue earning growth.
- B. Actively align with government policies and integrate sister companies' channels and expertise to fully promote the financial business for urban renewal.
- C. Collaborate with peers to jointly fight for the release of new business types in order to attain the goal of transformation.

VII | Risk Management Summary

1. Hua Nan Financial Holdings

(1) Credit risk

A. Important control mechanisms

(a) Corporate finance credit risk

When engaging in the corporate finance business, each subsidiary shall follow the Group's corporate finance credit risk management policies and precautions to establish related regulations and management mechanisms. In other words, each subsidiary shall take into account the related risk factors to institute a corporate finance risk limit and periodically assess the asset credit portfolio that covers monitoring and controlling credit ratings, concentration exposures, etc. Simultaneously, each subsidiary must establish risk indicators and a pre-warning mechanism. They must also strengthen the mobile management mechanism. When the total exposure amount within these mechanisms reaches a certain ratio of respective quantitative limits, management shall be warned and the ensuing countermeasures shall be determined.

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

At the same time, in order to assist directors, supervisors and senior executives in better understanding the Company's risk outline and enhance the Company's transparency, the Company prepares the Group corporate finance credit risk management statement every month. The statement is submitted to the Group's risk management committee and Board of Directors each quarter. The content of the statement mainly covers the exposure amount, concentration risk, asset quality, profit analysis, etc.

(b) Retail finance credit risk

Periodically submit Group retail finance credit risk management related statements to the Group's risk management committee and Board of Directors to fully present the monitoring of exposure status and asset quality of the Group's retail finance asset portfolios. Changes are reviewed in the asset quality of various retail finance products with the leading indicator (the ratio of the products more than 30 days overdue and aging analysis), the coincident indicator (the new overdue loan ratio), and the lagged indicator (the overdue loan ratio). Macroeconomics related indicators are also referred to, such as economic growth, unemployment rates, and housing price indices. Recommendations will be proposed accordingly as a reference for policy making.

B. Risk Management Reports

(a) Total credit exposure amount

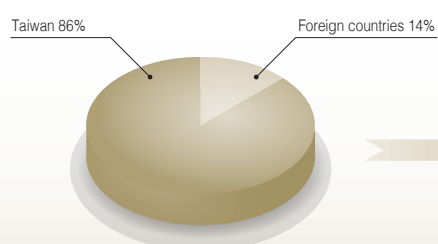
At the end of 2017, the credit exposure of the Group amounted to NT\$2.5 trillion, of which the credit business took up the largest part and accounted for 68%, the bond and bill business was 24% and other business took up 8%. The increase of NT\$19 billion in comparison to the credit exposure at the end of 2016 was mainly due to the NT21 billion increase in the bond and bill business.

(b) Concentration risk management

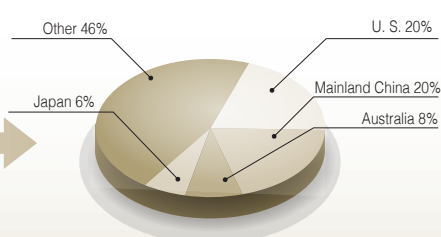
If classified by country, 86% of the Company's credit exposure amount comes from Taiwan, and the remaining 14% comes from foreign countries. Among the foreign countries, the United States, China, Australia, and Japan are the top four nations, accounting for 54% of the total foreign exposure amount. The other countries take up less than 5% each.

If divided by sector, 57% of the Company's credit exposure amount comes from private enterprises, 25% from individuals, and 18% from government and state-run businesses.

