

 HUA NAN FINANCIAL HOLDINGS CO., LTD.

2021

ANNUAL REPORT



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2021 ANNUAL REPORT

HUA NAN FINANCIAL HOLDINGS CO., LTD.

I. Address, Phone Number, and Website of the Financial Holding Company and Its Subsidiaries

(I) Hua Nan Financial Holdings Co., Ltd.

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

Tel. No.: (02) 2371-3111

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

(II) Subsidiaries of the Company

1. Hua Nan Commercial Bank, Ltd.

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

Tel. No.: (02) 2371-3111

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

2. Hua Nan Securities Co., Ltd.

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

Tel. No.: (02) 2545-6888

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

3. South China Insurance Co., Ltd.

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

Tel. No.: (02) 2758-8418

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

4. Hua Nan Investment Trust Corp.

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

Tel. No.: (02) 2719-6688

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

5. Hua Nan Venture Capital Co., Ltd.

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

Tel No.: (02)2500-0622

Website: None

6. Hua Nan Assets Management Co., Ltd.

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

Tel. No.: (02) 2511-2900

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

II. Spokesperson of the Company

Spokesperson: Greta Lin

Title: Executive Vice president

Tel No.: (02) 2371-3111 Ext.: 1865

E-mail: public@hnfhc.com.tw

Deputy Spokesperson: Amy, M.C. Chiou

Title: Executive Vice President

Tel No.: (02) 2371-3111 Ext.: 1863

E-mail: public2@hnfhc.com.tw

III. Stock Transfer Institution

Name: Hua Nan Securities Co., Ltd.

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

Tel. No.: (02) 2545-6888

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

IV. CPAs for the Financial Reports

Name of CPAs: Yi-Chun Wu, Ting-Sheng Chang

Name of accounting firm: Deloitte Taiwan

Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City

Tel. No.: (02) 2725-9988

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

V. Name of Exchanges Where Overseas Securities Are Listed for Trading

The way to inquire about the overseas securities information: None.

VI. Credit Rating Agency

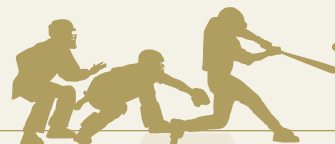
Name: Taiwan Ratings Co.

Address: Building 2, No. 167, DunHua North Road, Songshan District, Taipei City 105 (Hongguo Building)

Tel. No.: (02) 2175-6800

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

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➤ **Honesty** .

➤ **Efficiency** .

➤ **Activeness** .

➤ **Responsibility** .

➤ **Teamwork** .





CHAIRMAN

Chang, Yun-peng

I > Letter to the Shareholders

I. The Group's Business Results for 2021

(I) Domestic and International Finance Environment in 2021

In 2021, although the COVID-19 pandemic was prolonged globally, as the vaccination regimen was rolled out in each country and the infusions from monetary and fiscal policies, the economy started to recover. With the unbalanced recoveries among various countries and the restructuring and interruptions of global supply chains, the commodity prices were pushed higher. The key international institutions (IMF, World Bank, OCED, among others) released the 2021 global economic growth rate to be between 5.5%~5.9%, emerging from the negative growth seen in 2020 and indicating that the global economy has been stabilized gradually. However, it will take time for the supply chains to recover and thus the inflation expectations were pushed up and the major stock markets and yields of bonds likewise went up. Consequently, the Federal Reserve (Fed) stopped purchasing debt papers and prepared to enter the cycle of rising rates.

Based on the statistics of the Directorate General of Budget, Accounting and Statistics, Executive Yuan on February 24, 2022, it expected that the full-year economic growth rate of Taiwan in 2021 would be 6.45% or 3.09 percentage points higher than 3.36% in 2020. The main reasons include that Taiwan has been successful in the pandemic containment and the demands of emerging technologies extended, driving the continuously active exports from Taiwan and investments. While the Level 3 alert in May affected the domestic demands, with the government revival stimulus and five-time coupons, the full-year consumption was stable and resulted in the new highs of GDP growth in recent years.

For the finance industry, the 2021 profit of the finance industry as a whole was NT\$936.6 billion (the unit is identical hereafter), up by 38.7% from 2020 and reached a new historic high in the finance industry. Of these, the banking sector was mainly benefitted from the continuously increasing lending volume that drove the increased net interest incomes and decreased provision for NPL, resulting in a 4% increase of net profit from 2020. In terms of securities brokers and insurers, they were benefitted from the ample liquidity as both price and volume of Taiwan equities went higher and the average daily trading volume in the market was NT\$471.6 billion, up by 88% from 2020; the 23.66% surge of the TWSE also increased the income from brokerage service fees and net gains of investment and the overall profit grew by 80.3% and 88.5% from 2020, respectively.



VICE CHAIRMAN

(II) Changes to the Company Organizational

Since its inception on December 19, 2001, Hua Nan Financial Holdings Co., Ltd. (hereinafter “the Company” or “HNFHC”) has operated financial services across various professional fields of banking, securities, insurance, investment trusts, asset management, and venture capital. As of the end of 2021, the Company had 100% ownership control over all its six subsidiaries.

(III) Business Plan and Results of Business Strategies

In 2021, the Group was impacted by the aforesaid evolutions of the domestic and international financial situations and the following measures were taken as responses: (I) the pandemic countermeasures were taken in a rolling method depending on the development of pandemic; the digital financial services were enhanced, the pandemic containment policies were launched, to protect the health of clients and employees. (II) The lending to SMEs was enhanced to cope with the government relief packages and five-time coupons. (III) Stabilized the securities order placing system and information security as the trading volume of the TAIEX went higher. (IV) Recruiting talents from the private sectors, to enhance the business development of the subsidiaries. (V) Caught the bull market timing, to increase income from service fees and operations. (VI) Emphasized environment, social and corporate management (ESG) and the green energy development, as the fulfillment of CSR.

In 2021, the Company's net profit after tax was NT\$17.206 billion, EPS was NT\$ 1.30 and ROE was 8.82%, respectively. The profit reached new record highs. The net profit after tax of the subsidiary Hua Nan Commercial Bank was NT\$ 14.594 billion, the annual increase rate of the deposit and loan balance was 12.6% and 11.3%, respectively, and the scale of NT\$ current deposit ranked 3rd in the industry. The balance of loans for small and medium-sized enterprises increased by NT\$9.39 billion year on year, with double digit growth two years in row with vigorous business momentum. The overdue loan rate was 0.15%. The coverage rate of bad debts was 826.9% and the asset quality was still excellent. The net profit after tax of Hua Nan Securities was NT\$2.524 billion; the growth and business volume of the brokerage service fee income grew nearly 70% year on year, the income of proprietary business grew 13.9% and the market share of the brokerage was 3.26%, ranked 9th among the peers. The net profit after tax of South China Insurance was NT\$900 million, up by 86.7% mainly because the fund utilization outperformed as much as NT\$676 million; the income of the insurance policy premium was NT\$11.065 billion with an annual growth of 9.3% and market share was 5.35%, ranking 7th among the peers.

The Group continues to improve and work hard in corporate governance, green finance, environmental sustainability, corporate social responsibility, digital innovations in financial services, and high-quality consumer products. The main achievements in 2021 are explained below:



PRESIDENT

Lo, Pao-chu

1. Strengthened the Management

- (1) Capital adequacy ratio: The Group's capital adequacy ratio at the end of 2021 was 122.18%. HNCB's capital adequacy ratio was 14.16%, with a Tier 1 capital adequacy ratio of 12.00%, which conforms to the legal capital standard.
- (2) Corporate governance: The Company was included in 6%~20% bracket in the (8th) Corporate Governance Evaluation formed by the Taiwan Stock Exchange in 2021. The Company was also selected for inclusion in the "FTSE4Good Emerging Index", "Taiwan Sustainability Index", "Corporate Governance 100 Index Constituent Stocks", "Taiwan HC100 Index", and "Taiwan RAFI EMP 99 Index" respectively
- (3) The international investment rating institutions rated the Company's promotion of ESG and the outcomes are as follows: From the evolutions of the rating in the past two years, it is seen that the Company has a robust growth for promotion of ESG.

Assessed Institution	Evaluation Period		Changes
	December 2021	October 2021	
Sustainalytics ESG Risk Score (100-0, 0 is the best)	22.23	25.65	↑
MSCI ESG Rating (AAA-CCC, AAA is the best)	A	A	-
FTSE Russell ESG Rating (0-5, 5 is the best)	3.5	3.3	↑
ISS ESG Rating (1-10, 1 is the best)	2	2	-
ISS CSR Rating (1-10, 1 is the best)	3	3	-

- (4) Risk management:
The regular meetings of the Group's Risk Management Committee and Asset and Liability Management Committee are convened to implement the management mechanism of risk limits, optimize the Group's (substantial) stakeholder system and enhance the market VaR system of the Group.
- (5) Legal compliance:

- A. The Group convened meetings and forums for Legal Compliance Committee at regular intervals:
To effectively advance the Group's compliance operations, the Group's Legal Compliance Committee effectively supervises all companies to pay attention to changes in the domestic and foreign regulatory environment and give a timely response.
 - B. Implementing key compliance matters of the Group: To ensure and implement the Group's key regulations and the applicable universal regulations, the Company has prepared the provisions concerning standard compliance and the group-level files in order to control legal compliance risks effectively. For instance, the Group's measures for assessing the moneylaundry risk are used to control the Group's money laundry and terrorism financing risks effectively. The Company is also committed to protecting personal data. In addition to the establishment of group policies, the Company also uses personal data protection meetings and international certifications to ensure the effectiveness of personal data protection management.
 - C. Establishment of the Legal Compliance System Optimization of the Group: The Group intensified real-time and regular online reporting and manages the legal compliance and effectiveness of the Group's business activities by optimizing the data submission system. In addition, the anti-money laundering information sharing platform of the Group is used for comparison, review, confirmation, transmission, and usage of the Group's AML information to effectively offset the Group's money laundering and terrorism financing risks effectively.
 - D. Ensure the integrity of the Group's compliance:
For the key laws and regulations applicable to the overall Group, the companies in the Group are supervised to analyze and report on the effects of each amendment drafts from the competent authority and the companies in the Group are urged to schedule the regulation inventory, to ensure the operations and management regulations of them to cope with the related laws and regulations and be updated timely and thus it is ensured that the companies in the Group to respond the changes in laws and regulations timely and comply with such effectively.
2. Strengthened Cross-Selling
 - (1) Group cross-selling benefits: The achievement rate of the Group's cross-selling business operations as the amount of contribution to income was 199% in 2021.
 - (2) Build financial ecological circle by cyber-physical integration: The financial eco-system is built by the integration of online and offline: to respond to the trend of digital finance, by linking the online and offline channel services, the business connection among the intra-group clients is completed and by the continuous promotion of joint-marketing business, the synergies of cross-sector marketing of the Group are exerted.
 - (3) Strengthen the Group's Cross-Selling Businesses: The three emphases, including "one-stop shopping service to clients by integrating the Group's resources," "sharing the promotion experience, explaining and analyzing target clients by the product companies" and "establishing the rapid supporting windows and service process of the product companies," integrate the channel resources, to enhance the joint marketing volume, to develop positively.
 3. Promoted Digital Finance
 - (1) Develop FinTech Patents: As of the end of 2021, the Group obtained 197 FinTech patents in mobile platforms, big data, artificial intelligence, security and control mechanisms, and biometrics.
 - (2) Create Smart Financial Products: Each subsidiary of Hua Nan Group actively offers the smart financial products meeting clients' demands. Of which, HNCB has launched the App specifically for the SnY digital account and allowed the minorities to open accounts online, AI smart customer service, AI smart wealth management, the first conversational AI mobile banking, financial blockchain information system, withdrawal, transfer and mobile payment with face-recognition; Hua Nan Securities has launched the AI smart equity selection; South China Insurance has built the AI group insurance quotation system. The financial services become more efficient via the technological approaches.
 - (3) Boost the application of big data business: The Group established a level digital financial promotion team and cultivated more than ten data analysts. It established models via machine learning algorithms and applied them to the business. In 2020, it launched a total of 15 themed analysis outputs and 17 files concerning scenario marketing activities which were increased double times compared with that in 2021.
 4. Corporate Social Responsibility
 - (1) Promote charitable activities:
 - A. The first priority of the Company in terms of the public welfare are the engagement in public welfare, promotion of knowledge, sports development and art and cultural creations. In 2021, the public welfare event sponsored included "Excellent Hua Nan Care for the Elderly," "President Ing-Wen Tsai and High School Students Face-to-Face Forum," "2021 Hua Nan Financial Holdings Cup Junior Baseball Championship Games," "Hua Nan Financial Holdings Cup Youth Baseball Championship Games," "Grassroots Baseball Cultivation Fund," "Dreams-Come-True Baseball Camp," "2021 Uniform Tax Receipt Cup Road Race of the Ministry of Finance," funding for the national team training and league matches organized by the Chinese Taipei Football Association and training expenses and incentives for gymnasts, Chih-Kai Lee and the coach, Yu-Hsin Lin.
 - B. The Company has always supported sports activities and received the "Sports Activists Awards" of the Sports Administration of the Ministry of Education in 2021. It was the Company's ninth such award and the third consecutive award for Gold Sponsorship, Long Term Sponsorship, and Promotional Bronze Awards.
 - (2) Promotion of responsible finance:
 - A. The subsidiary, HNCB, has established the customized offerings like the "Preferential Mortgage for Buying (Building) Green Buildings," "Financing for Account Receivables from Power Sales of Solar Energy," "Financing for Account Receivables for Suppliers of EV Industry Supply Chain," "Preferential Loans for Upgrading

Industrial Boilers,” “Green Energy Project Loans in the Partner Cities/Counties,” “Project Loans for the Working Funds for Construction of Solar Energy Power Generating Equipment” and “Preferential Loans for Urban Renewal Business.” As of the end of December, 2021, the proceed inclusive finance cases with social or environment benefits were 67, totaled NT\$1.712 billion.

- B. The subsidiary, HNCB issued the PGO credit card on July 1, 2020, to offer incentives to the cardholders to ride the electronic scooters. As of end of December 2021, 10,784 cards were issued.
- C. The subsidiary, HNCB issued the green bonds for NT\$1 billion on July 28, 2021 again. Total balance of the investment in the green bonds was NT\$12.6 billion, NT\$800 million for the SR bonds and NT\$500 million for the sustainable development bonds.
- D. The subsidiary, Hua Nan Venture Capital joined the investment in solar energy power station for total capacity of 30 MW by Chiada International Development. Upon the completion of the project, it is expected to generate 39 million kWh of green power every year and to reduce 30,000 tons of CO2 emission.

(IV) Budget Implementation, Financial income, and Profitability Analysis

In 2021, the Company and its subsidiaries generated consolidated net income after tax of NT\$ 17.206 billion with an after-tax EPS of NT\$1.30. The consolidated return on assets (ROA) was 0.52% and the consolidated ROE was 8.82%. Profitability of subsidiaries was as follows:

1. Hua Nan Commercial Bank
In 2021, the net income after tax was NT\$14.594 billion with an after-tax EPS of NT\$1.61. The ROA was 0.46% and the ROE 7.08%.
2. Hua Nan Securities
In 2021, the net income after tax was NT\$2.524 billion, with an after-tax EPS of NT\$ 3.86. The ROA was 4.47% and the ROE 25.58%.
3. South China Insurance
In 2021, net profit after tax was NT\$ 900 million with an after-tax EPS of NT\$ 4.50, the return on assets was 3.92%, and the return on equity was 13.95%.
4. Hua Nan Investment Trust
In 2021, the net income after tax was NT\$ -7 million with an after-tax EPS of NT\$ -0.23. The ROA was -0.82% and the ROE -1.86 %.
5. Hua Nan Venture Capital
In 2021, the net income after tax was NT\$ 26 million with an after-tax EPS of NT\$ 0.13. The ROA was 1.49% and the ROE 1.50%.
6. Hua Nan Assets Management Company
In 2021, net profit was NT\$ 316 million providing the net profit of NT\$ 3.16 per share, the return on assets was 6.79%, and the return on equity was 25.62%.

(V) Research and Development

1. Hua Nan Financial Holdings
Providing the “zero distance” customized financial services centered on the clients. Establish the “digitized finance promotion team” and “big data analysis team” at the Group level, to interchange the big data and AI technologies among the subsidiaries at the Group level and apply such at the core of each subsidiary. It is sought to understand and expect the potential client needs and enhance the risk control, assist the development of existing and potential clients and provide the well-rounded digital financial services via big data and AI.
2. Hua Nan Commercial Bank
 - (1) The Bank actively develops and optimizes the new financial products and digital finance applications to promote the business development and cope with the trend of digitized financial development, such as: the “E-centralized custody” App that provides the one-stop service include payment, securities, and assets; the newly launched “Rich+ card” that links automatically via the system, to create the up/downgrade of membership, and the proprietary saving point mechanism; to help the laborers affected by the COVID-19 pandemic to overcome the trough, the “brand new one-time online application” service is provided for the labor relief loans. The online service system functions are continuously optimized, e.g., “Online business loan platform,” “internet insurance purchase platform,” “mobile insurance purchase platform,” “E-wealth management,” “robot client service,” “mobile banking,” and “personal internet banking.”
 - (2) For the positioning of fintech patents, as of the end of 2021, the Bank has proposed and obtained 254 patent applications (141 invention patents, 112 new type patents, and one design patent); there were also 186 patents approved (77 invention patents, 108 new type patents, and one design patent).
 - (3) The Bank always encouraged the employees to actively engage in R&D. In 2021, there were 261 individual R&D proposals by the employees and 32 of them were accepted.
3. Hua Nan Securities
 - (1) Cultivating the mobilization of services: the mobile trading platform is continuously optimized, to provide the best service experience, including the “e-counter so easy,” “two-way loan,” “periodical fund purchase with fixed amount” and “Hua Nan easy loan” services, for the well-rounded online mobile wealth management services.
 - (2) Creating the smart wealth management services: deepening the smart trading platform (cloud order placing/thunder order placing), smart equity selection (Hua Nan So Precise App) and smart client services. More smart trading and services are developed and launched.

- (3) Coping with the new systems of the competent authorities: to cope with the relaxed policies by the competent authorities and investment trends, the digitized services are continuously optimized, to meet the investors' demands and lower the operating costs.
 - (4) Scenario marketing: via the big data system environment and analytical tools built by the financial holding group, the precise profiles of clients are established, to help the sales to understand the clients, and enhance the service quality, for precise marketing.
 - (5) Integration of online and offline: enhancing the integrated marketing power of the business units and virtual channels, and cultivating the internet advertisement at the same time, with the proper products and services to promote the Company's products or services, for expanding the visibility of Company's products or services.
 - (6) Implementing the relaxed policies by the competent authorities: coping with the policies including loans without usage restrictions, periodical trading of negotiable securities with fixed amount commissioned to brokers and the periodical investment with fixed amount via the sub-brokerage, financing for the commissioned trading of foreign negotiable securities and digitization of transfer for the centralized depository and book-entry, for more diversified services to clients.
 - (7) By integrating the overseas product department, financial product department, futures proprietary business department, the Company is committed to the arbitrage research and trading of financial products, while working with the R&D of software by the information department, to develop the computer trading programs for spreads, arbitrages and hedging for various new types of derivatives. Along with the assistance of the AI line graphs, the long/short operating directions and the best timing of trading are grasped, for maximum profits.
 - (8) Continuing to improve and enhance the building of the information security safeguard, for the purpose of lowering the operating risks and upgrading the business continuity ability of the Company.
 - (9) Make the following relevant information system planning:
 - A. In conjunction with the planning of the blueprint of Financial Holdings and the Company on Bank 3.0 digital financial environment, build a complete digital financial environment and 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 engagement and marketing.
 - e. Master 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. Overseas re-commissioned web trading platform design and planning: Build multiple-country trading platform and increase overseas tradable market. The goal is to provide 18 overseas stock markets and broaden product and service provided to legal persons.
 - (10) The subsidiary Hua Nan Securities Investment Management conducts in-depth research on the fundamental, technical, and funding aspects of the global financial system, domestic and foreign macroeconomic development, industries, and individual companies to gain insights on investment trends and avoid risky industries. In addition to regular issuance of related investment publications and organization of investment seminars, we also provide related units of HNFHC with information that serve as the basis for investments and references for credit
4. South China Insurance

While the vaccination has been penetrating, the uncertainty of the pandemic and the diversified demands from the sales channels and consumers, urge South China Insurance to keep on focusing on the R&D of new products and innovation mix of marketing projects. In 2021, total 176 new products were developed and 150 project products are being sold currently. Not only grasping the market demands, the Company also provides the complete professional services to the insured. Facing the era of digitized internet services, South China Insurance embraces the digital technologies with the "forward-looking mindset and active actions," to bring innovative products and services, always improving them for the better. In the "9th Taiwan Insurance Excellent Performance," the Company won four silver awards for the "Excellence in Project Planning for the Insured Services," "Excellence in Project Planning for the Talent Training," "Excellence in Project Planning for Product Innovation," and "Excellence in Public Welfare and Care, respectively, as well as the two major awards in the "Insurance Quality Award," namely "Best Recommendation" and "Best After-Service." In addition, for the 22 + 1st "The Best Honor of the Insurance Industry," the Company won the major award of "Best Contact Office - 2nd Sales Department" and other five awards including "The Best Insurance Professionalism," "The Best Social Responsibility," "The Best Product Creativity - Pet Comprehensive Insurance," "The Best Channel Strategy" and "The Best Professional Adviser - Si-Yuan Tan, VP."

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.

Solid operation is South China Insurance's highest guiding principle, which received "Financial strength: A (excellent), Issuance credit A, stable for two rating outlooks" from A.M. BEST credit rating company. This indicates that SCIC has a strong balance sheet, good underwriting, neutral business profile, and appropriate corporate risk management. In addition, Taiwan Ratings gave a credit rating of "twAA, rating outlook is stable" with respect to the long-term issuing system credit rating, reflecting South China Insurance's strong capital adequacy, profitability, and excellence in business performance.

The outperformance and the excellence awards were widely recognized by the public. In the post-pandemic era 2021, the balance between the economy and the pandemic have been approaching; however, the problems like the inflation pressure, the disrupted supply chains and the tight global energies still lingered. Plus the emerging awareness of carbon-reduction and zero-emission, South China Insurance, when faced with these multiple

dimensional issues, will continue to develop the green financial products to respond to the social expectations to the enterprises; the personal information security will be enhanced, to provide the more complete safeguard as a response to the trends of digital transformation.

5. Hua Nan Investment Trust (HNIT)

As of the end of 2021, the overall public placed funds in the investment trust sector was about NT\$4.96 trillion, up by NT\$432 billion year on year or 9.6%. The Company's publicly placed funds as of the end of 2021 was NT\$40.39 billion or down by NT\$8.145 billion year on year and ranked 26th in the market.

The fund performance in 2021, however, was outstanding. Among the ten funds, seven of them ranked in the first half among the same type of funds in terms of the performance of the year; two of them were in the top one-fourth.

6. Hua Nan Venture Capital

We manage to master the industrial development trends by participating in industry seminars and the relevant training courses. Strengthened the investment case assessment and enhanced the professionalism of postinvestment 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

To respond to the government urban updating policy and accelerate owned assets activation, the self-sponsored urban renewal project for the area at Pei-Po Section, Tucheng District, New Taipei City, owned by Hua Nan Assets Management Company (HNAMC), was approved in June 2017 by the Urban Renewal Department, New Taipei City Government, and the use license was obtained in December 12, 2021. This is the first nationwide case that an industrial park obtained urban updating application under the jurisdiction of the Industrial Development Bureau, MOEA, as well as a successful case for promoting industrial environment upgrading and the three-dimensional construction and prosperity of the industrial park area.

In addition, due to the public interest and home safety of the people, the Hua Nan Assets Management Company (HNAMC) also actively participated in the urban renewal projects or the project of renovating dangerous and old buildings, as the implementer of urban renewal projects, or initiator for reconstructing dangerous and old buildings, while infusing funds. Other than that, the self-developed project for reconstructing dangerous and old buildings at the Huajian Section, Wanhua District, Taipei City was granted approval for the reconstruction in November, 2020 from Taipei City Government with the construction permit obtained in October 2021, the Company also has formed the "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" with HNCB to develop the project for reconstructing dangerous and old buildings at Zhongyang Section, Xindian District, New Taipei City. The partnership agreement for reconstructing dangerous and old buildings was entered with the land owners in May, 2021. In two years, HNAMC secured two projects for the reconstructing dangerous and old buildings in a row, becoming one of the public banks responding to the government policies most actively since the government promotes the policy of urban renewal and reconstruction of dangerous and old buildings.

HNAMC has formed the "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" with HNCB, to integrate the financing and trust expertise of the bank and the practical experience of the assets management company in the urban renewal and reconstruction of dangerous and old buildings, in order to promote the business of urban renewal and reconstruction of dangerous and old buildings, assist the residents with the real one-stop service including opinion integration, planning and design, trust and financing, investment in construction, unit delivery and mortgage by units. It not only implemented the governmental urban renewal policy, but also makes the reconstruction of old buildings accessible to people via the well-rounded services.

II. 2022 Group Business Plan, Future Development Strategies, and Impact of the External Competitive Environment and Overall Business Environment

Looking into 2022, although the disturbance from the pandemic is expected, the unbalanced supply chains will become moderate gradually as the economy recovers. The key international institutions (IMF, World Bank, OCED, among others) expect the global economic growth rate will be between 4.1%~4.5%. The potential risks including the variability of COVID-19 virus, if the inflation is in check, the pace of Fed raising the interest and tapering, geopolitical conflicts, weakening economy in China, climate changes and trend of carbon reduction, as well as the concern of financial asset bubble.

In Taiwan, thanks to the proper control over the pandemic, and catching of the opportunities of the restructure of global supply chains, investments from the returned Taiwanese companies, expected pipelines for new emerging technologies and the advantages of the advanced process in the domestic semiconductor industry leading the active expansion of plants and accelerated investments, the active export is expected to be helped. With the penetrated vaccination measures and salary hikes, the private consumption is likely to be stronger. The Directorate General of Budget, Accounting and Statistics, Executive Yuan forecasts that the economic growth rate in 2022 will be 4.42%, still strong.

In response to the aforementioned political and economic situation, the Group's business strategy for 2022 focuses on the following parts:

- (I) Diversifying income sources: The core business of lending will enhance the lending to SMEs and foreign currency loans, to secure the spreads and asset quality, while increasing the incomes from service fees and financial trading.
- (II) Increasing the profit proportion of other subsidiaries: to diversify and balance profits, the Group will strengthen the profit growth of Hua Nan Securities and South China Insurance. This year, the profit contribution of the two subsidiaries should be more than 15%.
- (III) Expanding marketing business: Increasing the Group's products held by the clients and intra group business by applying the point-accumulation mechanism; establishing the co-benefit and co-prosperity eco-system via the point redemption platform and cross-industry alliance, to exert the synergies of the Group's joint marketing and become the long-term partner of clients.

- (IV) Developing digital finance: The service philosophy of getting close to clients' hearts and creating zero-distance." Establishing the data-oriented culture with the core of big data, for the digital financial applications integrating AI and API and further to implement the cross-field collaboration, shared data, for clients to navigate in the AI smart financial life.
- (V) Strengthening risk management: Continuously deepening the applications of various risk quantification model tools, enhancing the evaluations of financial products and signing and introducing the Task Force on Climate-related Financial Disclosures (TCFD) architecture as the cooperation with the specific implementation program of MOF's ESG initiative platform, to review the impact of the climate changes on operations.
- (VI) Deepening the fintech: aligning with the Group's digital finance development, the convenience of trading is increased, the digitized service platforms are built actively, the data architecture is optimized and the digitized operating processes are promoted to improve the financial service model, through the internet and mobile devices.
- (VII) Carrying through ESG spirit: in addition to continuously strengthening corporate governance, fulfilling corporate social responsibility and striving for environmental sustainability, the Group has taken TCFD (Task Force on Climate-related Financial Disclosure) and SASB (Sustainable Accounting Standards Board) into consideration in operational decision-making in accordance with the Corporate Governance 3.0- Blueprint for Sustainable Development and Green Finance Action Plan 2.0 of the Financial supervision committee. It also has adhered to ESG spirit when undertaking business, gradually undertaken the responsibility of investment and financing, and continuously assisted industries of green energy technology and circular economy in sustainable operation.

The Group will follow the market conditions, to grasp the trend of the interest rate rising cycle, to adjust the operating strategies flexibly, enhancing the capital structure, to improve the three pillars of profit and the overseas business, while continuing the integration of the Group's resources and balancing the profit contributions of the Group. While the economic outlook for 2022 is optimistic, the aforesaid potential variables still risky. The Group will stay very prudentially and face the challenges without rush or fear and look into another outperformance that generates better feedback to all shareholders, employees and clients.

III. Impact of the Legal Environment:

Financial industry is an industry under the high supervision of competent authority. In 2021, competent authority kept promoting the Corporate Governance 3.0- Blueprint for Sustainable Development and Capital Market Blueprint and intensifying the legal compliance of risk assessment mechanism; released and modified various provisions about difficulty resolving and revitalization to respond to the epidemic situation. Besides abiding by laws and regulations and coordinating to handle and keeping making full use of the functions of three defense lines for internal control, the Group concerned and responded to the change of regulatory environment comprehensively and tried to exert the functions of legal compliance, risk management, internal auditing and self-examination to create a close-knit safety net, effectively preventing any violation in our business expansion, and ensure that the Company's operations meet regulatory requirements.

IV. Credit Rating

Assessed Institution	Rating Agency	Long-term Credit Rating	Short-term Debt Rating	Future Outlook
Hua Nan Financial Holdings	Taiwan Ratings (2021/12)	twAA-	twA-1+	Stable
Hua Nan Commercial Bank	Taiwan Ratings (2021/12)	twAA+	twA-1+	Stable
	Moody's Ratings (2022/03)	A2	P-1	Stable
	Standard & Poor's Ratings (2021/12)	A-	A-2	Stable
Hua Nan Securities	Taiwan Ratings (2021/06)	twAA-	twA-1+	Stable
South China Insurance	Taiwan Ratings (2021/11)	twAA	-	Stable
	A.M. Best (2022/01)	A	a	Stable
Hua Nan Assets	Taiwan Ratings (2021/06)	twA+	twA-1	Stable

Chairman

Chang, Yun-Peng

Vice Chairman

Ming Chao

President

Lo, Pao-chu

Honesty



II ▶ Company Profile

I. 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.

II. Company History

The status of merger and acquisitions, investments in affiliates, and reorganization of the Company in the last year and up to the date of publication of the annual report: None.

III. Significant Transfer or Change of Stock Ownership by Directors and Major Stockholders: None.

IV. Significant changes in ownership, methods of operation, or business operation: None.

V. Other significant items that will affect shareholders' right: None



From left to right: Executive Vice President Amy, M.C. Chiou、President Pao-Chu Lo、Chairman Yun-Peng Chang、Vice Chairman Ming-Cheng Lin、Executive Vice President Greta Lin、Chief Auditor Pi-E Huang

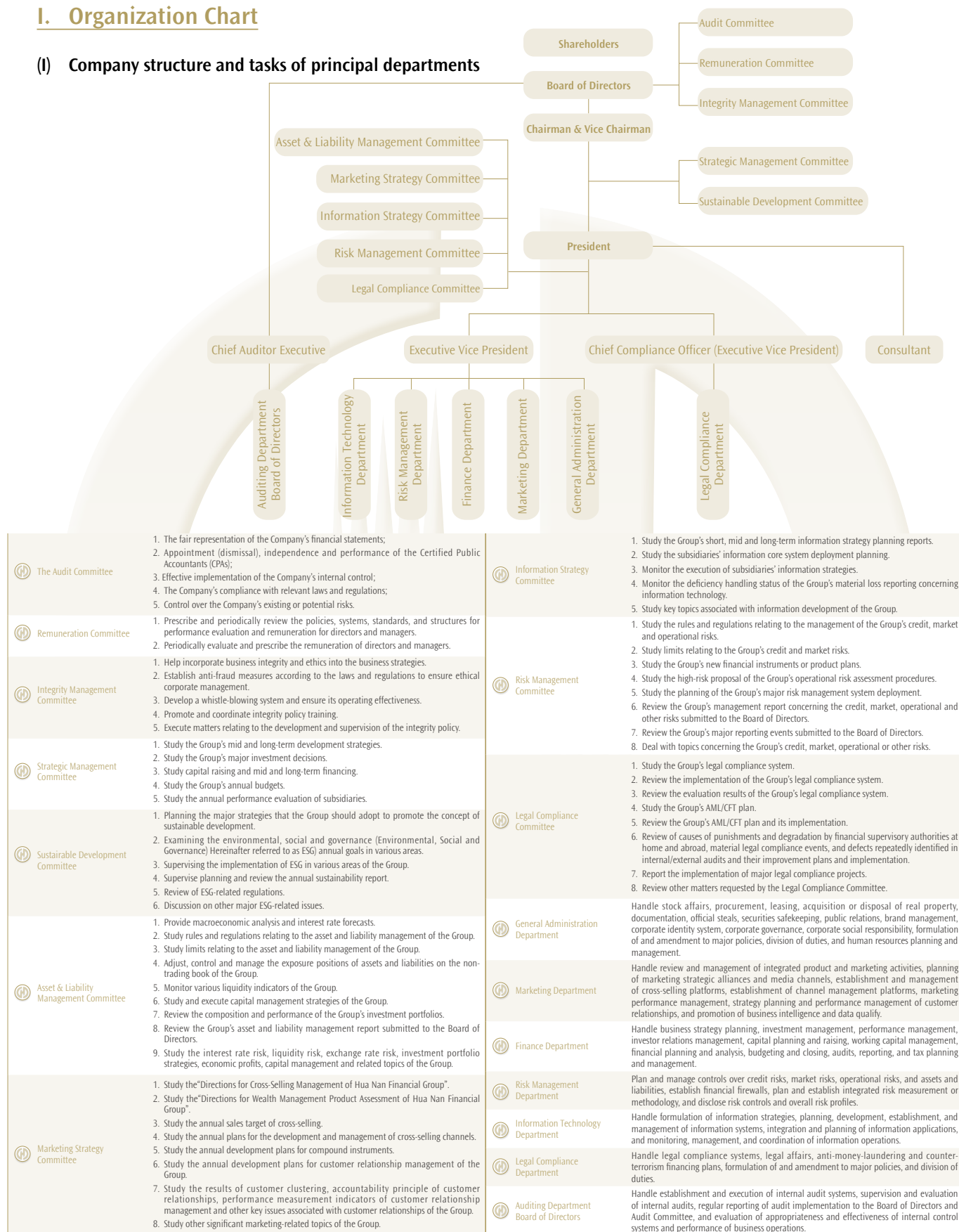
Efficiency



III Corporate Governance

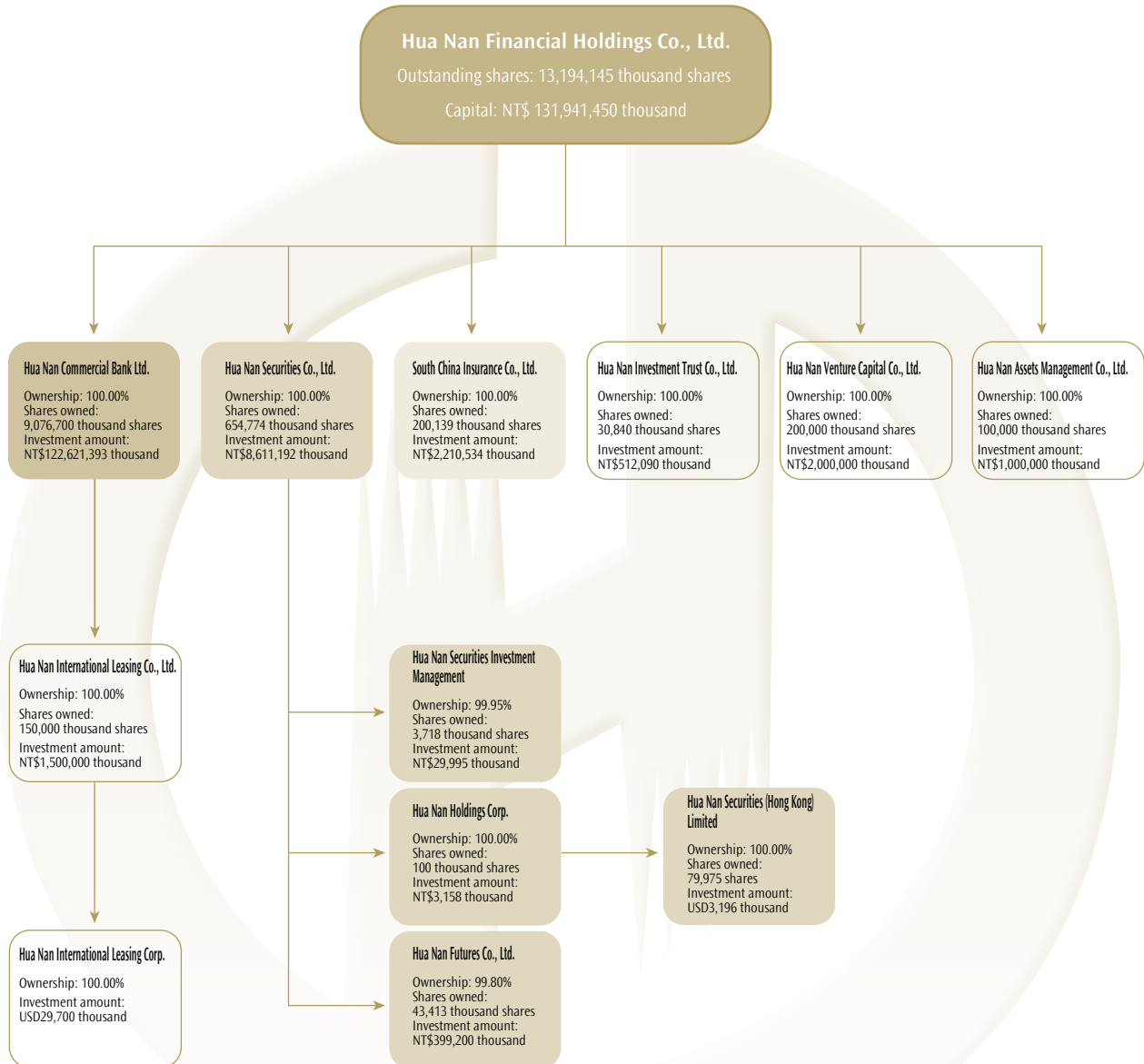
I. Organization Chart

(I) Company structure and tasks of principal departments



(II) Company Organization

Date: Mar. 31, 2022



By business group:

- Commercial bank
- Securities/Investment bank
- Insurance
- Asset management/Lease