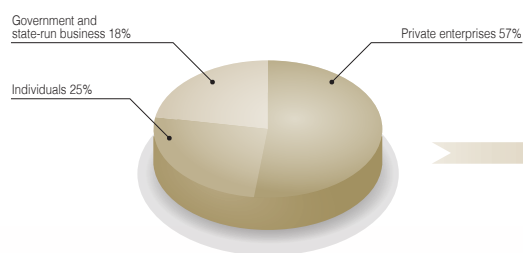
Local and foreign exposure



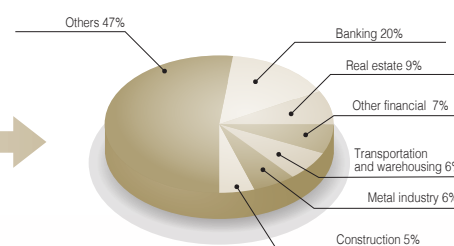
Foreign exposure



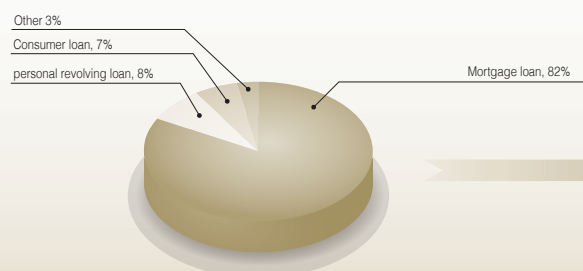
Exposure by Segments



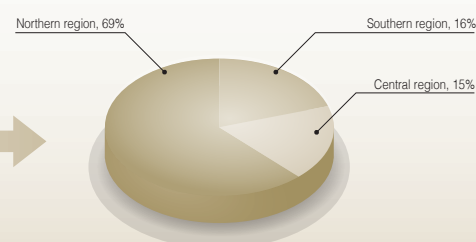
Exposure by Industry under Corporate Finance



Exposure by Product under Consumer Banking



Mortgage Loan Exposure under Consumer Banking by Region





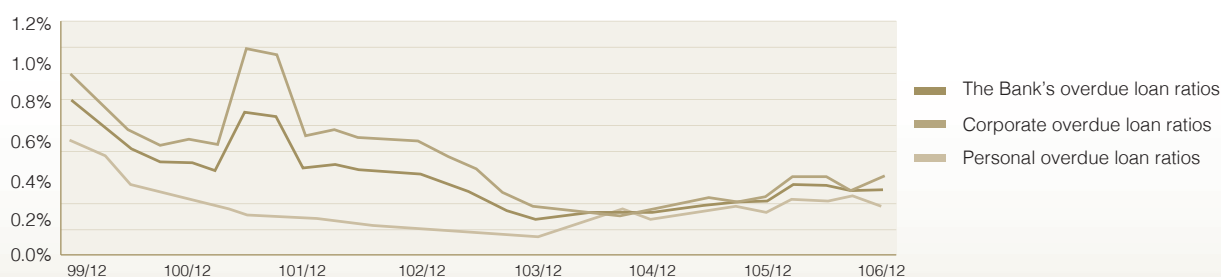
Among the private enterprises, the top six industries are the banking industry, the real estate industry, other financial industries, the transportation and warehousing industry, the metal industry, and the construction industry, which account for 53% of the total credit exposure for the private enterprises.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

On the consumer front, mortgage loans make up the majority at 82%. They are distantly followed by personal revolving funds at 8%, consumer loans at 7%, and other retail finance products (credit cards, car loans, sole proprietorship or partnership revolving funds, cash cards, and personal securities financing) at approximately 3%. In reference to the exposure ratio of housing mortgages according to region, the northern region takes the highest ratio of 69%, distantly followed by the southern region at 16%.

(c) Credit asset quality

The credit asset quality of the subsidiary, Hua Nan Commercial Bank, can be evaluated by analyzing the changes in overdue loans, credit ratings and M2+ ratios. Taking overdue loans as an example, Hua Nan Commercial Bank's overdue loan ratio has continued to decline in recent years, but it showed a slight upward trend in 2016. As of the end of 2017, its overdue loan ratio was 0.34%.

Trends of HNCB Overdue Loan Ratio



(2) Market risks

The Company has set up Group market risk management policies and precautions for each market's risk management with the goal to control market risk exposure within a 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 trade 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 a 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 control market risk daily.

B. Risk Management Reports

Considering the rapid changes in the capital market, in addition to subsidiaries' daily control of the limits, the financial holding company shall also compile the exposure status of the Group's trading book daily. In case of any irregularity, it shall immediately take the required measures. In addition, the limit control status of the Group's market risk shall be reported to the G.M. 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 the Board of Directors of the financial holding company every quarter.

(a) Outline of the Group's 2017 trading book position risk

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

(b) VaR

VaR is used to compute the maximum possible loss occurring over 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 historical data. Its function mainly applies to the risk measurement of financial products and limit control. For instance, under a confidence level of 99%, if a subsidiary's one day VaR is NT\$30 million, this represents that within 100 business days, a loss of more than NT\$30 million is likely to occur in a day, whereas the daily loss of the remaining 99 days is expected to be lower than NT\$30 million.