II. Directors and Management Team

(I) Director Information

Position (Note 1)	Nationality or Registered Address	Name	Gender Age (Note 2)	Date of Election (Appointment)	Term	Date of Initial Election (Note 3)	Shares held when elected		Current number of shares held		Current shares held by spouse and minor children	
							Number of shares	Shareholding Percentage %	Number of shares	Shareholding Percentage %	Number of shares	Shareholding Percentage %
Chairman	R.O.C.	Ministry of Finance Representative: Yun-Peng Chang	male 61-70 years old	2019.06.14	Term expires on Jun. 13, 2022	2015.07.03 (Note: Term was interrupted from Jun. 1, 2017 to Apr. 25, 2019)	196,225,460	1.70	224,282,215	1.70	0	0
Vice Chairman	R.O.C.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Representative: Ming-Cheng Lin	male 71-80 years old	2019.06.14	Term expires on Jun. 13, 2022	2001.12.19	203,868,643	1.77	233,018,238	1.77	0	0
Director	R.O.C.	Ministry of Finance Representative: Pao-Chu Lo	female 61-70 years old	2019.06.14	Term expires on Jun. 13, 2022	2017.06.01	196,225,460	1.70	224,282,215	1.70	0	0
Director	R.O.C.	Bank of Taiwan Representative: Shih-Ching Jeng	female 41-50 years old	2019.06.14	Term expires on Jun. 13, 2022	2016.07.01	2,450,853,525	21.23	2,801,282,059	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Chou-Wen Wang	male 41-50 years old	2019.06.14	Term expires on Jun. 13, 2022	2019.06.14	2,450,853,525	21.23	2,801,282,059	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Ho-Chyuan Chen	male 51-60 years old	2019.06.14	Term expires on Jun. 13, 2022	2019.06.14	2,450,853,525	21.23	2,801,282,059	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Yu-Min Yen	male 41-50 years old	2019.06.14	Term expires on Jun. 13, 2022	2019.06.14	2,450,853,525	21.23	2,801,282,059	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: An-Pang Wang	male 41-50 years old	2020.06.09	Term expires on Jun. 13, 2022	2020.06.09	2,450,853,525	21.23	2,801,282,059	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Wei-Te Tsai	female 51-60 years old	2020.10.13	Term expires on Jun. 13, 2022	2020.10.13	2,450,853,525	21.23	2,801,282,059	21.23	0	0
Director	R.O.C.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Representative: T. Lin	male 51-60 years old	2019.06.14	Term expires on Jun. 13, 2022	2001.12.19	203,868,643	1.77	233,018,238	1.77	0	0
Director	R.O.C.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Representative: Chih-Yu Lin	male 41-50 years old	2019.06.14	Term expires on Jun. 13, 2022	2016.07.01	203,868,643	1.77	233,018,238	1.77	0	0
Director	R.O.C.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Representative: Chih-Yang Lin	male 51-60 years old	2019.06.14	Term expires on Jun. 13, 2022	2005.01.14 (Note: Term was interrupted from July 1, 2013 to June 30, 2016)	203,868,643	1.77	233,018,238	1.77	0	0
Director	R.O.C.	He Quan Investment Co., Ltd. Representative: An-Lan Hsu Chen	female 61-70 years old	2019.06.14	Term expires on Jun. 13, 2022	2001.12.19	3,203,231	0.03	3,661,235	0.03	0	0
Director	R.O.C.	He Quan Investment Co., Ltd Repre- sentative: Michael, Yuan-Jen Hsu	male 41-50 years old	2019.06.14	Term expires on Jun. 13, 2022	2009.05.16	3,203,231	0.03	3,661,235	0.03	0	0
Director	R.O.C.	China Man-Made Fiber Corporation Representative: Vivien, Chia-Ying Shen	female 51-60 years old	2019.06.14	Term expires on Jun. 13, 2022	2005.08.31	61,291,654	0.53	70,055,271	0.53	0	0
Independent Director	R.O.C.	Kuei-Sun Wu	male 72 years old	2019.06.14	Term expires on Jun. 13, 2022	2016.07.01	0	0	0	0	0	0
Independent Director	R.O.C.	Kuo-Chuan Lin	male 61-70 years old	2019.06.14	Term expires on Jun. 13, 2022	2019.06.14	0	0	0	0	0	0
Independent Director	R.O.C.	Ming-Hsien Yang	male 61-70 years old	2019.06.14	Term expires on Jun. 13, 2022	2019.06.14	0	0	0	0	0	0
Independent Director	R.O.C.	Sung-Tung Chen	male 61-70 years old	2019.06.14	Term expires on Jun. 13, 2022	2019.06.14	0	0	0	0	0	0

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

Note 2: Please list the actual age in intervals. for example, 41~50 years old or 51~60 years old.

Note 3: 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 4: 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.

Note 5: When the chairman and the general manager or the equivalent (the Highest manager) are the same person, relatives such as spouse or one parent, the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and the More than half of the directors did not serve as employees or managers, etc.).



Date of Share Subscription: Apr. 19, 2022

Shares held in the names of others		Highest educational attainment/Work experience (Note 4)	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			Remarks (Note 5)
Number of shares	Shareholding Percentage %			Position	Name	Relationship	
0	0	President and Director of HNFHC; Managing Director and President of HNCB; Chairman and President of Hua Nan Venture Capital; Chairman of Bank of Kaohsiung (Department of Commerce, National Taiwan University)	Chairman of Hua Nan Commercial Bank	None	None	None	None
0	0	Chairman of HNFHC; Chairman of Hua Nan Commercial Bank; Director of Central Bank; Chairman of The Bankers Association of Taipei (Master of Law, Keio University, Japan)	Director of Lin Pen Yuan Industrial Co., Ltd	Director Director	T. Lin Chih-Yu Lin	Father and Son Father and Son	None
0	0	Manager of E-Financial Department/ Manager of Audit Office of Board of Directors of Hua Nan Commercial Bank; Chief Auditor of HNFHC (Department of Public Finance, National Taipei University, formerly known as National Chung Hsing University)	President of HNFHC; Director of the Taiwan Asset Management Corporation.	None	None	None	None
0	0	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.)	Professor in the Department of Risk Management and Insurance of National Chengchi University	None	None	None	None
0	0	Professor, Department of Finance, National Kaohsiung University of Science and Technology (Ph. D (Money and Banking), National Cheng Chi University)	Professor & Chairman, Department of Finance, National Sun Yat-Sen University	None	None	None	None
0	0	Professor & Chairman, Department of Finance, Professor of Department of Risk Management and Insurance and Chairman(Proxy) of Department of Finance, National Kaohsiung University of Science and Technology (Ph. D of Economics, Texas A&M University, U.S.A)	Professor, Department of Economics, National Chung Cheng University, Economics, National Chung Cheng University Department Chairman, Director, Center for Evidence on Economic Strategy and Policy, School of Management Director of Business Administration Industry-University Bridging Center	None	None	None	None
0	0	Assistant Professor, Department of International Business, National Cheng Chi University (Ph.D in Finance, London School of Economics and Political Science, UK)	Associate Professor, Department of International Business, National Cheng Chi University	None	None	None	None
0	0	Special Member of Taoyuan Municipal Social Bureau, Chief Secretary of Social Bureau of Taoyuan Municipal Government, Director of Labor Bureau of Taoyuan Municipal Government, Director of Social Bureau of Taoyuan Municipal Government, Deputy Secretary General of Taoyuan Municipal Government, Director of Civil Affairs Bureau of Taoyuan Municipal Government (Master In Politics, NTN)	Deputy Minister of the Ministry of Labor	None	None	None	None
0	0	Professor at Graduate Institute of Industrial Economics of NCU (Ph. D. in Economics, PSU, U.S.A.)	Professor & Director at Graduate Institute of Industrial Economics of NCU	None	None	None	None
0	0	Fund Manager of Mercury Asset Management (Master of Real Estate Economics and Finance, 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	None
0	0	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	None
0	0	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	None
0	0	Chairman of Hua Nan Securities; Director of Hua Nan Commercial Bank (Department of Foreign Languages and Literature, Tunghai 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.; Managing Director of Entrust Foundation	Director	Michael, Yuan-Jen Hsu	Mother and Son	None
0	0	Vice Chairman of Hua Nan Securities (MBA from the Wharton School of the University of Pennsylvania)	Director of Hua Nan Commercial Bank; 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; Supervisor of Taiwan Futures Exchange	Director	An-Lan Hsu Chen	Mother and Son	None
303,494	0.002	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, Director of SHUO-RONG Investment Co., Ltd, Director of Yu Hui Co., Ltd	None	None	None	None
0	0	General Manager of Accounting Department, Central Bank; Chairman of Taiwan Clearing House Development Foundation (Master of Business Administration, National Taiwan University)	None	None	None	None	None
0	0	Associate Professor, Department of Public Administration, Tamkang University, Associate Professor, College of Law, National Cheng Chi University; Committee Member of FSC, Chairman of Financial Ombudsman Institution, Dean of College of Law, National Chengchi University (Ph.D. in Law, Kobe University)	Supervisor of Taiwan Stock Exchange Corporation, director of Securities and Futures Institute	None	None	None	None
0	0	Vice President and Chairman of Deloitte & Touche Taiwan (Master of Accounting Department of National Taiwan University)	Director of SIRTEC INTERNATIONAL CO., Ltd, Independent Director of HNCB	None	None	None	None
0	0	Prosecutor of Yunlin, Taichung, Hsinchu District Prosecutors Office (Department of Law, National Chengchi University)	Chairman of Shunlong Kiln Industry Co., Ltd, Partner Lawyer of Chengtai Law Office, Independent Director of HNCB, Supervisor of BO-CHIH Investment Co., Ltd. and Supervisor of Videoland Television Network	None	None	None	None

1. Names of Institutional Shareholders Acting as Directors and their Shareholders with Top-10 Ownership and Individual Holding Percentage

(1) Major Shareholders of the Institutional Shareholders

Date: Dec. 31, 2021

Name of Institutional Shareholder (Note 1)	Major Shareholders of the Institutional Shareholders (Note 2)
Ministry of Finance	Government Agency
Bank of Taiwan	Taiwan Financial Holding Co., Ltd. (100%)
The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	The legacy of Mr. Hsiung-Chen Lin (100%)
China Man-Made Fiber Corporation	Pan Asia Chemical Corporation (15.51%), Sheng Jen Knitting Factory Co., Ltd. (4.36%), Chou Chin Industrial Co., Ltd. (3.65%), Pan Asia Investment Co., Ltd. (3.11%), China Man-Made Fiber Investment Co., Ltd. (2.61%), JPMorgan Chase Bank N.A., Taipei Branch in Custody of Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds (1.19%), JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard FTSE Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.02%), Yu Hui Co., Ltd. (0.98%), Ya-Ping Chen (0.77%), Te Hsing Investment Co., Ltd. (0.69%)
He Quan Investment Co., Ltd.	An-Lan Hsu Chen (99%) ; Yuan-Ling Hsu (1%)

Note 1: If the director is an institutional shareholder representative, the name of the institutional shareholder shall be filled in.

Note 2: Fill in the names of major shareholders with top-10 ownership of the institutional shareholders and their individual holding percentage. Fill in Table 2 below, if the major shareholders are institutional shareholders.

Note 3: If the entity shareholder is not a company organizer, the name and shareholding ratio of the shareholder that should be disclosed beforehand is the name of the funder or donor and its contribution or contribution ratio.

(2) Major Institutional Shareholders of Institutional Shareholders

Date: Dec. 31, 2021

Name of Institutional Shareholder (Note 1)	Major Shareholders of the Institutional Shareholders (Note 2)
Taiwan Financial Holdings Co., Ltd.	Ministry of Finance (100%)
Pan Asia Chemical Corporation	China Man-Made Fiber Corporation(44.40%), Sheng Jen Knitting Factory Co., Ltd.(6.20%), China Man-Made Fiber Investment Co., Ltd.(5.12%), Yu Hui Co., Ltd.(1.75%), Sheng-Lu Lin (0.93%),HSBC Custody Account for Morgan Stanley International Limited Special(0.61%),The Employees' Welfare Committee of Pan Asia Chemical Corporation(0.60%), The Business Department of Standard Chartered International Commercial Bank Custody Account for Credit Suisse International Investment(0.36%), Zheng-Yi Liu(0.23%), Zhao-Ru Chen(0.23%)
Sheng Jen Knitting Factory Co., Ltd	China Man-Made Fiber Investment Co., Ltd.(53.47%), Yu Hui Investment Co., Ltd.(40.40%), Chao-Chang Wang(5.57%), Kuei-Hsien Wang(0.3%), Shang-Che Chiang(0.15%), Shih-I Chiang(0.1%)
Chou Chin Industrial Co., Ltd.	China Man-Made Fiber Corporation(46.81%), Ta Fa Investment Co., Ltd.(27.10%), Yu Hui Co., Ltd.(11.05%), Pan Hsu Investment Co., Ltd.(3.86%), Te Hsing Investment Co., Ltd.(2.50%), Pan Asia Investment Co., Ltd.(0.80%), Chiu Chang Co., Ltd. (0.68%), Tuan-Pei Chen(0.31%), Cheng Chih Asset Management Co., Ltd.(0.22%), Mega Securities (0.19%)
Pan Asia Investment Co., Ltd.	Tai I Investment Co., Ltd. (47.42%), Da Fa Investment Co., Ltd. (42.63%), Tsung Hao Enterprise Co., Ltd. (9.44%), Kuei-Hsien Wang (0.51%)
China Man-Made Fiber Investment Co., Ltd.	Ta Fa Investment Co., Ltd.(28.08%), Pan Asia Chemical Corporation(17.67%), Tsung Hao Enterprise Co., Ltd.(15.64%), Chin-Yuan Huang(14.72%), Yu Hui Co., Ltd.(10.52%), Hsu Tien Investment Co., Ltd.(9.57%), Kuei-Hsien Wang(1.70%), Kuei-Feng Wang(1.55%), Sheng Jen Knitting Factory Co., Ltd. (0.44%), Tsai-Lien Cheng(0.06%)
JPMorgan Chase Bank N.A., Taipei Branch in Custody of Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds	Not applicable
JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard FTSE Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	Not applicable
Yu Hui Co., Ltd.	Kuei-Hsien Wang (99.99%), Vivien, Chia-Yang Shen (0.01%)
Te Hsing Investment Co., Ltd.	China Man-Made Fiber Investment Co., Ltd. (100%)

Note 1: If the major shareholder in above Table 1 is an institutional shareholder, the name of the institutional shareholder shall be filled in.

Note 2: Fill in the names of major shareholders with top-10 ownership of the institutional shareholders and their individual holding percentage.

Note 3: If the entity shareholder is not a company organizer, the name and shareholding ratio of the shareholder that should be disclosed beforehand is the name of the funder or donor and its contribution or contribution ratio.

2. Directors' Professional Qualifications and Independence Analyses

Conditions Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Yun-Peng Chang	<ul style="list-style-type: none"> Major education background: Department of Business Administration, National Taiwan University Major experience: President of Hua Nan Financial Holdings and Hua Nan Commercial Bank; Chairman and President of Hua Nan Venture Capital Co., Ltd.; Chairman of Bank of Kaohsiung Current post: Chairman, Hua Nan Financial Holdings and Hua Nan Commercial Bank; Supervisor, Taiwan Securities Exchange Corporate; Managing Director, Bankers Association of the Republic of China; Executive Director of Taipei Banking and Commercial Association Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (3) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (5) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (7) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 	0
Ming-Cheng Lin	<ul style="list-style-type: none"> Major education background: Master of Law, Keio University, Japan Major experience: Chairman of Hua Nan Financial Holdings and Hua Nan Commercial Bank, Director of the Central Bank, Chairman of The Bankers of Association of Taipei Current post: Vice Chairman, Hua Nan Financial Holdings; Director, Lin Ben Yuan Industrial Co., Ltd. Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (4) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (5) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. 	0
Pao-Chu Lo	<ul style="list-style-type: none"> Major education background: Department of Finance and Taxation, National Chung Hsing University (currently National Taipei University) Major experience: Manager of E-Finance Department, and Manager of Audit Department, Board of Directors of Hua Nan Bank; Chief Auditor Executive, Hua Nan Financial Holdings Current post: President, Hua Nan Financial Holdings; Director, Taiwan Asset Management Corporation Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not a director or supervisor of the company or any of its affiliates. (2) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (3) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (5) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (7) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 	0
Kuei-Sun Wu	<ul style="list-style-type: none"> Major educational background: MBA, National Taiwan University Major experience: Director General of Department of Accounting, Central Bank; Chairman, Taiwan Payments Clearing System Development Foundation Current post: Independent Director, Hua Nan Financial Holdings Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. (11) Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act. 	0

Conditions Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Kuo-Chuan Lin	<ul style="list-style-type: none"> Major education background: Ph.D. in Law, Kobe University, Japan Major experience: Associate Professor, Department of Public Administration, the Tamkang University; Professor, Department of Law, Chengchi University; Dedicated Commissioner, FSC; Chairman, Financial Ombudsman Institution; Dean, College of Law, Chengchi University Current post: Independent Director, Hua Nan Financial Holdings; Supervisor, Taiwan Securities Exchange Corporate; Director, Securities and Futures Institute; Visiting Professor, College of Law, Tunghai University Work experience required for legal affairs and financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> Not an employee of the Company or any of its affiliates. Not a director or supervisor of the company or any of its affiliates. Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act. 	0
Ming-Hsien Yang	<ul style="list-style-type: none"> Major education background: Master of Accounting, National Taiwan University Major experience: VP and Chairman of Deloitte, Taiwan Current post: Independent Director, Hua Nan Financial Holdings and Hua Nan Commercial Bank; Director, Sirtec International Co., Ltd. CPA; work experience required for accounting and financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> Not an employee of the Company or any of its affiliates. Not a director or supervisor of the company or any of its affiliates. Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act. 	0
Sung-Tung Chen	<ul style="list-style-type: none"> Major education background: Legal Institution Program, Department of Law, National Chengchi University Major experience: Prosecutor, Prosecutor Office in Yunlin, Taichung and Hsinchu District Court Current post: Independent Director, Hua Nan Financial Holdings and Hua Nan Commercial Bank; Shun Long Ceramics Co., Ltd.; Partner, Chen Tay International Law Office; Supervisor, Posh Investment Co., Ltd; Supervisor, Videoland Inc. Attorney of law; work experience required for legal affairs and financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> Not an employee of the Company or any of its affiliates. Not a director or supervisor of the company or any of its affiliates. Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act. 	0

Conditions Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Shih-Ching Jeng	<ul style="list-style-type: none"> Major educational background: PhD., Finance and Insurance, Rhode Island State University, the U.S. Major experience: Associate Professor, Department of Risk Management and Insurance, NCCU; Deputy Chief, Center of Risk and Insurance Research; Member, Fund Management Board, Council of Indigenous Peoples, Executive Yuan Current post: Professor, Department of Risk Management and Insurance, NCCU Professor in college, with work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 	0
Chou-Wen Wang	<ul style="list-style-type: none"> Major education background: PhD., Department of Finance, National Chengchi University Major experience: Professor, Department of Finance, National Kaohsiung First University of Science and Technology Current post: Professor and Dean, Department of Finance, National Sun Yat-sen University Professor in college, with work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 	0
Ho-Chyuan Chen	<ul style="list-style-type: none"> Major education background: PhD., Economics, Texas A&M University, the U.S.A. Major experience: Professor and Dean of Department of Money and Banking, Professor, Department of Risk Management and Insurance and Acting Dean of Department of Finance, National Kaohsiung University of Science and Technology; Dean of Department of Economics Chief of Empirical Center for Economic Strategy and Policy and Chief of Business Administration - Industry-Academic Bridging Center, National Chung Cheng University Current post: Professor, Department of Economics, National Chung Cheng University Professor in college, with work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 	0

Conditions Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Yu-Min Yen	<ul style="list-style-type: none"> Major education background: PhD., Finance, London School of Economics and Political Science, the U.K. Major experience: Full-time Assistant Professor, Department of International Business, NCCU Current post: Full-time Associate Professor, Department of International Business, NCCU Associate professor in college, with work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0
An-Pang Wang	<ul style="list-style-type: none"> Major education background: Master, Department of Politics, National Taiwan Normal University Major experience: Commissioner, Chief Secretary and General-Director of the Department of Social Welfare, Taoyuan City Government; General-Director, Department of Labor, Taoyuan City Government; Deputy Secretary-General, Taoyuan City Government; General-Director, Department of Civil Affairs, Taoyuan City Government Current post: Deputy Minister of the Ministry of Labor Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0
Wei-Te Tsai	<ul style="list-style-type: none"> Major educational background: PhD., Economics, Pennsylvania State University, the U.S.A. Major experience: Professor, Graduate Institute of Industrial Economics of National Central University Current post: Professor and Dean, Graduate Institute of Industrial Economics of National Central University Professor in college, with work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0

Conditions Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
T. Lin	<ul style="list-style-type: none"> Major educational background: MSc Real Estate Economics and Finance, London School of Economics and Political Science, the U.K. Major experience: Fund Manager, Mercury Asset Management plc Current post: Vice Chairman, Hua Nan Commercial Bank Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (3) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (4) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (5) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (7) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.	0
Chih-Yu Lin	<ul style="list-style-type: none"> Major educational background: MBA, University California, Los Angeles, the U.S.A. Major experience: Assistant VP, Hua Nan Venture Capital Co., Ltd. Current post: Director, Hua Nan Commercial Bank; VP, Hua Nan Venture Capital Co., Ltd. Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (2) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (3) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (4) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (5) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (6) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.	0
Chih-Yang Lin	<ul style="list-style-type: none"> Major educational background: MBA, National Taiwan University Major experience: Attorney of Laws, Taipei Bar Association Current post: 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 Attorney of law; work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (3) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company, or ranked top five in terms of the number of shares held, or designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (5) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (6) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (7) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (8) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (9) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0
An-Lan Hsu Chen	<ul style="list-style-type: none"> Major educational background: Department of Foreign Language and Literature, Tunghai University Major experience: Chairman, Hua Nan Securities Co., Ltd.; Director, Hua Nan Commercial Bank Ltd. Current post: 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; Managing Director of Entrust Foundation Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the company or any of its affiliates. (3) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (5) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (6) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (7) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (8) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.	0

Conditions Name	Professional qualifications and experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Michael, Yuan-Jen Hsu	<ul style="list-style-type: none"> Major educational background: MBA, Warton Business School, University of Pennsylvania, the U.S.A. Major experience: Vice Chairman, Hua Nan Securities Co., Ltd. Current post: 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; Supervisor of Taiwan Futures Exchange Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the Company or ranks as one of its top-10 shareholders. (3) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (4) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (5) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (6) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (7) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.	0
Vivien, Chia-Ying Shen	<ul style="list-style-type: none"> Major educational background: PhD., Public Health, John Hopkins University, the US Major experience: VP, HSBC, Hong Kong Current post: Director of Hua Nan Commercial Bank, Director of SHUO- RONG Investment Co., Ltd, Director of Yu Hui Co., Ltd. Work experience required for financial business in place No circumstances specified in Article 30 of the Company Act 	(1) Not an employee of the Company or any of its affiliates. (2) Not A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (3) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship are not a director, supervisor, or employee of the company or any of its affiliates; or a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. (5) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person. (6) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof. (7) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (8) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (9) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0

Note 1: Professional qualification and experience: specify the professional qualification and experience of each director and supervisor; for the members of the Audit Committee with accounting or finance specialty, specify their accounting or finance background and working experience, and explain if they are free from any circumstances in Article 30 of the Company Act.