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

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

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

c.3 "Length of the holding period: Estimation of the maximum loss that 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 2017 trading book position

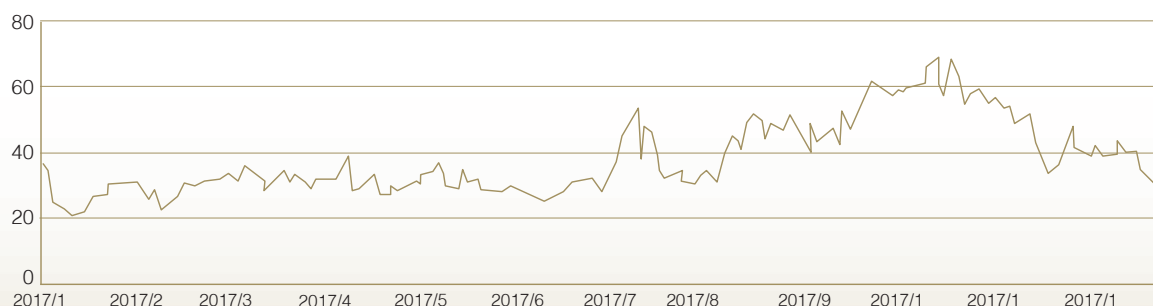
For the Group's 2017 trading book position, the lowest VaR was NT\$21 million, the highest VaR was NT\$68 million, and the average VaR was NT\$38 million.

The VaR of the Group's trading book position at the end of 2017 was NT\$29.90 million, a decrease of NT\$9.02 million from NT\$38.92 million in 2016.



(Unit: Millions of NTD)

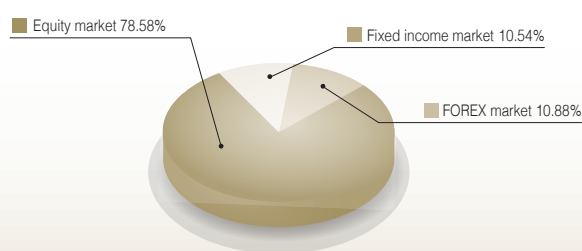
Group's Value at Risk (VaR)



(e) Summary of the VaR of the Group's trading book position at the end of 2017

The VaR of the Group's trading book position at the end of 2017 was NT\$29.90 million, taking up 0.02% of the Group's net value at the end of 2017, 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 78.58% of the Group's VaR, as opposed to 10.88% from foreign exchange products and 10.54% from fixed income products.

Trading Portfolio VaR by Risk Type



(f) Back testing

Back testing is the instrument to verify the VaR model. In order to strengthen the 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. Within this planning and within the tolerable exposure level, decisions of asset and liability allocation have continued to be made and executed, risks have been measured and monitored, and strategies have been adjusted as required. Also, through the adjustment of the non-trading asset and liability structure, the interest rate risk, liquidity risk and foreign exchange rate risk of the non-trading on-and-off balance sheet have been controlled.

The Company has established the Group's asset and liability management policies and precautions for relevant risks, compiled subsidiaries' asset and liability management reports, and submitted the reports to the Group's risk management committee and the Board periodically.

According to its size, scope and business nature, each subsidiary may adopt the risk management framework and measurement tools that are applicable to it and institute related limits to monitor and manage the risk exposures of asset and liability management.

A. Non-trading book interest rate risk

The 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 shareholder equity caused by changes in market interest rates. 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 impact of the interest rate change on the balance sheet for each subsidiary and the Company, Hua Nan Commercial Bank is currently the only member of the Group to whom the non-trading book interest rate risk management framework is applicable.

The tools adopted by Hua Nan Commercial Bank for measuring the non-trading book interest rate risk include the interest rate re-pricing gap report, the net interest income sensitivity analysis, and the economic value of shareholder 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 mechanisms such as non-trading book investment portfolios, derivative products, and the internal fund transfer pricing system, to effectively manage the exposure of Hua Nan Commercial Bank's non-trading book interest rate risk.

(b) Risk management report

Based on Hua Nan Commercial Bank's asset and liability structure on December 31, 2017, given the required hypotheses, and under the condition of no active management being implemented, the analysis of the change of the net interest income under different interest rate shock scenario for the next 12 months shows the following: if the market interest rate gradually rises by 100 basis points, the net interest income is estimated to increase by 12.5% compared with the situation where the interest rate remains unchanged. On the contrary, if market interest gradually declines by 100 basis points, 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	+12.5%
Gradually decline by 100 basis points	-14.5%

In terms of the economic value of shareholder equity, if the market interest rate gradually rises by 100 basis points, the economic value of shareholder equity is estimated to decrease by 6.9% 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 6.8%.



Change in the market interest rate for the next 12 months	Change in economic value of shareholder equity (compared with the situation where the interest rate remains unchanged)
Gradually rise by 100 basis points	-6.9%
Gradually decline by 100 basis points	+6.8%

B. Liquidity risk

Liquidity risk refers to the risk in impairment of earnings or shareholder equity in current or future periods which is caused by any of the Group members' inability to repay the due debt. It is also present when any Group member can only obtain the repayment funding source at the cost of suffering great loss.

(a) Important control mechanisms

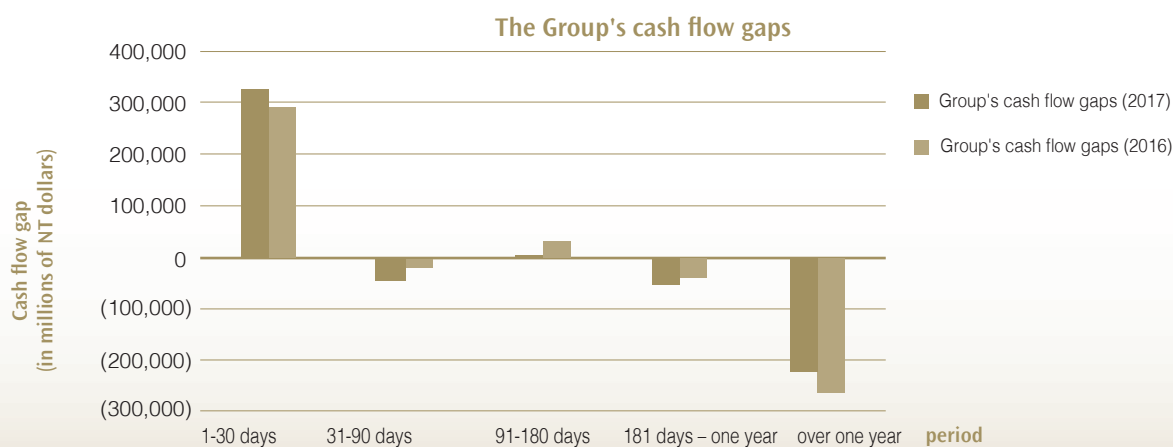
After considering the natures of business between the Company and each subsidiary, currently, the liquidity risk management framework is applicable to Hua Nan Financial Holdings, Hua Nan Commercial Bank, Hua Nan Securities, South China Insurance, Hua Nan Investment Trust, and Hua Nan AMC.

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 nature. Also, the limit has been set for each measurement indicator, and changes in the indicators are monitored regularly.

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

(b) Risk management report

The Group's cash flow gap of 1–30 days was NT\$328,397 million on December 31, 2017, an increase of NT\$39,381 million from the NT\$289,016 million on December 31, 2016.



C. Non-trading book currency risk

The Group's non-trading book foreign exchange rate risk is measured by the impact of the unfavorable exchange rate of the net non-trading foreign currency positions. Considering the natures of business between the Company and each subsidiary, currently, the non-trading book foreign exchange rate risk management framework is applicable to Hua Nan Commercial Bank, Hua Nan Securities, and South China Insurance. Also, the limit has been set for each measurement indicator, and changes in the indicators are monitored regularly. Using December 31, 2017 as the benchmark, the impact of adverse changes in exchange rates on the shareholders' equity of Hua Nan Commercial Bank, Hua Nan Securities, and South China Insurance was 0.45%, 0.11%, and 2.02%, respectively. The impact of exchange rate risk on non-trading book was 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, assisting 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. The subsidiary's risk management unit shall help identify the risk faced, 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. The observation value under the 95% confidence level is used as the reference for setting up the pre-warning value based on the data of respective indicators in the past years.

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

When the indicator reaches the pre-warning value standard, the involved units shall submit the action plans. For cases which do not reach the pre-warning value standard but show irregularity as judged by the risk management unit, the involved units shall also submit the report.

B. Insurance risk reports

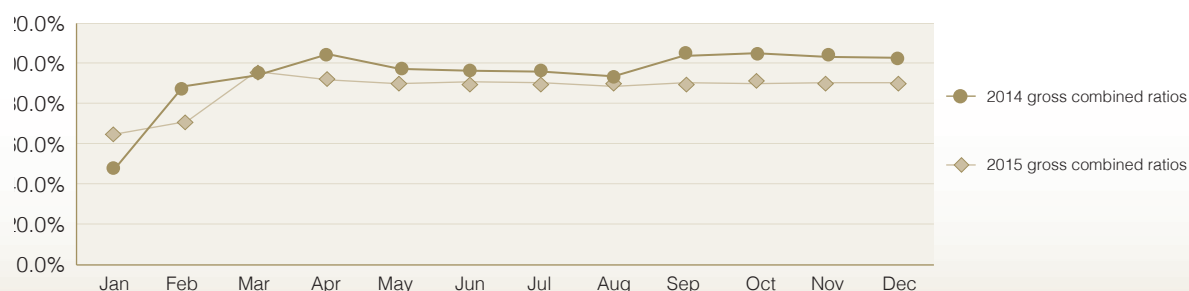
Periodically submit the insurance risk management report to the Group's risk management committee and disclose the insurance risk outline and limit control status.