Note 2: For independent directors, their conformity to the independence shall be specified, including but not limited to the shares and the weight thereof held by themselves, spouses, relatives within the second degree of kinship (or under others' names) ; serving as a director, supervisor or employee in other companies having specific relationship with the Company (please refer to Sub-paragraphs 5-8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remunerations by providing commercial, legal, financial, accounting or related services to the Company or any of its affiliates.

3. The Diversified Abilities of Board of Directors:

To implement a well-established corporate governance system, the Company stipulates in Article 32 of the Company's Corporate Governance Guidelines that the Board of Directors shall be composed of members based on the diversification policy. Directors concurrently acting as managers of the Company shall be limited to a certain percentage and shall comply with Article 26 regarding concurrently held positions; in addition, the Company shall formulate the diversification policy based on the operations, business model, and development needs, including but not limited to the two dimensions as follows: I. Basic requirements: gender and age. II. Professional knowledge (law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

The Board of Directors is composed of 19 directors, including 4 independent directors. The Company attaches great importance to the diversification of industry experiences of the Board of Directors. Basically, at least one member of the Board shall have work experience in banking, securities, and insurance. In addition to financial holding, banking, securities, and insurance, asset management and investment, directors of the Company have diversified experience in industries ranging from education, venture capital, real estate development to legal service, public service, notes exchange, manufacturing, catering and healthcare (public health). In terms of age, 6 directors are 41~50 years old, 5 directors are 51-60 and 8 directors are 61 years old or older. In addition, the Company values gender equality. The Board of Directors has 5 female directors, accounting for 26.3% of members of the Board. The diversification of the Board of Directors is as follows:

Director	Basic information					1. Industry experience														Professional skills										
	Nationality	Gender	Employee of the Company	Age		The Length of Director Tenure		Financial holding	Banking	Securities	Insurance	Asset management	Investment	Education	Venture capital	Real estate development	Notes exchange	Law Firm	Public Service	Manufacturing and Catering	Medical (public health) industry	Ability to make judgement in operations	Accounting and financial analysis capability	Ability in managing operation	Ability in handling crisis	Industry knowledge	International market view	Leadership	Decisiveness	Knowledge and ability in risk management
				41-50	51-60	Less Than 3 years	3-9 Years																							
Yun-Peng Chang	R.O.C.	Male			V		V	V	V	V	V	V										V	V	V	V	V	V	V	V	V
Ming-Cheng Lin	R.O.C.	Male			V		V	V	V	V	V	V									V	V	V	V	V	V	V	V	V	V
Pao-Chu Lo	R.O.C.	Female	V		V		V	V	V	V	V	V										V	V	V	V	V	V	V	V	V
Kuei-Sun Wu	R.O.C.	Male			V		V	V									V					V	V	V	V	V	V	V	V	V
Kuo-Chuan Lin	R.O.C.	Male			V	V	V							V								V		V	V	V	V	V	V	V
Ming-Hsien Yang	R.O.C.	Male			V	V	V	V	V	V		V										V	V	V	V	V		V	V	V
Sung-Tung Chen	R.O.C.	Male			V	V					V							V							V			V		V
Shih-Ching Jeng	R.O.C.	Female	V				V	V		V												V	V	V	V	V	V	V	V	V
An-Pang Wang	R.O.C.	Male	V															V				V		V	V	V	V	V	V	V
Wei-Te Tsai	R.O.C.	Female		V						V				V							V	V			V	V	V	V		V
Chou-Wen Wang	R.O.C.	Male	V				V	V	V			V	V	V								V	V	V	V	V	V	V	V	V
Ho-Chyuan Chen	R.O.C.	Male		V			V							V						V		V	V	V	V	V	V	V	V	V
Yu-Ming Yen	R.O.C.	Male	V					V	V			V										V	V	V	V	V	V	V	V	V
T. Lin	R.O.C.	Male		V			V	V	V	V	V	V				V						V	V	V	V	V	V	V	V	V
Chih-Yu Lin	R.O.C.	Male	V	V			V	V			V	V			V							V	V	V	V	V	V	V	V	V
Chih-Yang Lin	R.O.C.	Male		V			V	V			V	V				V						V	V	V	V	V	V	V	V	V
An-Lan Hsu Chen	R.O.C.	Female			V		V	V	V			V										V	V	V	V	V	V	V	V	V
Michael, Yuan-Jen Hsu	R.O.C.	Male		V			V		V			V										V	V	V	V	V	V	V	V	V
Vivien, Chia-Ying Shen	R.O.C.	Female		V			V	V													V	V	V	V	V	V	V	V	V	V

Note: The professional skills listed in this table are listed according to the capabilities that the Board of Directors should possess according to Article 32 of the Company's Corporate Governance Practices.

(II) Presidents, Executive Vice Presidents, and various Department Managers

Position (Note 1)	Nationality	Name	Gender	Date of Appointment	Shares Held		Shares Held by Spouse and Minor Children		Shares held in the names of others	
					Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage
President	R.O.C.	Pao-Chu Lo	Female	2017.06.01	129,230	0	0	0	0	0
Executive Vice President	R.O.C.	Greta Lin	Female	2021.08.01	118,404	0	11,927	0	0	0
Executive Vice President and G.M. of the Law and Ordinance Compliance Department	R.O.C.	Amy, M.C. Chiou	Female	2020.09.11	94,968	0	0	0	0	0
Chief Auditor and G.M. of the Auditing Department	R.O.C.	Pi-E Huang	Female	2019.01.16	117,801	0	0	0	0	0
Chief Secretary of Board of Directors	R.O.C.	Hui-Ling Hsu	Female	2015.12.01	112,433	0	0	0	0	0
G.M. of the Marketing Department	R.O.C.	Chao-Chi Yeh	Male	2017.07.01	80,307	0	1,525	0	0	0
G.M. of the Risk Management Department	R.O.C.	Chin-Hua Yang	Female	2019.01.01	0	0	0	0	0	0
G.M. of the Administration Department	R.O.C.	Po-Hsun Chen	Male	2020.01.01	40,645	0	0	0	0	0
G.M. of the Finance Department and Chief of Corporate Governance	R.O.C.	Wan-Li Chu	Female	2020.07.16	235,773	0	0	0	0	0
G.M. of the Information Technology Department	R.O.C.	Yi-Jer Ho	Female	2021.04.01	1,152	0	0	0	0	0

Note 1: Information on the executive officers including the President, Vice Chief Executive Officer, function heads and branch managers or any personnel assuming equivalent positions are disclosed.

Note 2: The work experience of anyone above relating to their current roles, e.g. previous employment in the auditor's firm or employment in a related company, must be addressed with detailed job titles and responsibilities.

Note 3: If the general manager or equivalent (the Highest Manager) and the chairman are the same person, relatives such as spouse or one parent, they should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and should have More than half of the directors did not serve as employees or managers, etc.).

(III) Reappointment of Retiring Chairman and President as Consultants

Position	Nationality	Name	Gender	Position before Retirement		Date of Service	Purpose of Employment	Segregation of Duties	Remuneration	Ratio of Total Remuneration to Income after Tax
				Institution and Title	Date of Retirement					
No retiring chairman or president was reappointed as consultant in 2021.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable



Date of Share Subscription: Apr. 19, 2022

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	Remarks (Note 3)
		Position	Name	Relationship		
Chief Auditor of HNFHC, Manager of Audit Office, Board of Directors, Manager of Department of Electronic Banking, Manager of Operating Management Department at Hua Nan Commercial Bank Department of Public Finance, National Chung Hsing University (reorganized to National Taipei University)	Director of the Taiwan Asset Management Corporation.	None	None	None	Not issued	None
Manager of Planning Department, Associate Manager of Planning Department, Associate Manager of Corporate Banking Department of Hua Nan Commercial Bank Master of Accounting, Soochow University	Director of South China Insurance Co., Ltd.	None	None	None	Not issued	None
Chief Auditor of Hua Nan Commercial Bank, Chief Secretary of the Board of Directors of HNFHC, Manager of the Trust Department of Hua Nan Commercial Bank NCCU Department of Statistics	Director of Hua Nan Venture Capital	None	None	None	Not issued	None
Manager of Credit Management Department, Manager of Corporate Finance Credit Management, Manager of Corporate Finance Marketing Department and Chief Secretary of the Board of Directors at Hua Nan Commercial Bank Department of Business Administration, National Taiwan University	Supervisor of Hua Nan Assets Management Company	None	None	None	Not issued	None
Manager of Gong Guan Branch/Manager of South San Chong Branch of Hua Nan Commercial Bank Department of International trade, Chihlee University	Director of South China Insurance Co., Ltd. Chief Secretary of the Board of Directors, Han Nan Commercial Bank	None	None	None	Not issued	None
Manager of Taoyuan, Taishan and Pa Teh Branch, Associate Manager of Wu Ku Branch of Hua Nan Commercial Bank Master in Business Administration, Fu Jen Catholic University	Director of Hua Nan Investment Trust	None	None	None	Not issued	None
Senior Secretary of the Board of Directors Hua Nan Commercial Bank and HNFHC, Supervisor of Corporate Finance Credit Risk Management Department of HNFHC, Supervisor of Personal Finance Credit Risk Department Master of Accounting, Utah State University	None	None	None	None	Not issued	None
Senior Secretary of the Board of HNFHC Master of Economics, National Chi Nan University	None	None	None	None	Not issued	None
Manager of Finance & Accounting Dept. and Manager of Chunglun Branch of Hua Nan Commercial Bank Department of Accounting, NCHU	Manager of Financial & Accounting Dept. of Hua Nan Bank	None	None	None	Not issued	None
Manager of IT Planning & Development Department and Associate Manager of Digital Banking Department of Hua Nan Commercial Bank Department of Computer Science, Soochow University	Manager of IT Planning & Development Department of Hua Nan Commercial Bank	None	None	None	Not issued	None

(IV) Remuneration Paid to Directors (Including Independent Directors), President and Vice President, and Distribution of Employees' Remuneration for 2021

1. Remuneration Paid to Directors (Including Independent Directors) (Range of Remuneration and Name)

Position	Name	Remuneration of Directors								Ratio of Total Amount A, B, C and D to Net Profit after Tax	
		Remuneration (A)		Severance Pay and Pension (B)		Remuneration of Directors (C)		Service Execution Compensation (D)			
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements
Chairman	Ministry of Finance Yun-Peng Chang										
Vice Chairman	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Ming-Cheng Lin										
Director	Ministry of Finance Pao-Chu Lo										
Director	Bank of Taiwan Chou-Wen Wang										
Director	Bank of Taiwan Ho-Chyuan Chen										
Director	Bank of Taiwan Yu-Ming Yen										
Director	Bank of Taiwan An-Pang Wang										
Director	Bank of Taiwan Wei-Te Tsai										
Director	Bank of Taiwan Shih-Ching Jeng										
Director	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin T. Lin										
Director	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Chih-Yu Lin										
Director	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Chih-Yang Lin										
Director	He Quan Investment Co., Ltd. An-Lan Hsu Chen										
Director	He Quan Investment Co., Ltd. Michael, Yuan-Jen Hsu										
Director	China Man-Made Fiber Corporation Vivien, Chia-Ying Shen										
Subtotal		13,695	20,415	1,310	1,775	173,639	173,639	7,606	10,750	196,250 1.14%	206,579 1.20%
Independent Director	Kuei-Sun Wu										
Independent Director	Kuo-Chuan Lin										
Independent Director	Ming-Hsien Yang										
Independent Director	Sung-Tung Chen										
Subtotal		2,880	43,840	0	0	0	0	588	588	3,468 0.02%	4,428 0.03%
Total		16,575	24,255	1,310	1,775	173,639	173,639	8,194	11,338	199,718 1.16%	211,007 1.23%

- The main responsibilities of independent directors of the company are to participate in the board of directors, audit committee and integrity management committee, and participate in the salary and compensation committee and other functional committees in accordance with relevant regulations. The compensation standards for independent directors are based on Letter (2010) No. 09903518290 is processed, and the monthly remuneration is fixed and no director remuneration is supported.
- In addition to those disclosed in the table above, the amount of remuneration for services (such as non-employee consultants) provided by all of the companies in the financial statements for the last year for the company's directors: 0.

Unit: NT\$1,000

Relevant Compensation Received by Part-time Employees								Ratio of Total Amount A, B, C, D, E, F and G to Net Profit after Tax		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
Salaries, Bonuses, and Special Expenditures (E)		Separation and Pension Pay (F)		Employees' Compensation (G)						
The Company	All Companies in Finance Statements	The Company	All Companies in Finance Statements	The Company		All Companies in Finance Statements		The Company	All Companies in Finance Statements	
				Cash Amount	Share Amount	Cash Amount	Share Amount			

Remuneration Grade Table

Range of Remunerations Paid to Each Director	Name of Directors							
	Sum of the 4 Remunerations (A+B+C+D)				Sum of the 7 Remunerations (A+B+C+D+E+F+G)			
	The Company		All Companies in Financial Statements		The Company		All Investment Enterprises	
	Director	Independent Director	Director	Independent Director	Director	Independent Director	Director	Independent Director
Less than NT\$1,000,000	Pao-Chu Lo, Chou-Wen Wang, Ho-Chyuan Chen, Yu-Min Yen, An-Pang Wang, Wei-Te Tsai, Shih-Ching Jeng, T. Lin, Chih-Yu Lin, Chih-Yang Lin, An-Lan Hsu Chen, Michael, Yuan-Jen Hsu, Vivien, Chia-Ying Shen	Kuei-Sun Wu, Kuo-Chuan Lin, Ming-Hsien Yang, Sung-Tung Chen	Pao-Chu Lo, Chou-Wen Wang, Ho-Chyuan Chen, Yu-Min Yen, An-Pang Wang, Wei-Te Tsai, Shih-Ching Jeng, Chih-Yu Lin, Chih-Yang Lin, An-Lan Hsu Chen, Michael, Yuan-Jen Hsu, Vivien, Chia-Ying Shen	Kuei-Sun Wu, Kuo-Chuan Lin	Chou-Wen Wang, Ho-Chyuan Chen, Yu-Min Yen, An-Pang Wang, Wei-Te Tsai, Shih-Ching Jeng, T. Lin, Chih-Yu Lin, Chih-Yang Lin, An-Lan Hsu Chen, Michael, Yuan-Jen Hsu, Vivien, Chia-Ying Shen	Kuei-Sun Wu, Kuo-Chuan Lin, Ming-Hsien Yang, Sung-Tung Chen	Chou-Wen Wang, Ho-Chyuan Chen, Yu-Min Yen, An-Pang Wang, Wei-Te Tsai, Shih-Ching Jeng, Chih-Yang Lin, An-Lan Hsu Chen, Michael, Yuan-Jen Hsu, Vivien, Chia-Ying Shen	Kuei-Sun Wu, Kuo-Chuan Lin
NT\$1,000,000 (including) to NT\$2,000,000 (excluding)				Ming-Hsien Yang, Sung-Tung Chen				Ming-Hsien Yang, Sung-Tung Chen
NT\$2,000,000 (including) to NT\$3,500,000 (excluding)							Chih-Yu Lin	
NT\$3,500,000 (including) to NT\$5,000,000 (excluding)								
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	Yun-Peng Chang, Ming-Cheng Lin, China Man-Made Fiber Corporation		Yun-Peng Chang, Ming-Cheng Lin, T. Lin, China Man-Made Fiber Corporation		Yun-Peng Chang, Ming-Cheng Lin, Pao-Chu Lo, China Man-Made Fiber Corporation		Yun-Peng Chang, Ming-Cheng Lin, Pao-Chu Lo, T. Lin, China Man-Made Fiber Corporation	
NT\$10,000,000 (including) to NT\$15,000,000 (excluding)								
NT\$15,000,000 (including) to NT\$30,000,000 (excluding)	He Quan Investment Co., Ltd		He Quan Investment Co., Ltd		He Quan Investment Co., Ltd		He Quan Investment Co., Ltd	
NT\$30,000,000 (including) to NT\$50,000,000 (excluding)	Ministry of Finance, the Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin		Ministry of Finance, the Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin		Ministry of Finance, the Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin		Ministry of Finance, the Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	
NT\$50,000,000 (including) to NT\$100,000,000 (excluding)	Bank of Taiwan		Bank of Taiwan		Bank of Taiwan		Bank of Taiwan	
Over NT\$100,000,000								
Total	24		24		24		24	

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: Amounts disclosed in columns (B) and (F) include paid and appropriated severance pay and pension.

2. Remuneration Paid to President and Vice President (Range of Remuneration and Name)

Unit: NT\$1,000

Position	Name	Remuneration (A)		Severance Pay and Pension (B)		Bonuses and Allowances ㉔		Employees' Remuneration (D)				Ratio of Total Amount of A, B, C, and D to Income after Tax (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company		All Companies in Financial Statements		The Company	All Companies in Financial Statements	
								Cash amount	Stock Amount	Cash amount	Stock Amount			
President	Pao-Chu Lo													
Executive Vice President and G. M. of the Law and Ordinance Compliance Department	Amy, M. C. Chiou													
Executive Vice President and Chief of Corporate Governance	Ping-Hui Chang (Discharged Aug. 1, 2021)													
Executive Vice President	Greta Lin (Appointed on Aug. 1, 2021)													
Chief Auditor and G. M. of the Auditing Department	Pi-E Huang													
Total		13,837	13,837	1,643	1,643	11,391	11,883	2,723	0	2,723	0	29,594 0.17%	30,086 0.17%	

Remuneration Grade Table

Range of Compensations Paid to Presidents and Vice Presidents	Name of President and Vice President	
	The Company	All Investment Enterprises
Less than NT\$1,000,000		
NT\$1,000,000 (including) to NT\$2,000,000 (excluding)		
NT\$2,000,000 (including) to NT\$3,500,000 (excluding)	Ping-Hui Chang, Greta Lin	Greta Lin
NT\$3,500,000 (including) to NT\$5,000,000 (excluding)		Ping-Hui Chang
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	Pao-Chu Lo, Amy, M.C. Chiou, Pi-E Huang	Pao-Chu Lo, Amy, M.C. Chiou, Pi-E Huang
NT\$10,000,000 (including) to NT\$15,000,000 (excluding)		
NT\$15,000,000 (including) to NT\$30,000,000 (excluding)		
NT\$30,000,000 (including) to NT\$50,000,000 (excluding)		
NT\$50,000,000 (including) to NT\$100,000,000 (excluding)		
Over NT\$100,000,000		
Total	6	6

Note 1: Employees' remuneration was estimated based on the 2020 employee remuneration to be distributed upon approval of the Board of Directors.

Note 2: The Company rented a car for its president, of which the car rental and fuel expenses were included for calculation in column (C). The remuneration of the chauffeur of the president was paid by the subsidiary, Hua Nan Commercial Bank, and the Company did not pay the expense.

Note 3: Amounts disclosed in columns (B) include paid and appropriated severance pay and pension.

(V) Analysis and Comparison of Percentage of Remuneration Paid to the Company's Directors, President, and Vice President by the Company and All Companies Listed in Its Consolidated Financial Statements in the Most Recent Two Years to Income after Tax Recorded in Its Parent Company-only or Individual Financial Statements, and Explanation on the Remuneration Policies, Standards and Packages, Procedures for Determining Remuneration and Their Correlations with Its Business Performance and Future Risk Exposure:

1. Percentage of Remuneration Paid to the Company's Directors, President, and Vice President to Income after Tax

- (1) Total amount of the directors' (independent directors included) remunerations in 2021 accounts for 1.16% of the net income after tax, or 0.13 percentage point lower than 1.29% in 2020; Total amount of remunerations from all companies in the financial reports accounts for 1.23% of the net income after tax or 0.24 percentage point lower than 1.47% in 2020.
- (2) Total amount of the president and vice presidents' remunerations in 2021 accounts for 0.17% of the net income after tax, or 0.22 percentage point lower than 0.39% in 2020; Total amount of remunerations from all companies in the financial reports accounts for 0.17% of the net income after tax, or 0.23 percentage point lower than 0.40% in 2020.

2. Remuneration Policies, Standards and Packages, Procedures for Determining Remuneration and Their Correlations with Its Business Performance and Future Risk Exposure

- (1) According to Article 23 of the Articles of Incorporation, the Board of Directors is authorized to determine the remuneration paid to directors based on their participation in and contribution to the business operations of the Company and the industry standards.
- (2) The Company only pays Directors a fixed transportation allowance every month, and fixed remuneration to independent directors every month. The Company has formulated the Chairman and Vice Chairman Remuneration Standards. The Remuneration Committee will propose the apportion of remuneration for the chairman and vice chairman to the Board of Directors for approval based on common performance indicators set out in the Directions for Employee Bonus Management and their business performance and risk management, internal audit, and legal compliance practices.
- (3) According to Article 36 of the Articles of Incorporation, if the Company makes a profit for a year, it shall authorize the Board of Directors to determine the distribution of no more than 1% of income before tax as director remuneration and 0.02% to 0.15% of income before tax as employee remuneration; if the Company has accumulated losses, however, it has to set aside certain amount to offset the accumulated losses. The Remuneration Committee will propose the distribution of director remuneration and employee remuneration to the Board of Directors for review and approval ever year. If directors are institutional representatives, remuneration is decided by institutional shareholders. Independent directors are not entitled for director remuneration.
- (4) The remuneration to presidents and vice presidents is determined based on market standards of the benchmark enterprises and the Manager Remuneration Standards of the Company. The Remuneration Committee will propose the remuneration for presidents and vice presidents of the Board of Directors for approval based on the common performance indicators set forth in the Directions for Employee Bonus Management and their personal performance, risk management, internal audit, and legal compliance.

(VI) Managers Receiving Employees' Remuneration

Dec. 31, 2021 ; Unit: NT\$1,000

Position	Name	Stock Amount	Cash amount	Total	Percentage of Total Remuneration to Income after Tax (%)
Executive Vice President and G.M. of the Law and Ordinance Compliance Department	Amy, M.C. Chiou				
Executive Vice President	Greta Lin (Appointed on Aug. 1, 2021)				
Executive Vice President and Chief of Corporate Governance	Ping-Hui Chang (Discharged on Aug. 1, 2021)				
Chief Auditor and G.M. of the Auditing Department	Pi-E Huang				
G.M. of the Auditing Department	Fang-Ling Chou (Retire on Jul. 16, 2021)				
G.M. of the Administration Department	Po-Hsun Chen				
G.M. of the Marketing Department	Chao-Chi Yeh				
G.M. of the Risk Management Department	Chin-Hua Yang				
G.M. of the Information Technology Department	Michael Duh (Discharged on April. 1, 2021)				
G.M. of the Information Technology Department	Yi-Jer Ho (Appointed on April. 1, 2021)				
G.M. of the Finance Department and Corporate Governance	Wan-Li Chu				
Chief Secretary of Board of Directors	Hui-Ling Hsu				
Total		0	5,182	5,182	0.03%

Note: Employees' remuneration was calculated based on employee remuneration distributed upon approval of the Board of Directors in 2021.

(VII) Name, Position, and Total Remuneration of Top 10 Receiving Employees' Remuneration for 2021

Dec. 31, 2021 ; Unit: NT\$1,000

Serial Number	Position	Name	Stock Amount	Cash amount
1	Chief Auditor and G.M. of the Auditing Department	Pi-E Huang		
2	Executive Vice President and G.M. of the Law and Ordinance Compliance Department	Amy, M.C. Chiou		
3	AVP & Division Chief of the Marketing Department	Tsung-Sheng Hu		
4	G.M. of the Administration Department	Po-Hsun Chen		
5	G.M. of the Risk Management Department	Chin-Hua Yang		
6	G.M. of the Marketing Department	Chao-Chi Yeh		
7	Executive Vice President and Chief of Corporate Governance	Ping-Hui Chang (Discharged on Aug. 01, 2021)		
8	Senior Secretary of the Administration Department	Yi-Chang Liu		
9	G.M. of the Auditing Department	Fang-Ling Chou (Retired on Jul. 16, 2021)		
10	Secretary of Board of Directors	Chih-Wei Lin		
Total			0	5,861

Note: Remuneration of all employees for 2021 was distributed by the Company in cash.

III. Status of Corporate Governance**(I) Board of Directors Meeting status:**

The Board convened 13(A) meetings in the past year. The attendance record of directors is as below:

Jan 1, 2021~Dec 31,2021

Position	Name (Note 1)	Attendance in Person B	By Proxy	Attendance Rate (%) (B/A) (Note 2)	Remarks
Chairman	Yun-Peng Chang (Ministry of Finance)	13	0	100%	None
Vice Chairman	Ming-Cheng Lin (The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	13	0	100%	None
Director and President	Pao-Chu Lo (Ministry of Finance)	13	0	100%	None
Director	T. Lin (The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	13	0	100%	None
Director	Chih-Yu Lin (The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	13	0	100%	None
Director	Chih-Yang Lin (The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	12	1	92%	None
Director	An-Lan Hsu Chen (He Quan Investment Co., Ltd.)	12	1	92%	None
Director	Michael, Yuan-Jen Hsu (He Quan Investment Co., Ltd.)	12	1	92%	None
Director	Vivien, Chia-Ying Shen (China Man-Made Fiber Corporation)	12	1	92%	None
Director	Shih-Ching Jeng (Bank of Taiwan)	13	0	100%	None
Director	Chou-Wen Wang (Bank of Taiwan)	13	0	100%	None
Director	Ho-Chyuan Chen (Bank of Taiwan)	13	0	100%	None
Director	Yu-Min Yen (Bank of Taiwan)	13	0	100%	None
Director	An-Pang Wang (Bank of Taiwan)	6	0	46%	None
Director	Wei-Te Tsai (Bank of Taiwan)	13	0	100%	None
Independent Director	Kuei-Sun Wu	13	0	100%	None
Independent Director	Kuo-Chuan Lin	13	0	100%	None
Independent Director	Ming-Hsien Yang	12	1	92%	None
Independent Director	Sung-Tung Chen	12	0	100%	None

Other required disclosures:

- I. When the following conditions happen, the date, session, content of the motions, opinion of all independent directors, and the disposition by the Company regarding independent directors' opinion shall be listed
- Items prescribed by Article §14-3 of Securities and Exchange Act
 - Other than the matters mentioned above, other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion. None.
- II. If there are recusals of directors due to conflict of interests, the name of the directors, content of the motions, reason for recusals, and participation of the resolution shall be listed. Please refer to Note 4.
- III. Listed and Over-the-counter Financial Holding Companies should disclose information such as the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the Board's self (or peer) evaluation: note 3.
- IV. Goals to strengthen the functionality of the Board in this year and past year (Ex. establish audit committee, increase information transparency, etc.) and evaluation of the execution result.
- The Procedure for Board of Directors Meetings was established in accordance with "Regulations Governing Procedure for Board of Directors Meetings of Public Companies". The board member attendance status is published on Market Observation Post System (MOPS). Significant resolutions are disclosed in the Company's website (<https://www.hnfhc.com.tw>). The audit committee is established and consists four independent directors.

Note 1: Where a director is a body corporate, list the names of its shareholder(s) and proxy(ies).

Note 2: (1) If any director resigns by the end of the year, the date of resignation shall be listed in the remark column. The attendance rate in person (%) shall be calculated by the number of board meeting and actual attendance during the tenure of the director.

(2) If any director is re-elected by the end of the year, the original and new director shall be both listed. Whether the director is former or new and the date of re-election shall be marked in the remark column. The attendance rate in person (%) shall be calculated by the number of board meeting and actual attendance during the tenure of the director.

Note 3: Board of Directors Evaluation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
The self-evaluation of the Board of Directors shall be conducted once every year. The Company shall appoint an external professional independent institution or a team of external experts and scholars to conduct an external performance evaluation of the Board of Directors at least once every three years. Note: The previous external evaluation of the performance of the Board of Directors was conducted in 2018, so the external evaluation was conducted again in 2021. This time was appointed KPMG Advisory Services Co., Ltd. to execute external evaluation of the board of directors in December 2021.	The Company's Board of Directors shall conduct an internal performance evaluation for the current year at the end of each year. The period for the performance evaluation of the Board of Directors is from January 1, 2021 to December 31, 2021.	The scope of evaluation covers the evaluation of the performance of the Board of Directors, directors and functional committees.	The performance evaluation methods include self-evaluation by the Board of Directors, directors and functional committees, and evaluation by internal evaluators or external independent professional bodies or teams of experts.	<ol style="list-style-type: none"> Performance evaluation of the Board of Directors includes five major aspects: <ol style="list-style-type: none"> Understanding of the Company's goals and tasks and level of participation in corporate operations. Understanding of the duties and functions of directors and improvement of the quality of the Board of Directors' decisions. Composition and structure of the Board of Directors. The election of directors and their professional and continuing education. Internal control. Performance evaluation of directors includes five major aspects: <ol style="list-style-type: none"> Understanding of the Company's goals and tasks and level of participation in corporate operations. Understanding of the duties and functions of directors Involvement in internal relationship management and communication Professional and continuing education of directors Internal control. Performance evaluation of functional committees includes five major aspects: <ol style="list-style-type: none"> Level of participation in the operations of the functional committee. Knowledge of the duties of the functional committee. Improvement of the quality of functional committee's decisions. Functional committee Internal control.

Note 4: Evaluation of the Implementation of the Board of Directors:

	Term and Session	Name of Directors	Content of Proposal	Reason for Recusal	Participation in Voting
1	The 21st Meeting of the 7th Board of Directors	Pao-Chu Lo	Proposal for the release of the non-competition clause for the 7th Board of Directors in the Annual General Shareholders' Meeting of 2020.	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
2	The 22nd Meeting of the 7th Board of Directors	Yun-Peng Chang, Ming-Cheng Lin, Pao-Chu Lo, T. Lin, Chih-Yu Lin	Proposal of 2020 performance bonuses for the staff at G.M. level or above	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
3	The 28th Meeting of the 7th Board of Directors	Ming-Cheng Lin, T. Lin, Chih-Yu Lin	Proposal of donating The Chinese National Association of Industry and Commerce, Taiwan	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
4	The 5th Special Meeting of the 7th Board of Directors	Yun-Peng Chang, T. Lin, Chih-Yang Lin, Chih-Yu Lin, Vivien, Chia-Ying Shen, Ming-Hsien Yang, Sung-Tung Chen, Ming-Cheng Lin, An-Lan Hsu Chen, Michael, Yuan Jen Hsu	Proposal to re-appoint the directors and supervisors of the subsidiary, Hua Nan Commercial Bank, whose terms expired	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
5	The 31st Meeting of the 7th Board of Directors	An-Lan Hsu Chen, Michael, Yuan Jen Hsu	Proposal to re-appoint the directors and supervisors of the subsidiary, Hua Nan Investment Trust, whose term expire	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion

(II) Audit Committee Meeting Status:

The audit committee convened 8 meetings (A) in 2021. The attendance record of independent directors is as below:

Position	Name	Attendance in Person (B)	By Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remarks
Independent Director	Kuei-Sun Wu	8	0	100%	
Independent Director	Kuo-Chuan Lin	8	0	100%	
Independent Director	Ming Hsien Yang	8	0	100%	
Independent Director	Sung-Tung Chen	8	0	100%	

Other required disclosures:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Items prescribed by Article 14-5 of the Securities and Exchange Act as detailed in the table below:

(II) Other than the matters mentioned above, other resolutions on which not approved by the Audit Committee but were approved by two thirds or more of all directors: None.

II. For the recusal of independent directors to motions due to conflicts of interests, the name of the independent director, content of the motion, reason for recusal, and participation of the resolution shall be listed: No such situation

III. Description of the communications between the independent directors, the chief internal auditor, and the independent auditors:

(I) Communications between independent auditors and the Audit Committee: The independent auditors of the Company communicate with Audit Committee regarding the audit scope, audit approach, key points of audit and audit findings, key points of internal control audit and findings, as well as related affairs of auditing consolidated half-year and annual financial statements. There is no inconsistent opinion for each communicated and reported items between the independent auditor and the Audit Committee.

(II) Communications between the chief internal auditor and the Audit Committee:

- The Company held the seminar between the independent directors and auditing personnel for the first half of 2021 on February 8, 2021. In the seminar, the communications were made regarding the major audit opinions of the internal audits for the latter half of 2020. The independent directors recommended that the agenda information of the seminar may summarized the key or repetitive deficiencies of the subsidiaries pointed out by the external auditors and how to supervise the subsidiaries to improve, so that it is easier to understand if the management effects are achieved. The minute of the said seminar was reported in the 21st meeting of the board of the 7th term on February 25, 2021.
- The Company held the seminar between the independent directors and auditing personnel for the latter half of 2021 on August 18, 2021. In the seminar, the communications were made regarding the internal and external audits in the first half of 2021 and the audit management to the subsidiaries. The independent directors recommended that with the limited auditing force in the financial holding company, the auditing department might, in the onsite auditing, actively review the reasons why the subsidiaries were unable to identify the deficiencies related to the deficiencies found in FSC's inspection when the auditing units of the subsidiaries conducted audits and supervised the improvement, so that the audit effects might be increased specifically. The minutes of the last forum was reported in the 27th meeting of the 7th Board of Directors on Aug. 26, 2021.

IV. Key Work Items of the Audit Committee in 2021:

(I) Formulation of or amendments to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.

(II) Assessment of the effectiveness of the internal control system.

(III) Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.

(IV) Matters in which a Director is an interested party.

(V) Major assets or derivatives trading.

(VI) Significant lending, endorsement or provision of guarantees.

(VII) Raising, issuing, or private placing of equity-type securities.

(VIII) Appointment, dismissal, and compensation of CPAs.

(IX) Appointment and dismissal of finance, accounting, or internal audit supervisors.

(X) Annual and interim financial reports.

(XI) Other significant matters set forth by the Company or the competent authority.

Note 1: If any independent director resigns by the end of the year, the date of resignation shall be listed in the remark column. The attendance rate in person (%) shall be calculated by the number of audit committee meeting and actual attendance during the tenure of the director.

Note 2: If any independent director is re-elected by the end of the year, the original and new independent director shall be both listed. Whether the independent director is former or new and the date of re-election shall be marked in the remark column. The attendance rate in person (%) shall be calculated by the number of audit committee meeting and actual attendance during the tenure of the director.

(III) The resolution of significant motions by the Audit Committee and the Company's disposition to audit committee's opinion

Date of Audit Committee Meeting	Session of Audit Committee	Significant motions that shall be resolved by the Audit Committee pursuant to Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee meeting and the Company's response to audit committee's opinion	Date of Board of Directors' meeting	Session of Board of Directors
2021.1.11	The 17th meeting of the 3rd Audit Committee	Proposal for replacement of external CPAs.	Approved and proposed for adoption by the Board of Directors	2021.1.25	The 20th meeting of the 7th Board of Directors
		Proposal for appointment and remuneration of certified financial auditors & operating income tax auditors of the Company for 2021			
2021.3.17	The 19th meeting of the 3rd Audit Committee	Proposal for financial statements and business report of the Company for 2020	Approved and proposed for adoption by the Board of Directors	2021.3.25	The 22nd meeting of the 7th Board of Directors
		Proposal for the Company's 2020 Statement of Internal Control System			
2021.4.12	The 20th meeting of the 3rd Audit Committee	Proposal for Earning Distribution Scheme of the Company for 2020	Approved and proposed for adoption by the Board of Directors	2021.4.26	The 23rd meeting of the 7th Board of Directors
		Proposal for the issuance of new shares through capitalization of earnings from 2020			
2021.8.18	The 22nd meeting of the 3rd Audit Committee	Proposal for the Group's Institutional Risk Assessment (IRA) for money laundering and terrorism financing risks in 2020, risk appetite statement, and the 2021 anti-money laundering and counter terrorism financing plan and action plans.	Approved and proposed for adoption by the Board of Directors	2021.8.21	The 27th meeting of the 7th Board of Directors
		Proposal for the subsidiary Hua Nan Assets Management Co. "Key points of standard operation (draft) for the amount that should be reported to Hua Nan Financial Holdings Co., Ltd. for major asset transaction cases".			
		Proposal for the Company's financial statements for Q2 2021			
2021.12.13	The 24th meeting of the 3rd Audit Committee	Proposal of amendments to Guidelines for Implementation by Levels and Roles and Duties by Level (Attachment) of the Company.	Approved and proposed for adoption by the Board of Directors	2021.12.27	The 31st meeting of the 7th Board of Directors
		Proposal of amendments to Internal Audit Systems			
		Proposal for the Company's Annual Audit Plan for 2022(Draft)			

(IV) Items required for disclosure in accordance with "Corporate Governance Best Practice Principles for Financial Holding Companies". For those already disclosed in company website, the Company may only disclose the website for reference.

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(V) Corporate Governance Implementation, the difference with “Corporate Governance Best Practice Principles for Financial Holding Companies”, and its reasons.