(a) Underwriting risk management

Gross combined ratio is the aggregation of gross loss ratio and gross 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 expense ratio is the ratio of written operating expense to written premium which is mainly used to review business expenditure status. As there were less major accidents in 2017, the gross combined ratio dropped on a year-over-year basis.

Trend of Gross Combined Ratios

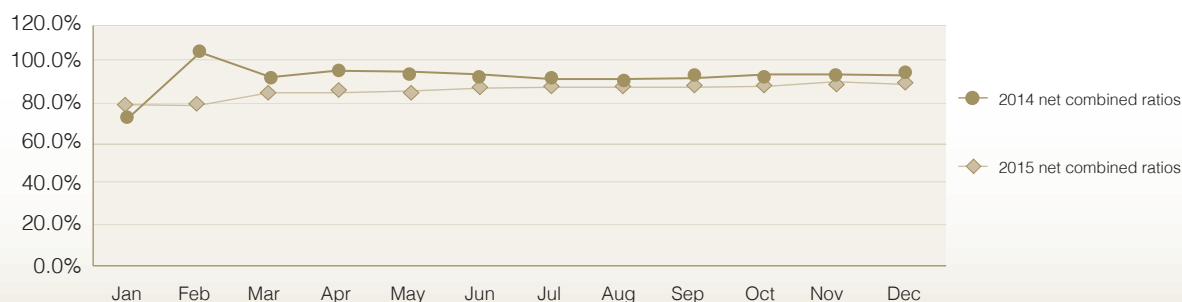


Note: The calculation of the indicators in the above chart does not cover compulsory auto insurance, nuclear insurance and policy-oriented earthquake insurance.

(b) Re-insurance risk management

Net combined ratio is the aggregation of net loss ratio and net expense ratio, in which the net loss ratio is the ratio of the net claim amount to net premium earned and it is mainly used to review the loss of the retained policy after reinsurance is arranged. The net 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. As there were less major accidents in 2017, the combined ratio for retained business showed a year-over-year decline.

Trend of Net Combined Ratios



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 2017 actual underlying retention of each risk unit all complied with the limit and were within the tolerable range.

(5) Operational risk

The Company has implemented Group operational risk management policies and related procedures in an attempt to establish a consistent operational risk management structure and mechanism in the Group. When implementing these policies, the business category and size of subsidiary would be concurrently considered so that the details can be flexibly adjusted and executed in a tailored manner.

A. Important control mechanisms

(a) Risk Self-Assessment (RSA)

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

(b) Operational Risk Assessment Process (ORAP)

ORAP is the process of identifying operational risks (including legal risks) and reputational risks, implement risk mitigation plans, and further assess residual risk by aiming at new or significant changes in products, processes, systems or organizational structures (including outsourcing businesses) or major amendment proposals.

(c) Corporate Loss Database (CLD)

CLD is an integrated database used to systematically collect the Group's internal operational risk loss data so as to provide the details for management to analyze and manage their operational risks and prepare for the calculation of economic capital in the future. The database was initially launched online in the fourth quarter of 2007 for the Group members to report their operational risk loss data. Prior to the online launch, the Bank subsidiary had already been collecting loss data on paper since 2003. The external data began to be collected in the third quarter of 2008. Case study and analysis began in 2012, which are to be provided to the business units of the Group for educational and learning purposes.

(d) Key Operational Risk Control (KORC)

KORC provides an overview of related operational risks and controls with the critical operational process within the Group to meet the minimum/basic requirements for internal control. It also acts as the reference for implementation of other operational risk management tools.

(e) Key Risk Indicator (KRI)

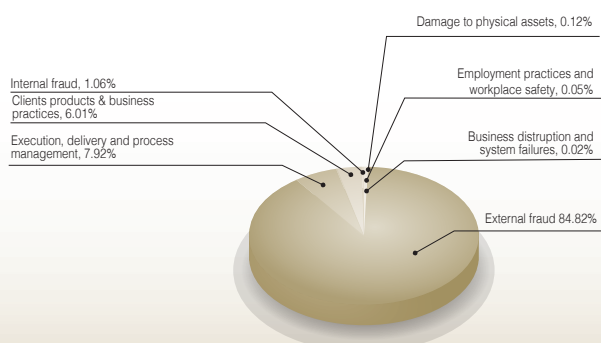
KRI performs the early warning function for detecting changes in the Group's potential operational risk profile. The tool provides a trend analysis of the time series and, when necessary, it initiates related mechanisms or action plans to mitigate the operational risks.