Assessment Item	Implementation Status (Note 1)			Difference with "Corporate Governance Best Practice Principles for Financial Holding Companies" and its reasons
	Yes	No	Brief Description	
I. Shareholding Structure & Shareholders' Rights				
(I) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company has designated Spokesperson, investor relationship, and shareholder affairs department to handle shareholder suggestions.	The shareholder affairs of the Company are handled by Hua Nan Securities. The shareholder suggestions, concerns, disputes or litigation matters are handled according to internal procedures. However, the integrated internal operating procedure has not been stipulated yet.
(II) Does the financial holding company possess a list of major shareholders and ultimate beneficial owners of these major shareholders?	V		(II) The Company reports shareholders that hold five percent or more of the total number of issued shares according to regulation. The Company also communicates with shareholders that hold one percent or more of the total number of issued shares regarding Financial Holding Company Act and related regulations. The related disclosure and application form are disclosed in the Company's website.	Compliant
(III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(III) In order to regulate related party transactions, the Company not only follows Article 44 and Article 45 of Financial Holding Company Act when conducting related party transactions but also stipulates "Guidelines for Managing Related Party Transactions between Hua Nan Financial Holdings and its Subsidiaries" and "Hua Nan Financial Group Firewall Policy".	Compliant
II. Composition and Responsibilities of the Board of Directors				
(I) Does the board of directors formulate diversity policies and specific management goals?	V		(I) Subparagraph 2, Article 27 of the Company's Articles of Incorporation stipulates that the Board of Directors may set up other Board committees. Ethical Corporate Management Committee is established in addition to Compensation Committee and Audit Committee. The Ethical Corporate Management Committee consists of four independent directors.	Compliant
(II) Other than the Compensation Committee and the Audit Committee which are required by law, does the Financial Holding Company plan to set up other Board committees?			(II) Diversification shall be considered in the composition of Board of Directors. The number of Company's managers acting as directors shall not exceed one third of total directors. Multiple principles shall be stipulated based on its own operation, type of business, and need for development. Required professional knowledge and skills of directors include: professional background(ex. law, accounting, industry, finance, marketing, or technology), professional skills, industry experience, etc. Board of directors shall possess necessary knowledge, skills, and literacy for conducting its duty. In order to achieve the ideal goal of corporate governance, the entire Board of Directors shall possess the following abilities: 1. Ability to make judgment in operations 2. Accounting and financial analysis capability 3. Ability in managing operation (including the management and operating of subsidiaries) 4. Ability in handling crisis 5. Industry knowledge 6. International market view 7. Leadership 8. Decisiveness 9. Knowledge and ability in risk management	
(III) Does the financial holding company listed on TWSE or TPEx formulate evaluation regulations and methods to evaluate the Board's performance? Is the performance evaluation conducted annually and regularly? Are the results of the performance evaluation reported to the Board of Directors and used as a reference for directors' salary and remuneration and the reelection nomination? (Note 2)	V		(III) 1. The Company established the "Regulations Governing the Evaluation of the Performance of the Board of Directors". The scope of evaluation covers the performance evaluation of the Board of Directors and functional committees. The self-evaluation is conducted once every year and an evaluation is conducted by an external professional independent institution once every three years. The results are reported to the Board of Directors within 3 months of the end of the year. 2. The Company only pays Directors a fixed monthly compensation and does not pay additional remuneration for Directors.	Compliant
(IV) Does the financial holding company regularly evaluate its external auditors' independence?	V		(IV) The Company annually inspect the independence of external auditors. The inspection includes whether the external auditor is the director or shareholder of the Company, or receives salary from the Company. In addition, the external auditor is strictly required to recuse from the engagement when there is direct or indirect conflict of interests. The external auditor also needs to rotate internally within the firm according to the rule.	Compliant

Assessment Item	Implementation Status (Note 1)			Difference with "Corporate Governance Best Practice Principles for Financial Holding Companies" and its reasons
	Yes	No	Brief Description	
III. Does the financial holding company set up a qualified and appropriate number of personnel responsible for corporate governance matters, from whom an executive is designated (matters include but not limited to providing directors and supervisors with the necessary information to perform their duties, assisting directors and supervisors in regulatory compliance, handling matters concerning board meetings and shareholders' meetings in accordance with the law, and producing minutes thereof)?	V		<p>The Company set up corporate governance team under Administration Department to be in charge of corporate governance affairs in 2016. A corporate governance head was assigned on May 27, 2019 to take charge of Board of Directors meeting affairs and corporate governance affairs.</p> <p>The main duties for the corporate governance officer are as follows:</p> <ol style="list-style-type: none"> (1) Notify board members of the latest amendments and development to laws and regulations relating to the Company's businesses and corporate governance and provide regular updates. (2) Review the confidentiality level of the relevant information and provide corporate information required by the directors to maintain smooth communication and interaction between directors and managers. (3) Assist independent directors and general directors in drawing up annual continuing education plan and making arrangements for courses. (4) Report the implementation of corporate governance to the Board of Directors, independent directors and Audit Committee, and confirm whether the meetings of the Company's Board of Shareholders and Board of Directors are held in compliance with relevant laws and regulations and the Corporate Governance Best Practice Principles. (5) Assist in and remind directors of the regulations to be complied with when performing their duties or officially voting on resolutions by the Board of Directors, and offer suggestions when the Board of Directors is going to vote on an illegal resolution. (6) Issues concerning the issuance of material information messages to ensure the legality and accuracy of the content of the material so as to maintain information symmetry for investor trading. (7) The Company conducted registration of the date of the shareholders' meeting in accordance with laws, along with preparation of meeting notices, the agenda handbook, meeting minutes, and change in any registration matters for the amendment to the Company's Articles of Incorporation and any new elections of Directors. 	Compliant
IV. Has the financial holding company established a communication channel with stakeholders (including but not limited to shareholders, employees, and customers)? Has a stakeholders' area been established in the company's website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the company?	V		The relevant departments of the Company communicate on various business items. The Company also set up a stakeholder area on the website and assigned dedicated personnel to respond to relevant issues.	Compliant
V. Information disclosure				
(I) Has the Financial Holding Company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		(I) The Company discloses related information through MOPS on real time basis. The Company's website updates financial and operating results as well as corporate governance information on real time basis. Investor relation section is also available for the disclosure of financial information and corporate governance operation.	Compliant
(II) Does the Financial Holding Company use other information disclosure channels (e.g. maintaining an English language website, designating staff to handle information collection and disclosure of the financial holding company, appointing spokespersons, webcasting investors conference on the financial holding company's website, etc.)?	V		(II) 1. The Company has Chinese and English website. The collection and disclosure of Company information is designated to responsible person. 2. The Company sets up "Principles in Governing Public Affairs" to govern a consistent spokesperson procedure. Currently the Company sets up one spokesperson and one deputy spokesperson to speak to the public on behalf of the Company. 3. The Company held annual investors' conference for this year. Related information in Chinese and English as well as video of investors' conference are published on the Company's website.	Compliant
(III) Does the financial holding company announce and declare the annual financial statements within the stipulated deadline in accordance with the relevant provisions of the Financial Holding Company Act and the Securities and Exchange Act? Does it announce and declare the Q1, Q2, Q3 financial statements and operating results of each month prior to the stipulated deadline according to the same?	V		(III) The Company announces and declares the annual financial statements within the stipulated deadline in accordance with the relevant provisions of the Financial Holding Company Act and the Securities and Exchange Act.	Compliant

Assessment Item	Implementation Status (Note 1)			Difference with "Corporate Governance Best Practice Principles for Financial Holding Companies" and its reasons
	Yes	No	Brief Description	
VI. Has the Financial Holding Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, stakeholders' rights, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer policies, purchasing insurance for directors and supervisors, and donations to political parties, stakeholders, or public interest groups)?	V		<p>(I) Employee rights: The Company stipulates "Employee Work Rules" and several procedures and rules in order to raise employee's awareness on ethics and define employee rights, obligations, and behaviors. The procedures and rules include level of authority, guidelines for employee promotion, guidelines for employee attendance management, guidelines for training, and guidelines for anti-sexual harassment.</p> <p>(II) Investor relations: The Company discloses related information through MOPS on real time basis. The Company's website updates financial and operating results as well as corporate governance information on real time basis. Investor relation section is also available for the disclosure of financial information and corporate governance operation.</p> <p>(III) Directors' training records: The Company actively provides training course information to all directors and assists directors to register courses according to their will. The Company also discloses directors' training records on periodic basis according to law.</p> <p>(IV) Risk management policy: The Company's risk management policy is to establish a standard that can apply uniformly to all companies within Hua Nan Financial Group. The policy identifies, evaluates, controls, bears, and manages risk, and ensures the control of operation risk is within acceptable range. The policy also reflects the goal of Group operation and corporate value.</p> <p>(V) Customer policies: The Company follows the "Financial Holding Company Act", "Regulation for the Cross-selling of Financial Holding Company and Subsidiaries", "Financial Consumer Protection Act" and related regulations to protect customer right.</p> <p>(VI) Purchasing insurance for directors and supervisors: The Company has purchased liability insurance for directors, supervisors, and key employees from Fubon Insurance since October, 2006, and the insurance has been renewed until now. The scope of the insurance includes liability for the directors, supervisors, and key employees of the Company, subsidiaries, and invested companies for now and the future.</p> <p>(VII) Donations to political parties, stakeholders, or public interests groups: The Company does not donate to any political party or stakeholders. Please refer to corporate responsibility chapter for donation to public interests groups.</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p> <p>Compliant</p> <p>Compliant</p> <p>Compliant</p> <p>Compliant</p>
VII. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and specify prioritized improvements and measures to be taken for improvements that have yet to be carried out. (Note 3)	V		The Company periodically conducts internal audit, internal inspection, and self-evaluation on legal compliance to ensure the internal control and corporate governance comply with legal requirement and protect shareholders' right to the maximum range. The Company was assessed as the top 6% to 20% of listed companies in the 8th Corporate Governance Evaluation by TWSE.	Compliant

Note 1: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Brief Description column.

Note 2: Please describe deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Note 3: (I) According to the results of the 8th Corporate Governance Evaluation, the Company was assessed as the top 6% to 20% of listed companies.

(II) Indicators already improved

Indicators already improved in 2021	Status of Improvement
Does the Company establish an intellectual property management plan which is linked to operational targets, disclose the execution process on the Company's website or the Annual Report, and report to the Board of Directors at least once a year? (If you obtain the Taiwan Intellectual Property Management System (TIPS) or similar intellectual property management system certification, you will receive an additional point.)	The Company has planned to obtain relevant certifications for the intellectual property management program.

Indicators with no points or additional points in 2021	Improvement and Actions
Does the Company establish an intellectual property management plan which is linked to operational targets, disclose the execution process on the Company's website or the Annual Report, and report to the Board of Directors at least once a year? (If you obtain the Taiwan Intellectual Property Management System (TIPS) or similar intellectual property management system certification, you will receive an additional point.)	The Company has planned to obtain the Taiwan Intellectual Property Management System.

1. Continuing Education/Training of Directors of Hua Nan Financial Holdings

Jan.1, 2021 to Dec. 31, 2021

Title	Name	Date of Appointment	Training Start Date	Training End Date	Organizer	Name of Training	Duration	Does the duration comply with requirements?	Remarks
Chairman	Yun-Peng Chang	Jun. 14, 2019	Oct. 1, 2021	Oct. 1, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (114th)	3.0	Yes	None
			Sep. 15, 2021	Sep. 15, 2021	Taiwan Independent Director Association	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Jul. 29, 2021	Jul. 29, 2021	Taiwan Institute for Sustainable Energy (TAISE)	25th CEO Lecture and Keynote Speech	2.0	Yes	None
			Apr. 15, 2021	Apr. 15, 2021	Taiwan Academy of Banking and Finance	Green Finance Leaders Roundtable Forum: Climate Risk Management	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities & Futures Institute	Principles of Fair Hospitality for Directors and Supervisors Training Course	3.0	Yes	None
			Jan. 28, 2021	Jan. 28, 2021	Taiwan Institute for Sustainable Energy (TAISE)	23rd CEO Lecture and Keynote Speech	2.0	Yes	None
Vice Chairman	Ming-Cheng Lin	Jun. 14, 2019	Sep. 2, 2021	Sep. 2, 2021	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	Discussion on the practice of corporate law compliance and the legal responsibility of the person in charge of the company	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association.	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
Director and President	Pao-Chu Lo	Jun. 14, 2019	Sep. 1, 2021	Sep. 1, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Forum (13rd)	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association.	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Apr. 15, 2021	Apr. 15, 2021	Taiwan Academy of Banking and Finance	Green Finance Leaders Roundtable Forum: Climate Risk Management	3.0	Yes	None
			Jan. 5, 2021	Jan. 5, 2021	Taiwan Business Council for Sustainable Development	2020 Taiwan Sustainable Finance Forum – Building a Sustainable Finance Ecosystem	3.0	Yes	None
Independent Director	Kuei-Sun Wu	Jun. 14, 2019	Nov. 9, 2021	Nov. 9, 2021	Association of Independent Directors, ROC	How the Audit Committee Supervises the Effectiveness of Internal Control	3.0	Yes	None
			Sep. 24, 2021	Sep. 24, 2021	Association of Independent Directors, ROC	The Role of Independent Directors in Battle over Corporate Governance & Operation Rights	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association.	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
Independent Director	Ming-Hsien Yang	Jun. 14, 2019	Oct. 1, 2021	Oct. 1, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (114th)	3.0	Yes	None
			Sep. 15, 2021	Sep. 15, 2021	Taiwan Independent Director Association	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities & Futures Institute	Principles of Fair Hospitality for Directors and Supervisors Training Course	3.0	Yes	None
Independent Director	Kuo-Chuan Lin	Jun. 14, 2019	Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association.	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Jan. 22, 2021	Jan. 22, 2021	Association of Independent Directors, ROC	Fighting over for management rights and case analysis	3.0	Yes	None
			Jan. 5, 2021	Jan. 5, 2021	Taiwan Business Council for Sustainable Development	2020 Taiwan Sustainable Finance Forum – Building a Sustainable Finance Ecosystem	3.0	Yes	None
Independent Director	Sung-Tung Chen	Jun. 14, 2019	Oct. 1, 2021	Oct. 1, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (114th)	3.0	Yes	None
			Sep. 15, 2021	Sep. 15, 2021	Taiwan Independent Director Association	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Aug. 5, 2021	Aug. 5, 2021	Taiwan Independent Director Association	SG Responsible Investing – Sustainable Impact in the Financial Industry	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities & Futures Institute	Principles of Fair Hospitality for Directors and Supervisors Training Course	3.0	Yes	None
Director	T. Lin	Jun. 14, 2019	Oct. 1, 2021	Oct. 1, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (114th)	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association.	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities & Futures Institute	Principles of Fair Hospitality for Directors and Supervisors Training Course	3.0	Yes	None
Director	Chih-Yu Lin	Jun. 14, 2019	Oct. 6, 2021	Oct. 6, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (115th)	3.0	Yes	None
			Sep. 15, 2021	Sep. 15, 2021	Taiwan Independent Director Association	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities & Futures Institute	Principles of Fair Hospitality for Directors and Supervisors Training Course	3.0	Yes	None

Title	Name	Date of Appointment	Training Start Date	Training End Date	Organizer	Name of Training	Duration	Does the duration comply with requirements?	Remarks
Director	Chih-Yang Lin	Jun. 14, 2019	Nov. 16, 2021	Nov. 16, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Fintech Series (10th)	3.0	Yes	None
			Oct. 6, 2021	Oct. 6, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (115th)	3.0	Yes	None
			Oct. 5, 2021	Oct. 5, 2021	Securities & Futures Institute	The key technology and business of quantum technology	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association	Corporate Governance Forum - International Trends in Preventing Money Laundering and Combating Terrorism Financing	3.0	Yes	None
			Aug. 5, 2021	Aug. 5, 2021	Taiwan Independent Director Association	ES6 Responsible Investing – Sustainable Impact in the Financial Industry	3.0	Yes	None
			Jul. 22, 2021	Jul. 22, 2021	Securities & Futures Institute	Corporate Governance Forum - Money Laundering and Combating Terrorism Financing Practical Discussion	3.0	Yes	None
			Jul. 13, 2021	Jul. 13, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (86th)	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities & Futures Institute	Principles of Fair Hospitality for Directors and Supervisors Training Course	3.0	Yes	None
			Mar. 23, 2021	Mar. 23, 2021	Taiwan Independent Director Association	Strengthening the Board's Function from Corporate Governance 3.0	3.0	Yes	None
			Jan. 13, 2021	Jan. 13, 2021	Taiwan Academy of Banking and Finance	Bank Derivatives Practical Training Course from the Angle of Corporate Governance (2 nd)	3.0	Yes	None
Director	An-Lan Hsu Chen	Jun. 14, 2019	Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
			Apr. 19, 2021	Apr. 19, 2021	Taiwan Securities Association	Wealth heritage model - case study of transferring shares and real estates	3.0	Yes	None
Director	Michael, Yuan-Jen Hsu	Jun. 14, 2019	Oct. 6, 2021	Oct. 6, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (115th session)	3.0	Yes	None
			Sep. 15, 2021	Sep. 15, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
Director	Vivien, Chia-Ying Shen	Jun. 14, 2019	Oct. 6, 2021	Oct. 6, 2021	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (115th session)	3.0	Yes	None
			Mar. 29, 2021	Mar. 29, 2021	Securities and Futures Institute	Continuing education sessions for directors and supervisors regarding the fair treatment of clients	3.0	Yes	None
			Mar. 15, 2021	Mar. 15, 2021	Securities and Futures Institute	Economic outlooks and industrial trends for 2021	3.0	Yes	None
Director	Shih-Ching Jeng	Jun. 14, 2019	Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
			Jul. 22, 2021	Jul. 22, 2021	Securities and Futures Institute	Discussion for practices of AML and CFT	3.0	Yes	None
Director	Chou-Wen Wang	Jun. 14, 2019	Sep. 1, 2021	Sep. 1, 2021	Accounting Research and Development Foundation	Trends of ESG sustainable finance and responding strategies	3.0	Yes	None
			Aug. 12, 2021	Aug. 12, 2021	Accounting Research and Development Foundation	Analysis for practices of the "Sustainability Report" under the corporate governance 3.0 policy	3.0	Yes	None
			Aug. 10, 2021	Aug. 10, 2021	Taiwan Independent Director Association	How directors read the financial statements to get insights on the company's financial risks	3.0	Yes	None
			Aug. 5, 2021	Aug. 5, 2021	Accounting Research and Development Foundation	Apply ESG to improve the enterprise strategy capabilities	3.0	Yes	None
Director	Ho-Chyuan Chen	Jun. 14, 2019	Nov. 5, 2021	Nov. 5, 2021	Taiwan Corporate Governance Association	Ten required courses for corporate governance	3.0	Yes	None
			Sep. 15, 2021	Sep. 15, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
			Sep. 1, 2021	Sep. 1, 2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0	Yes	None
Director	Yu-Ming Yen	Jun. 14, 2019	Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
			Aug. 17, 2021	Aug. 17, 2021	Taiwan Academy of Banking and Finance	Corporate governance seminar - fintech series (7th session)	3.0	Yes	None
			Aug. 6, 2021	Aug. 6, 2021	Taiwan Insurance Institute	Offshore wind power and green finance	3.0	Yes	None
			Jul. 22, 2021	Jul. 22, 2021	Securities and Futures Institute	OEM of wafers, advanced packaging technologies and supply chain opportunities.	3.0	Yes	None
Director	An-Pang Wang	Jun. 9, 2020	Oct. 25, 2021	Oct. 25, 2021	Corporate Operation Association	Look at the transformation opportunities of enterprises in Taiwan from the point of view of finance and taxation in the pandemic context.	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
Director	Wei-Te Tsai	Oct. 13, 2020	Oct. 4, 2021	Oct. 4, 2021	Taiwan Insurance Institute	New trend of green finance - renewable energy industry: opportunities in solar photoelectricity finance business	3.0	Yes	None
			Aug. 23, 2021	Aug. 23, 2021	Taiwan Independent Director Association	The latest development and practices of AML and CFT	3.0	Yes	None
			Aug. 13, 2021	Aug. 13, 2021	Accounting Research and Development Foundation	Latest development of IFRS policies in Taiwan and analysis for the practical issues in the financial statement/supervisory regulations compliance	3.0	Yes	None
			Aug. 6, 2021	Aug. 6, 2021	Taiwan Insurance Institute	Offshore wind power and green finance	3.0	Yes	None
			Apr. 23, 2021	Apr. 23, 2021	Taiwan Insurance Institute	Fintech - AI and technology laws	3.0	Yes	None
			Apr. 19, 2021	Apr. 19, 2021	Taiwan Securities Association	Wealth heritage model - case study of transferring shares and real estates	3.0	Yes	None
			Feb. 25, 2021	Feb. 25, 2021	Securities and Futures Institute	Key technologies and application opportunities of 5G	3.0	Yes	None
			Jan. 29, 2021	Jan. 29, 2021	Securities and Futures Institute	Principles and applications of artificial intelligence	3.0	Yes	None
			Jan. 26, 2021	Jan. 27, 2021	Securities and Futures Institute	Practical seminars for directors (independent directors included), supervisors and corporate governance officers	12.0	Yes	None
			Jan. 15, 2021	Jan. 15, 2021	Securities and Futures Institute	Analysis of enterprises' financial information and application of decision making	3.0	Yes	None
			Jan. 12, 2021	Jan. 12, 2021	Securities and Futures Institute	OEM of wafers, advanced packaging technologies and supply chain opportunities.	3.0	Yes	None

2. Continuing Education/Training of Managers

Jan.1, 2021 to Dec. 31, 2021

Title	Name	Name of Training	Duration
President	Pao-Chu Lo	2020 Taiwan Sustainable Finance Forum - Creating a Sustainable Financial Ecology	3
		2021 Green Finance Leaders Round Table Forum - Climate Finance Trends and Risk Management (1st)	3
		The Latest Development and Practice of Money Laundering Prevention and Anti-terrorism financing	3
		The 13th Taipei Corporate Governance Forum	3
Executive Vice President	Greta Lin	Fair Hospitality Principles Refresher Course for Directors and Supervisors	3
		Information Security Management Framework – Connecting Information Security with Stories	3
		The 13th Taipei Corporate Governance Forum	6
		Opportunity for transformation to align with IFRS17	3
		The Latest Development and Practice of Money Laundering Prevention and Anti-terrorism financing	3
Executive Vice President and G.M. of the Law and Ordinance Compliance Department	Amy, M.C. Chiou	During the “14th Five-Year Plan” Period, Opportunities and Challenges for the Transformation and Development of Mainland China & America under Biden’s New Deal	4
		Data-oriented Precision Marketing	2
		Will real estate go up?	2
		Workshop on Key Issues in Fintech (3rd)	6
		Workshop on Key Issues in Fintech (5th)	6
		Fin & Tech Finnt Online Lecture (2nd)	2.1
		The Latest Development and Practice of Money Laundering Prevention and Anti-terrorism financing	3
		Fin & Tech Finnt Online Lecture (6th)	2.1
		On-the-job Workshop for Legal Compliance Personnel (250th)	15
		The Safe-haven Direction Under the Risk of Inflation	2.5
		Financial Migration to the Cloud, Transformation Lecture Series (3rd)	2.5
		Symposium on the Development Status and Prospects of Taiwan’s Technology Industry in the Global Supply Chain	3
Chief Auditor and G.M. of the Audit Office of Board of Directors	Pi-E Huang	The Future of Biomedicine in the Post-epidemic Era	0.5
		2020 Taiwan Sustainable Finance Forum - Creating a Sustainable Financial Ecology	3
		110 Annual Auditor In-Service Workshop	15
		The Latest Development and Practice of Money Laundering Prevention and Anti-terrorism financing	3
		“Practical Evolution of the Materiality Benchmark of Unreported Financial Statements and Determination of the Responsibilities of Directors and Supervisors” and “Corporate Fraud Legal Responsibilities and Investigation and Judgment Practice Procedures”	6
		110 Annual Prevention of Insider Trading Promotion Conference	3
G.M. of the Administration Department	Po-Hsun Chen	Financial Holding Company Internal Audit Symposium	3
		Corporate Sustainability Accelerator - CSR, ESG and SDGs	3
		2021 Green Finance Leaders Round Table Forum - Climate Finance Trends and Risk Management (1st)	3
		The 13th Taipei Corporate Governance Forum	3
G.M. of the Marketing Department	Chao-Chi Yeh	Chinese Elite Leaders Class – The Art of Negotiation in the Office	3
		Green and Sustainable Finance Talent Training Program – Green Finance and FinTech: Applying Supply Chain Management (1st)	3
G.M. of the Risk Management Department	Chin-Hua Yang	Climate-related Financial Disclosure Recommendations (TCFD) Education and Training	2.5
		Green Finance Innovation Summit Forum	3
		CORE Risk Management Series Practical Courses – Front Line of LIBOR Conversion: Alternative Rates and New Interest Rates	3
		ESG Investment and Risk Management in the Post-pandemic Era	6
		CORE Risk Management Series Practical Courses – Frontline of LIBOR Transformation: International Response Measures and Air Duct Emphasis	3
G.M. of the Information Technology Department	Yi-Jer Ho	The Latest Development and Practice of Money Laundering Prevention and Anti-terrorism	3
G.M. of the Finance Management Department and Chief of Corporate Governance	Wan-Li Chu	Continuing Training Course for Accounting Supervisors of Issuers, Securities Firms and Stock Exchanges	12
		The 13th Taipei Corporate Governance Forum	6
		Analysis and Decision-making of Corporate Financial Information	3
		Legal Liability and Case Analysis of False Financial Reports and Insider Trading	3
		IFRS 15, 16 Accounting Principles for the Recognition of Contract Revenue and the Recognition of Lease Use Rights	3
		Legal Analysis and Practical Research on Mergers and Acquisitions	3
		The Latest Development and Practice of Money Laundering Prevention and Anti-terrorism	3

(VI) The composition, duty, and operation of the Remuneration Committee

The Company stipulates the “Remuneration Committee Charter” according to “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”. The Compensation Committee was established to set up compensation policy, procedure, standard, and structure for directors and managers, periodically evaluate the compensation of directors and managers, and propose the suggestion to Board of Directors for discussion.

1. Information on the members of the Remuneration Committee

Criteria		Professional Qualification Requirements and Work Experience	Criteria (Note 2)	Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member
Position	Name			
Independent Director (Convener)	Ming-Hsien Yang	<ul style="list-style-type: none"> Major education background: Master of Accounting, National Taiwan University Major experience: VP and Chairman of Deloitte, Taiwan Current post: Independent Director, Hua Nan Financial Holdings and Hua Nan Commercial Bank; Director, Sirtec International Co., Ltd. CPA; work experience required for accounting and financial business in place 	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates.. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the Company or ranks as one of its top-10 shareholders.	0
Independent Director	Kuei-Sun Wu	<ul style="list-style-type: none"> Major education background: Master of Accounting, National Taiwan University Major experience: VP and Chairman of Deloitte, Taiwan Current post: Independent Director, Hua Nan Financial Holdings and Hua Nan Commercial Bank; Director, Sirtec International Co., Ltd. CPA; work experience required for accounting and financial business in place 	(4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship, or the lineal relative within the third degree of kinship listed in (2), (3). (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the Company or is ranked top five in terms of the number of shares held or is designated as a Director or Supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act.	0
Independent Director	Kuo-Chuan Lin	<ul style="list-style-type: none"> Major education background: PhD. in Law, Kobe University, Japan Major experience: Associate Professor, Department of Public Administration, the Tamkang University; Professor, Department of Law, Chengchi University; Dedicated Commissioner, FSC; Chairman, Financial Ombudsman Institution; Dean, College of Law, Chengchi University Current post: Independent Director, Hua Nan Financial Holdings; Supervisor, Taiwan Securities Exchange Corporate; Director, Securities and Futures Institute; Visiting Professor, College of Law, Tunghai University Work experience required for legal affairs and financial business in place 	(6) Not a director, supervisor, or employee of another company where the majority of Board seats, or more than half of the voting shares are controlled by a single person (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with the Securities and Exchange Act or local laws of the registered country). (7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position, or a spouse thereof.. (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.	0
Independent Director	Sung-Tung Chen	<ul style="list-style-type: none"> Major education background: PhD. in Law, Kobe University, Japan Major experience: Associate Professor, Department of Public Administration, the Tamkang University; Professor, Department of Law, Chengchi University; Dedicated Commissioner, FSC; Chairman, Financial Ombudsman Institution; Dean, College of Law, Chengchi University Current post: Independent Director, Hua Nan Financial Holdings; Supervisor, Taiwan Securities Exchange Corporate; Director, Securities and Futures Institute; Visiting Professor, College of Law, Tunghai University Work experience required for legal affairs and financial business in place 	(9) Not a professional individual, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations. (10) Not having any of the conditions defined in Article 30 of the Company Act. 2. Operations of the Remuneration Committee.	0

2. Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of four members
- (2) The term of Committee members: from June 14, 2019 to June 13, 2022. Four (A) Remuneration Committee meetings were convened in the past year. The Committee members' qualifications and attendance status are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Chairman	Ming-Hsien Yang	4	0	100	
Committee Member	Kuei-Sun Wu	4	0	100	
Committee Member	Kuo-Chuan Lin	4	0	100	
Committee Member	Sung-Tung Chen	3	1	100	

Other required disclosures:

- I. There was no recommendation of the Remuneration Committee which was not adopted or was modified by the Board of Directors.
- II. There were no written or otherwise recorded resolutions on which a member of the Remuneration Committee had a dissenting opinion or qualified opinion.

3. The contents of proposals, resolutions, and the Company's actions in response to opinions of the Remuneration Committee for 2021 are as follows:

Remuneration Committee Term	Proposal Discussed	Resolution	The Company's Actions in Response to Opinions of the Remuneration Committee
The 2nd meeting of the 4th Remuneration Committee(unscheduled) 2021.03.12	The Company's 2020 Annual performance-based pay Plans base on the provisions of "Key Points of Employee Bonus Management", "External Performance Comparison Indicator Adjustment Coefficient" and propsoed to Remuneration Committee for discussion.	1. Passed unanimously by the Remuneration Committee for the "external performance comparison index adjustment coefficient" in the calculation formula of the 2019 annual performance bonus of the director level and above shall be adjusted to 0.79 according to the first proposal; or option 2 (0.9). 2. Suggestion: The authority of the Remuneration Committee stipulated in Article 8, Items 4 and 5 of " Directions for Employee Bonus Management" are not fully consistent with the authority stipulated in Article 3 of the " Remuneration Committee Charter ". Please understand the situation of financial holding peers and consider whether to make corrections.	1. The "external performance comparison index adjustment coefficient" of the company's 2019 performance bonus has been signed and approved by the chairman on March 16, 2011 in accordance with the resolution of the compensation and remuneration committee. The adjustment coefficient for personnel above the director level is 0.79, The adjustment factor for the rest of employees is 0.9. 2. The financial holding peers have been carried out to deal with the fact that the authority of the Compensation Committee stipulated in Article 8, Items 4 and 5 of " Directions for Employee Bonus Management " are not in full compliance with Article 3 of the " Remuneration Committee Charter ". investigation.
The 7th meeting of the 4th Remuneration Committee 2021.3.19	Proposal for the Company's 2020 Board of Directors' and employees' compensation percentage and amount.	Passed unanimously by the Remuneration Committee and proposed to the Board of Directors for discussion.	This proposal was passed at the 22nd meeting of the 7th Board of Directors on Mar. 25, 2021.
	Proposal for adjustment of performance-based pay in 2020 of employees above G.M. level of the Company	Passed unanimously by the Remuneration Committee and proposed to the Board of Directors for discussion.	This proposal was passed at the 22nd meeting of the 7th Board of Directors on Mar. 25, 2021.
	Proposal for adjustment of remuneration in 2021 of employees above G.M. level of the Company	Passed unanimously by the Remuneration Committee and proposed to the Board of Directors for discussion.	This proposal was passed at the 22nd meeting of the 7th Board of Directors on Mar. 25, 2021.
The 8th meeting of the 4th Remuneration Committee 2021.8.20	Proposal for remuneration for the Company's newly-appointed directors of Hua Nan Investment Trust	1. Passed by the Chairman through consultation with all present members 2. Suggestions: (1) Amend the "salary and remuneration standard" in the original proposal to "salary and remuneration". (2) The indicator of "achievement rate of annual payment to the treasury target" in the "Appraisal Table of Salary Standards for the Director of Direct and Indirect Investment Institutions of the Ministry of Finance" in Annex 2 shall be recalculated and scored based on the actual turnover of the investment subsidiary. And cooperate with the text of the description paragraph of the amendment proposal. (3) In the second point of the remuneration conditions of Chairman Huang in Annex 3, "the salary standard of the chairman and general manager of the Ministry of Finance appointed or recommended to public-equity private enterprises and their reinvested enterprises" is added as the basis for bonus payment, and is added in the proposal Content description. (4) Subsidiaries Hua Nan Commercial Bank Ltd., Huanan Securities and Hua Nan Assets Management Co. have set salary ranges for the chairman and general manager, the other three subsidiaries, South China Insurance Co., Ltd., Huanan Investment Trust and Huanan Venture Capital, have not conclude. It is recommended to have consistent approach.	Amendments were made to Attachment 1 -3 as suggested, and this proposal was passed at the 27th meeting of the 7th Board of Directors on Agu. 26, 2021. In response to item 4 of the proposed matter, on October 14, 2011, the subsidiaries Huanan Property & Casualty Insurance, Huanan Yongchang Investment Trust and Huanan Golden Venture Capital were requested to specify the relevant regulations for the remuneration of their chairman and general manager.
	Proposal for the remuneration standards for the Company's newly-appointed Executive Vice President.	1. Passed by the Chairman through consultation with all present members 2. Suggestions: (1) Amend the "single-month fixed salary amount" from the original proposal to "salary remuneration". (2) In the content of the proposal, state the basis for Lin Jun's reward distribution.	The content of the proposal has been revised according to the recommendations of this committee, and submitted to the 27th meeting of the 7th board of directors of the company on August 26, 110 for approval.
The 9th meeting of the 4th Remuneration Committee	Proposal for remuneration for directors of Hua Nan Investment Trust	Provide the main qualifications and salary comparison table of General Manager Wu and the last two general managers (including tenure, monthly salary, educational experience, main work performance, company profit and fund size, etc.) , passed unanimously by the Remuneration Committee and proposed to the Board of Directors for discussion.	This proposal was passed at the 29th meeting of the 7th Board of Directors on Oct. 25, 2021.

(VII) Deviation in Sustainable Development from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons for deviation

Assessment Item	Implementation Status (Note 1)			Differences with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their root causes (Note 2)
	Yes	No	Brief Description (Note 2)	
II. Does the Company establish a full- (or part-) time CSR Unit, with the Board of Directors empowering higher management to handle the matter and report the situation to the Board?	V		The company has set up a group sustainable development committee, with the chairman as the convener and the vice chairman as the deputy convener. The committee members include the general manager of the company and the chairman of each subsidiary company. At least one meeting is held every six months. The main responsibility is to plan the group implement major strategies for sustainable development, supervise the review of relevant regulations for sustainable development, and discuss other major issues related to the implementation of sustainable development; and the Administration Office is responsible for coordinating and planning sustainable development-related affairs, and for the sustainable development of the group. The committee reports on major implementation plans and implementation. Relevant meeting minutes and implementation are also reported to the board of directors, and the board of directors also supervises and tracks major issues of sustainable development.	Compliant
I. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies? (Note 3)	V		(I) The Company periodically distributes questionnaires on environmental, social and corporate governance issues to stakeholders and analyzes the responses to the questionnaires to identify material issues of concern to stakeholders. The Company also assesses the risks associated with these issues and reports to the Corporate Social Responsibility Committee of the Group to formulate risk management policies or strategies. (II) The Company has followed the structure of climate risks and opportunities provided in the Task Force on Climate-Related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB). We identified transition risks, physical risks, and climate-related opportunities and conducted related response measures.	Compliant
III. Environmental issues	V		(I) The Company is in the financial service industry, and it is committed to improving the resource utilization as well as energy conservation and carbon reduction in its operating environment and business establishments. The level of impact of its business activities in terms of environmental pollution or impact on the natural environment is very low. The Company introduced ISO 14001 Environmental Management System in 2016 and has passed third-party certification each year to establish a certified environmental management system.	Compliant
(II) Has the Company endeavored to maximize the efficiency of various resources and utilize renewable materials that have the least environmental impact?	V		(II) 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
(III) Does the Company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with?	V		(III) The Company has followed the structure of climate risks and opportunities provided in the Task Force on Climate-Related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB). We identified transition risks, physical risks, and climate-related opportunities and conducted related response measures.	Compliant
(IV) Does the Company conduct statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and correspondingly formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	V		(IV) The Company implements rigorous control over budgets and sets targets for water and electricity conservation for subsidiaries of the Group. It also uses various energy saving facilities and policy awareness campaigns to reduce the impact of climate change on its operations. The Company introduced ISO 14064-1 (Organization Quantification and Reporting of Green House Gases) in 2016, and completed the introduction of ISO 50001 (Energy Management System) by the end of 2018. We also obtained third-party certification each year and established related management policies based on the results of the inventory. Please refer to the Company's CSR Report for information on related emissions, water consumption, and total weight of waste.	Compliant



Assessment Item	Implementation Status (Note 1)			Differences with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their root causes (Note 2)
	Yes	No	Brief Description (Note 2)	
IV. Social Issues	V		(I) 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 the "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
(I) Has the Company drafted the management policies and procedures according to the relevant laws and the International Conventions on Human Rights?				
(II) Has the company established and offered reasonable employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		(II) The Group provides a competitive salary system in accordance with the structure of its rank and position system. It also distributes year-end bonuses and performance bonuses based on the performance for the year. Entry-level employees are paid no less than the statutory minimum wage. Other benefits are provided in accordance with labor laws and regulations, and Company provides a superior leave system and employee benefits than those required by law.	Compliant
(III) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	V		(III) The Company has organized regular health check-ups for employees as well as fire safety checks in accordance with relevant laws and regulations to protect the safety and well being of its employees.	Compliant
(IV) Does the company provide its employees with career development and training sessions?	V		(IV) The Company plans 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
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	V		(V) The Group has implemented ISO 27001 and related information security management systems and actively follows the government and competent authorities' information security plans. The Group and subsidiaries have become the members of the Financial Information Sharing and Analysis Center (F-ISAC). All subsidiaries have established comprehensive customer service management mechanisms and relevant training programs to help sales and customer service personnel pay attention to customer needs. They have also established customer satisfaction surveys to review and improve deficiencies each year.	Compliant
(VI) Has the Company formulated supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, and labor rights and request their reporting on the implementation of such issues?	V		(VI) The Company established "Hua Nan Financial Holdings Group Supplier Code of Conduct" in December 2017. The Code of Conduct requires all suppliers with business transactions with companies of the Group to sign "supplier acknowledgment letter" to commit themselves to related regulations therein in ethical management, promotional of environmental sustainability, and protection of basic human rights.	Compliant
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its Sustainable Development Report to disclose non-financial information of the Company? Has the company received assurance or certification of the aforesaid reports from a third-party accreditation institution?	V		V. The Company's 2021 Sustainable Development Report was compiled in accordance with Global Reporting Initiative Standards (GRI Standards) and was certified based on Assurance Engagements Type 1 (established based on ISAE 3000).	Compliant
VI. If the Company has drafted its Sustainable Development principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies", please state any differences between the actual operation and the principle: The "Best Practice Principles" is a reference example provided by the Taiwan Stock Exchange to assist publicly traded companies in promoting and executing CSR; it is not mandatory for all companies to draft such code. The Company is currently drafting the Group's Corporate social responsibility principles to fulfill its corporate social responsibility.				
VII. Additional important information that may assist in the understanding of Sustainable Development operations: Please refer to the "Major charitable events in 2021" in the Annual Report and 2021 Sustainable Development Report.				

Note 1: If you tick "Yes" for the implementation situation, please specify the important policies, strategies, measures and implementation situation adopted; if you tick "No" for the implementation situation, please refer to "Sustainable Development Practices with Listed and OTC Companies" Circumstances and Reasons" field explains the circumstances and reasons for the discrepancies, as well as plans to adopt relevant policies, strategies and measures in the future.

Note 2: For non-listed and OTC financial holding companies, there is no need to fill in the column "Differences from the Code of Practice for Sustainable Development of Listed and OTC Companies and Reasons."