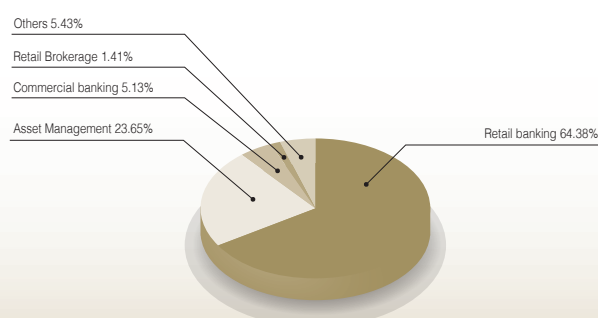
B. Risk Management Reports

- (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. The 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:

Loss ratios – by event category



Loss ratios – by business category



Compared with the trend of sharp increase in operational risk loss occurring in the business conduct of European and American financial institutions in the recent years, losses from improper business conduct were incurred to a lesser degree by the Group. 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 cooperation with related business management units (such as audit, law compliance and marketing management units) to avoid any improper business conduct.

(6) Risk integration

The Company has actively integrated the various types of risks created by the Group's different subsidiaries. Its plan for the future is to use the economic capital method to measure and aggregate the capital accrued from credit risks, market risks and operational risks. The Company will also use the "risk-adjusted return on capital" to assess the various businesses and develop the appropriate business development strategy in advance and enhance capital allocation efficiency. It will also perform the subsequent risk-adjusted performance measurements to achieve the goal of maximizing value for the shareholders.

VIII | Financial Information

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 58,983,323	2	\$ 49,695,558	2
DUE FROM THE CENTRAL BANK AND OTHER BANKS	185,191,799	7	173,059,582	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	76,061,991	3	63,108,328	2
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	149,474,678	6	121,586,378	5
DERIVATIVE FINANCIAL ASSETS FOR HEDGING (Note 4)	-	-	876	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	601,507	-	349,015	-
RECEIVABLES, NET	45,198,320	2	39,320,895	2
CURRENT TAX ASSETS	480,222	-	330,891	-
ASSETS HELD FOR SALE, NET	-	-	52,653	-
DISCOUNTS AND LOANS, NET	1,582,344,101	62	1,578,533,168	62
REINSURANCE CONTRACTS ASSETS, NET	4,005,896	-	4,107,957	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET	380,815,899	15	400,946,073	16
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET	57,128	-	57,665	-
OTHER FINANCIAL ASSETS, NET	41,634,967	2	65,862,973	3
PROPERTY AND EQUIPMENT, NET	32,518,581	1	32,369,672	1
INVESTMENT PROPERTIES, NET	9,837,544	-	9,633,097	-
INTANGIBLE ASSETS, NET	543,485	-	536,897	-
DEFERRED TAX ASSETS	2,646,268	-	2,410,889	-
OTHER ASSETS, NET	3,024,041	-	3,979,395	-
TOTAL	\$ 2,573,419,750	100	\$ 2,545,941,962	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS	\$ 84,127,060	3	\$ 122,944,916	5
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	7,975,720	-	13,713,879	1
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	4,082	-	15,162	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	40,797,559	2	41,941,561	2
COMMERCIAL PAPER PAYABLE,	27,524,893	1	15,706,047	1
PAYABLES	43,808,589	2	38,697,024	1
CURRENT TAX LIABILITIES	1,080,850	-	1,271,789	-
DEPOSITS AND REMITTANCES	2,110,962,220	82	2,062,911,746	81
BONDS PAYABLE	53,448,450	2	50,646,716	2
OTHER BORROWINGS	703,000	-	1,670,000	-
PROVISIONS	18,447,562	1	18,060,519	1
OTHER FINANCIAL LIABILITIES	8,872,718	1	9,383,510	-
DEFERRED TAX LIABILITIES	6,103,727	-	6,109,882	-
OTHER LIABILITIES	5,329,157	-	3,885,941	-
Total liabilities	2,409,185,587	94	2,386,958,692	94
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT				
Share capital				
Ordinary shares	110,465,199	4	105,204,951	4
Capital surplus	17,758,986	1	17,758,986	1
Retained earnings				
Legal reserve	13,658,494	-	12,249,821	-
Special reserve	6,492,093	-	6,492,093	-
Unappropriated earnings	15,363,375	1	17,722,221	1
Total retained earnings	35,513,962	1	36,464,135	1
Other equity				
Exchange differences on translating foreign operations	(542,124)	-	1,108,525	-
Unrealized gains (losses) on available-for-sale financial assets	1,014,968	-	(1,596,978)	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	21,592	-	42,111	-
Total other equity	494,436	-	(446,342)	-
Total equity attributable to owner of the parent	164,232,583	6	158,981,730	6
NON-CONTROLLING INTERESTS	1,580	-	1,540	-
Total equity	164,234,163	6	158,983,270	6
TOTAL	\$ 2,573,419,750	100	\$ 2,545,941,962	100



HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST REVENUE	\$ 41,374,024	98	\$ 39,639,636	94	4
INTEREST EXPENSE	(14,435,282)	(34)	(12,799,996)	(30)	13
NET INTEREST	26,938,742	64	26,839,640	64	-
NET REVENUES OTHER THAN INTEREST					
Commission and fee revenues, net	8,231,192	19	7,713,049	18	7
Income from insurance premiums, net	2,831,956	7	2,536,600	6	12
(Loss) gain on financial assets and liabilities at fair value through profit or loss, net	(4,460,184)	(11)	1,594,135	4	(380)
Gain on investment properties, net	376,730	1	407,357	1	(8)
Realized gain on available-for-sale financial assets	1,232,154	3	1,572,707	4	(22)
Foreign exchange gain, net	6,480,891	15	227,407	-	2,750
Impairment loss on assets	(60,769)	-	(10,848)	-	460
Share of loss of associate	(537)	-	(5,559)	-	(90)
Other noninterest net revenues	650,373	2	1,357,934	3	(52)
Total net revenues other than interest	15,281,806	36	15,392,782	36	(1)
TOTAL NET REVENUES	42,220,548	100	42,232,422	100	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES	(4,950,360)	(12)	(3,445,877)	(8)	44
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET	(237,716)	-	(226,072)	(1)	5
OPERATING EXPENSES					
Employee benefits	(14,112,087)	(33)	(14,004,016)	(33)	1
Depreciation and amortization	(1,140,750)	(3)	(1,061,506)	(2)	7
Others	(7,970,267)	(19)	(7,450,522)	(18)	7
Total operating expenses	(23,223,104)	(55)	(22,516,044)	(53)	3

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET PROFIT BEFORE INCOME TAX	13,809,368	33	16,044,429	38	(14)
INCOME TAX EXPENSE	(1,793,800)	(4)	(1,957,629)	(5)	(8)
NET PROFIT FOR THE YEAR	12,015,568	29	14,086,800	33	(15)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(409,990)	(1)	(447,298)	(1)	(8)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(20,519)	-	(64,115)	-	(68)
Income tax relating to items that will not be reclassified subsequently to profit or loss	68,930	-	74,789	-	(8)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(1,650,649)	(4)	(1,048,107)	(2)	57
Unrealized gain (loss) on available-for-sale financial assets	2,619,722	6	(453,785)	(1)	677
Income tax relating to items that may be reclassified subsequently to profit or loss	(7,776)	-	6,685	-	(216)
Other comprehensive income (loss) for the year	599,718	1	(1,931,831)	(4)	131
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 12,615,286	30	\$ 12,154,969	29	4
NET PROFIT ATTRIBUTABLE TO:					
Owner of the parent	\$ 12,015,482	28	\$ 14,086,734	33	(15)
Non-controlling interests	86	-	66	-	30
	\$ 12,015,568	28	\$ 14,086,800	33	(15)
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owner of the parent	\$ 12,615,200	30	\$ 12,154,903	29	4
Non-controlling interests	86	-	66	-	30
	\$ 12,615,286	30	\$ 12,154,969	29	4
EARNINGS PER SHARE					
Basic and diluted	\$ 1.09		\$ 1.28		



HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus				
	Capital Stock	Share Premium	Treasury Stock	Donated Assets	Others	Total
BALANCE AT JANUARY 1, 2016	\$ 99,063,042	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986
Appropriation of 2015 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Stock dividends	6,141,909	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	-
Other comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2016	105,204,951	17,702,376	52,349	2,936	1,325	17,758,986
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-
Stock dividends	5,260,248	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	\$ 110,465,199	\$ 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		
\$ 10,841,763	\$ 6,492,093	\$ 17,798,935	\$ 35,132,791	\$ 2,156,632	\$ (1,149,878)	\$ 106,226	\$ 1,528	\$ 153,069,327
1,408,058	-	(1,408,058)	-	-	-	-	-	-
-	-	(6,240,972)	(6,240,972)	-	-	-	(54)	(6,241,026)
-	-	(6,141,909)	(6,141,909)	-	-	-	-	-
-	-	14,086,734	14,086,734	-	-	-	66	14,086,800
-	-	(372,509)	(372,509)	(1,048,107)	(447,100)	(64,115)	-	(1,931,831)
-	-	13,714,225	13,714,225	(1,048,107)	(447,100)	(64,115)	66	12,154,969
12,249,821	6,492,093	17,722,221	36,464,135	1,108,525	(1,596,978)	42,111	1,540	158,983,270
1,408,673	-	(1,408,673)	-	-	-	-	-	-
-	-	(7,364,347)	(7,364,347)	-	-	-	(46)	(7,364,393)
-	-	(5,260,248)	(5,260,248)	-	-	-	-	-
-	-	12,015,482	12,015,482	-	-	-	86	12,015,568
-	-	(341,060)	(341,060)	(1,650,649)	2,611,946	(20,519)	-	599,718
-	-	11,674,422	11,674,422	(1,650,649)	2,611,946	(20,519)	86	12,615,286
\$ 13,658,494	\$ 6,492,093	\$ 15,363,375	\$ 35,513,962	\$ (542,124)	\$ 1,014,968	\$ 21,592	\$ 1,580	\$ 164,234,163



HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 13,809,368	\$ 16,044,429
Adjustments for:		
Depreciation expenses	980,178	906,275
Amortization expenses	184,391	160,815
Allowance for doubtful accounts and guarantees	4,950,360	3,445,877
Interest expense	15,938,655	15,006,877
Interest revenue	(42,250,895)	(40,599,505)
Dividend income	(1,051,261)	(888,046)
Change in provisions for insurance liabilities, net	237,716	226,072
Share of loss of associate	537	5,559
Loss (gain) on disposal of property and equipment	748	(1,505)
Gain on disposal of investment properties	(23,928)	(110,712)
Loss on disposal of intangible assets	7	-
Gain on disposal of assets held for sale	(71,847)	-
Impairment loss on financial assets	12,879	11,758
Impairment loss (reversal of impairment loss) on non-financial assets	47,890	(910)
Gain on disposal of collaterals assumed	(477)	(2,482)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and other banks	2,274,583	(4,556,275)
(Increase) decrease in financial assets at fair value through profit or loss	(12,953,663)	389,373
Increase in available-for-sale financial assets	(25,363,792)	(27,330,417)
Decrease in derivative financial assets for hedging	876	803
Increase in receivables	(5,588,067)	(4,012,630)
Increase in discounts and loans	(7,352,844)	(102,146,608)
Increase in assets under reinsurance contracts	(37,078)	(93,577)
Decrease (increase) in held-to-maturity financial assets	20,073,789	(131,576,848)
Decrease (increase) in other financial assets	22,973,151	(6,855,606)
(Decrease) increase in deposits from the Central Bank and banks	(38,817,856)	37,729,112
Decrease in financial liabilities at fair value through profit or loss	(5,758,678)	(4,915,602)
Decrease in derivative financial liabilities for hedging	(11,080)	(20,119)
(Decrease) increase in securities sold under agreements to repurchase	(1,144,002)	14,481,344
Increase in payables	5,763,257	9,947,400
Increase in deposits and remittances	48,050,474	145,057,881
Decrease in provisions	(1,273,539)	(2,042,549)
Decrease in other financial liabilities	(510,792)	(14,927,141)
Increase (decrease) in other liabilities	1,458,017	(1,169,370)
Cash used in operations	(5,452,923)	(97,836,327)
Interest received	42,333,711	39,664,326
Dividend received	1,051,261	909,512
Interest paid	(15,859,253)	(14,754,183)
Income tax paid	(2,392,584)	(2,769,662)
Net cash provided by (used in) operating activities	19,680,212	(74,786,334)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	124,500	-
Acquisition of property and equipment	(1,004,172)	(1,009,395)
Proceeds from disposal of property and equipment	1,213	2,493
Acquisition of intangible assets	(164,349)	(140,124)
Proceeds from disposal of collaterals assumed	2,003	13,303
Acquisition of collaterals assumed	(3,456)	(508)
Acquisition of investment properties	(615,788)	(21,418)
Proceeds from disposal of investments properties	237,778	582,023
Decrease (increase) in other assets	963,443	(1,747,060)
Net cash used in investing activities	(458,828)	(2,320,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(767,000)	695,000
Increase in commercial paper payables	11,818,846	3,163,856
Bank debentures issued	2,800,000	3,500,000
Repayment of bank debentures on maturity	-	(1,700,000)
Decrease in long-term borrowings	(200,000)	-
Cash dividends	(7,342,080)	(6,222,643)
Net cash provided by (used in) financing activities	6,309,766	(563,787)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(1,584,093)	(985,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,947,057	(78,656,657)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	128,867,478	207,524,135
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 152,814,535	\$ 128,867,478
Cash and cash equivalents in consolidated balance sheets	\$ 58,983,323	\$ 49,695,558
Due from the Central Bank and other banks that meet the definition of cash and cash equivalents in IAS 7	93,229,705	78,822,905
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	601,507	349,015
Cash and cash equivalents in consolidated statements of cash flows	\$ 152,814,535	\$ 128,867,478

HONESTY. EFFICIENCY. **A**CTIVENESS. RESPONSIBILITY. TEAMWORK

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



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