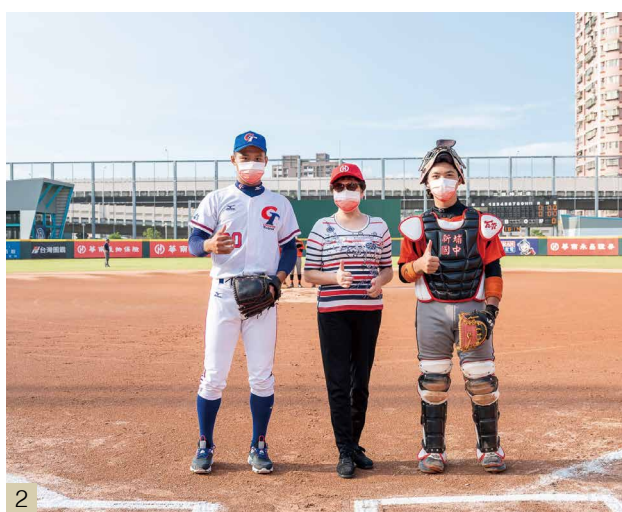
Note 3: The principle of materiality refers to those who have a significant impact on the company's investors and other stakeholders in relation to environmental, social and corporate governance issues.

To promote economic prosperity and social stability, the Group, leveraging resources throughout the Group, guided by the goal to achieve common good by participation in charitable work, information transmission, art and cultural innovation and sports development, works to catalyze steady development of the society and well fulfill its CSRs. Highlights of these events are as follows: Highlights of charitable events sponsored, donated or hosted by the Company in 2021 are as follows:

Item	Name	Date	Activity Content
1	Assistance to disaster relief for the Taroko Express Accident	April 2, 2021	One Taroko Express of Taiwan Railway had a serious accident on April 2, 2021 with significant casualties. To fulfill the corporate social responsibility, the Group donated NT\$5 million to assist the victims and the government for disaster relief.
2	2021 Hua Nan Financial Holdings Cup Youth Baseball Championship Games	August 16 to 22, 2021	Sponsored "Hua Nan Financial Holdings Cup Youth Baseball Championship Games" ten years in a row as the title sponsor to promote grassroots baseball development for a long-time.
3	2021 Hua Nan Financial Holdings Cup Junior Baseball Championship Games	August 23 to 29, 2021	Sponsored "Hua Nan Financial Holdings Cup Junior Baseball Championship Games" five years in a row as the title sponsor to promote grassroots baseball development for a long-time.
4	2021 Influence Forum	September 17, 2021	The Group sponsored the 2021 Influence Forum organized by Wealth Magazine. The chief economist of Nomura Research Institute, Richard C. Koo, was invited to give a keynote speech on the topic of "Overcoming the Pandemic, Coming of Strong Economic Recovery." Additionally, Jong-chin Shen, Vice Premier Executive Yuan, was invited to give an opening speech.
5	Assistance to disaster relief for the "Town in the City Fire in Kaohsiung"	October 14, 2021	On October 14, 2021, the "Town in the City" building in Yencheng District, Kaohsiung had a serious fire with significant casualties. To fulfill the corporate social responsibility, the Group donated NT\$3 million to assist the victims and the government for disaster relief.
6	33rd Accounting Elite Cup Debate Contest	October 16 to 17, 2021	The Group sponsored the "33rd Accounting Elite Cup Debate Contest" organized by the Accounting Research and Development Foundation and the Department of Accountancy of National Taipei University to promote the development of professional accounting in Taiwan.
7	President Ing-Wen Tsai and High School Students Face-to-Face Forum	October 30, 2021	The Group sponsored the "President Tsai Ing-Wen and High School Students Face-to-Face Forum" with the theme of "No Fear in Youth, Be Competent in the Future," organized by Business Today. The President Ms. Ing-Wen Tsai was invited to give a speech and interact with representatives of domestic high school students.
8	2021 Master's Thinking Bank Forum - Winners overcoming the pandemic and new landscape of the global economics	November 2, 2021	The Group sponsored the "2021 Master's Thinking Bank Forum - Winners overcoming the pandemic and new landscape of the global economics" organized by the Economics Daily. The chief economist of Nomura Research Institute, Richard C. Koo, was invited to give a keynote speech in the topic of "Overcoming the Pandemic, Coming of Strong Economic Recovery." Tsui-Yun Chuang, the Political Deputy Minister, was invited to give an opening speech.
9	2021 Uniform Tax Receipt Cup Road Race of the Ministry of Finance	Nov. 14, 2021	Co-hosted the "2021 Uniform Tax Receipt Cup Road Race of the Ministry of Finance" and collected 716,888 tax receipts. All these tax receipts were donated to 21 charity groups including Childhood Burn Foundation of the Republic of China, Can Love Social Service Association, Taipei Autism Children Social Welfare Foundation, Children Needing Home Social Welfare Association and other groups in other locations. The tax receipts given to people when shopping become love and power to help the disadvantaged groups.



Item	Name	Date	Activity Content
10	Welfare activity "Excellent Hua Nan Care for the Elderly"	November 24, 2021	The Group supported HonDao Senior Citizen's Welfare Foundation in organizing the welfare activity "Excellent Hua Nan Care for the Elderly" for ten years in a row, providing dinner parties and donations and sponsored the breakfast subsidy and home care services programs to care for the elderly who are leading a solitary life for a long time.
11	Grassroots Baseball Cultivation Fund	December 1, 2021	The Group donated to the "Grassroot Baseball Cultivation Fund," for buying equipment for four schools in Taoyuan City, including Hua Xun Elementary School, Da Yung Elementary School, Chin Xi Junior High School and Gui Shan Junior High School, so that these children with passions for baseball would have more sufficient resources to practice.
12	Dreams-Come-True Baseball Camp	December 1, 2021	The Group organized the "Dreams-Come-True Baseball Camp" and eight schools in Taoyuan City were invited, including Hua Xun, Da Yung, Gui Shan, Ren Shang, Long An, Sui Mei and Yang Xin Elementary School. Also the baseball player, Po-Yu Chen of 1A Pittsburgh Pirate, MLB was invited as the promotional ambassador, as well as Bing-Nan Chen the Chief Coach and the coaches of the baseball team of the Affiliated Taoyuan Agricultural and Industrial Senior High School of the National Taipei University of Technology as instructors, to improve the children's baseball skills with their professional demonstration and instructions.
13	2021 Taiwan Sustainability Action Week	December 4 to 5, 2021	The Group sponsored the "2021 Taiwan Sustainability Action Week," initiated by the Legislative Yuan's UN SDGs Council and organized by Paper Windmill Foundation. Through the parent-children activities, dramas, and other game facilities with educational implications via playing, to lead the public to understand the meaning and actions of the "sustainable development".
14	Sponsorship of training expenses and incentives for gymnasts, Chih-Kai Lee, and the coach, Yu-Hsin Lin	2021	The Group has sponsored gymnasts Chih-Kai Lee and Ko-Chiang Huang, and coach Yu-Hsin Lin for a long time. In the 2020 Tokyo Olympics, Taiwanese national gymnastics team, led by the coach, Yu-Hsin Lin, made the best records ever, including the silver medal on the pommel horse won by Chih-Kai Lee and the 10th place of the group by the national team. The Company granted the incentive bonus to Yu-Hsin Lin and Chih-Kai Lee.
15	Funding for the national team training and league matches organized by the Chinese Taipei Football Association	2020-2021	The Group sponsored the funding for national team training and league matches organized by the Chinese Taipei Football Association between 2020 and 2021, for assisting the promotion of domestic football.
16	Funding for national team training for the Golf Association of R.O.C	2021	The Group sponsored the funding for national team training organized by the Golf Association of R.O.C. in 2021, for assisting the grassroot cultivation of golf.
17	Academic activities of National Chengchi University	January to December 2021	Sponsored the academic activities of National Chengchi University.
18	Activities of the Chinese National Association of Industry and Commerce, Taiwan	January to December 2021	Sponsored the funding for activities of the Chinese National Association of Industry and Commerce, Taiwan



1. "2021 Hua Nan Financial Holdings Cup National Junior & Youth Baseball Tournament championship." Hua-Wei, Lin, Vice Chairman of Chinese Taipei Baseball Association sent the Certificate of Appreciation, and received by Yun-Peng Chang, Chairman of HNFHC and HNCB.
2. Pao-Chu Lo, President of HNFHC and Sheng-En Lin, the MVP of the last championship, were invited as the guests to start the final game of the "2021 Hua Nan Financial Holdings Cup National Youth Baseball Tournament championship."
3. Cheng-Fang Zhang, President of HNCB and Ming-Che Wu, the MVP of the last championship, were invited as the guests to start the final game of the "2021 Hua Nan Financial Holdings Cup National Junior Baseball Tournament championship."
4. Group photo at the commencement ceremony of the "2021 Influence Forum" with the Jong-chin Shen (4th from the right), Vice Premier Executive Yuan; Chin-Ho Hsieh (3rd from the right), Wealth Magazine President; HNFHC Chairman Yun-Peng Chang (2nd from the right), and other attendees.
5. Photo of President Ing-Wen Tsai (2nd row, 5th from right) and high school students in the "President Ing-Wen Tsai and High School Students Face-to-Face Forum."
6. Group photo at the commencement ceremony of the "2021 Master's Thinking Bank Forum." Tsui-Yun Chuang, the Political Deputy Minister (4th at the left), Yun-Peng Chang, Chairman of HNFHC and HNCB (4th at the right), Pao-Chu Lo, President of HNFHC (3rd at the right), Cheng-Fang Zhang, President of HNCB (2nd at the right), Chung-Hsien Lee, VP of HNCB, and other attendees.
7. Group photo of "Excellent Hua Nan Care for the Elderly" dinner party. Pao-Chu Lo, President of HNFHC (5th at the right, 3rd row), Greta Lin, VP of HNFHC (3rd at the right, 3rd row), and Ro-Chi Li, CEO of HonDao Senior Citizen's Welfare Foundation (4th at the right, 3rd row), voluntary workers and elderlies.



8. HNFHC was awarded by the Sports Administration, MOE for the golden award of the sponsorship, long-term sponsorship award, and copper award of promotion in the 2021 "Physical Education Pusher." The award was presented by Ching-De Lai, Vice President (left) and accepted by Pao-Chu Lo, President of HNFHC (right).
9. Group photo of the donation ceremony of 2021 "Grassroot Baseball Cultivation Fund."
10. Group photo of 2021 "Dreams-Come-True Baseball Camp."
11. Group photo at the commencement ceremony of the "2021 Taiwan Sustainability Action Week" with President Ing-Wen Tsai (6th from the left); Chi-Chang Tsai, Vice President of Legislative Yuan (6th from the right); HNFHC Chairman Yun-Peng Chang (3rd from the right), and other attendees.
12. The Group has sponsored Taiwanese gymnasts for a long time, and helped Chih-Kai Lee won an Olympic medal. The coach, Yu-Hsin Lin (left) and the gymnasts, Chih-Kai Lee (middle) sent the signed clothes as the souvenir to HNFHC Chairman Yun-Peng Chang (right).



(VIII) Deviations of the implementation of ethical corporate management from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation

Assessment Item	Implementation Status (Note 1)		Brief Description	Non-implementation of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and its reasons (Note 2)
	Yes	No		
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	V		(I) 1. The company has "Employee Work Rules" and "Integrity Management Rules", which have been approved by the Board of Directors. These regulations are the company's integrity management policies. 2. This rule specifies the integrity behaviors that employees should abide by. The board of directors and management team also follow the company law, securities law, other relevant laws and internal procedures of the company to actively implement the company's integrity management.	Compliant
(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V		(II) 1. The company convenes at least once a year the Integrity Management Committee meeting composed of all independent directors, regularly checks whether the group members have punishment cases related to integrity management, based on the identified dishonest behavior-related business activities and integrity management committee recommendations, and establish relevant Precautions. 2. In addition, the company's evaluation mechanism for the risk of dishonesty behavior also evaluates the activities that include in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", and identifies business activities that have a high risk of dishonesty behavior in procurement operations. (1) On April 18, 2018, the company's industry revised the relevant provisions of "Information on Supplier Behavior of South China Financial Group". (2) The action plan is as follows: a. In addition to requiring suppliers to sign supplier commitments, group members should complete a supplier checklist when signing a purchase contract to identify potential dishonest behavior. b. Regularly announce to the members of the group the various norms of the company's rule of integrity management. c. The company stipulates in the "Employee Work Rules" that it shall not be favoritism, accept gifts, rebates or other improper benefits; the company also has internal control procedures for donations. d. In addition to having legal specialist assist in reviewing various contracts to prevent the risk of violation of the signed contract, internal auditors also conduct irregular inspections and continuous tracking to improve the implementation.	Compliant
(III) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies? and regularly review the revised the plan?	V		(III) The Company has stated related reward and punishment policy regarding integrity and ethics in "Employee Work Rules". Training on legal compliance for new hires and existing employees are also in place. And review or amend the above plan in a timely or regular manner.	Compliant
II. Ethic Management Practice				
(I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(I) When conducting business, the Company first evaluates whether the counterparty has any record of unethical conducts to ensure the fairness of business activity. The Company does not ask for, provide, or receive gifts, rebates, or other illegal profits.	Compliant
(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	V		(II) Since 2016, the company has set up the Integrity Management Committee under the Board of Directors, which is composed of all independent directors, to ensure the effectiveness of implementation, promotion and coordination of integrity policy advocacy training and other matters related to the formulation and supervision of integrity management policies. Meetings are held at least once a year, and a total of two meetings were held in 2021. The minutes of the meetings are reported to the board of directors and placed into company's important files. The Company's Administration Department is the responsible department. The ethical standards are implemented in internal control and internal audit system by all departments. The department clearly defines job duties, strengthens employee performance appraisal, periodically performs audit, and provides operation reports to Board of Directors. Internal auditors report audit activities to board of directors. All departments need to take corrective actions regarding deficiencies	Compliant
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(III) The Company stipulates director recusal system in "Procedure for Board of Directors Meeting", "Principles in Governing Transactions with Related Parties" was also stipulated to prevent conflict of interests	Compliant
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	V		(IV) In order to ensure the implementation of ethical conducts, the Company has established effective management rules and accounting policy. Internal auditors periodically audit the implementation of the system.	Compliant
(V) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(V) The Company periodically sends materials promoting integrity in operation to directors and officers, and provides them with external professional training. Otherwise, we use the elevator screen to propaganda the rules of integrity management to our colleagues	Compliant
III. Implementation of Complaint Procedures				
(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(I) The Company has stipulated the method, channel, and responsible department to report unethical conducts and announced them on the Company's website.	Compliant
(II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	V		(II) 1. The Company has stipulated "Ethical Corporate Management Principles", "Guidelines for Operation in Complaints", "Notices for Operation in Complaints", and required the Company to keep identity of complainant and detail of the complaint as strictly confidential 2. Investigations may be conducted by accessing and viewing information, confidential interviews with related personnel, or other methods that may help clarify the facts of the case. They shall be conducted based on the principles of fairness and independence and, where necessary, the Company may appoint external professional independent personnel to assist in investigations. After investigations are concluded for reported cases, an investigation report shall be formulated and reported to a superior officer for approval.	Compliant
(III) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(III) The Company has stipulated "Ethical Corporate Management Principles", "Principle of operation in complaints", "Notices for operation in complaints", to prevent complainant from retaliation due to complaints.	Compliant
IV. Strengthening Information Disclosure				
Does the company disclose its Ethical Corporate Management as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?	V		Non-implementation of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and its reasons (Note 2)	Compliant
V. If the company has established Ethical Corporate Management Principles based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and the implementation: The Company has set up its own Ethical Corporate Management Principles and established Ethics Committee. All company operations follow the Ethical Corporate Management Principles.				
VI. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). All of the Company's operation follow Ethical Corporate Management Principles and information is disclosed according to regulation.				

Note 1: Please describe in remark column whether "yes" or "no" is selected for implementation status.

Note 2: Financial holding companies that are not listed do not need to fill in "Non-implementation of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and its reasons" column.

(IX) For companies that have stipulated corporate governance policy and related rules, the method to inquire them shall be disclosed.

Please refer to website: <https://www.hnfhc.com.tw/HNFHC/company/f.do>

(X) Other important information that may facilitate the understanding of the Company's corporate governance implementation.

Please refer to (V) Corporate Governance Implementation as Required by Corporate Governance Best Practice Principles for Financial Holding Companies.

(XI) The implementation of corporate governance, corporate social responsibility, and ethical conduct by the Company's full- (or part-) time corporate governance unit or personnel.

1. The Company has set up corporate governance team under Administration Department to take charge of corporate governance, corporate social responsibility, and ethical conduct for the Company.

2. Please refer to website: <https://www.hnfhc.com.tw>



(XII) Below items need to be disclosed for the implementation of internal control system:

1. Statement of Internal Control System

Hua Nan Financial Holdings Company Statement of Internal Control System

Hua Nan Financial Holdings Company certifies that for the period of January 1, 2021 to December 31, 2021, the Company complies with “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” to establish internal control system, implement risk management, conduct audit by independent internal audit department, and periodically report Board of Directors and Audit Committee. After prudent evaluation, the internal control and legal compliance of all departments are implemented effectively except those prescribed in the appendix. This Statement is an integral part of the Company’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, 32, 171, and 174 of the Securities and Exchange Act.

To: Financial Supervisory Commission

Certified by

Chairman: Yun-Peng Chang (Signature/Seal)

President: Pao-Chu Lo (Signature/Seal)

Chief Auditor: Pi-E Huang (Signature/Seal)

Legal Compliance of Headquarter: Amy, M.C. Chiou (Signature/Seal)

Mar. 28, 2022

2. If a CPA was engaged to conduct a special audit of internal control system, provide its audit report: The Company did not engage a CPA to conduct a special audit of the internal control system.
3. Internal control system deficiencies pending improvement and corrective action

Hua Nan Financial Holdings Co., Ltd.
Internal control system deficiencies pending improvement and corrective plan
(Baseline date: December 31, 2021)

Deficiencies pending improvement	Corrective action	Estimated date of completion
<p>[Subsidiary Hua Nan Commercial Bank Ltd.]</p> <p>I.</p> <p>A cashier in the branch at the HQ embezzled the cash inventory by taking advantage of his/her job, and the cash stock-in and out management was not implemented.</p> <p>Deficiencies pending improvement as below:</p> <ol style="list-style-type: none"> Adding the restrictions on the recruitment of cashiers, and monitoring mechanism. Enhancing the cash stock-in and out management and supervision. 	<p>I.</p> <ol style="list-style-type: none"> Adding the restrictions on the recruitment of cashiers, and monitoring mechanism: <ol style="list-style-type: none"> Specify the qualifications of cashiers. Adding the mechanism that the newly appointed cashiers must be reported to the HQ; for the existing cashiers, the managers of the BUs and HR staff shall review their conducts, integrity, and daily performance. Anyone disqualified shall be re-appointed to another position when appropriate. Enhancing the cash stock-in and out management and supervision: <ol style="list-style-type: none"> Adding the random inspection without prior alerts <ol style="list-style-type: none"> The managers of BUs will appoint the auditors stationed in the branches to inventory the cash in the branches without prior alert in semi-annually. The business management units intend to assign branches to conduct the overall cash inventory without prior alerts Adding HQ control statements <ol style="list-style-type: none"> Since October 26, 2021, the business management units review the treatment of the shortage/surfeit of cash received and paid at the BUs "every business day." Adding "monthly" statistics of the frequencies and amounts of bill shortage/surfeit in business units. For these business units with higher monthly frequencies are required to report "the reasons and corrective measures". 	<p>I.</p> <p>The improvement has been completed</p>
<p>II.</p> <p>Losses of accounting vouchers in Yuanshan and Jiadon Branches:</p> <ol style="list-style-type: none"> Not implementing the binding and archiving of vouchers. Rules were not followed when retrieving vouchers. The handover between the previous and successive accounting personnel did not implement the voucher inventory thoroughly. The operating procedures of voucher destruction were not implemented. <p>Deficiencies pending improvement as below:</p> <ol style="list-style-type: none"> Amendment to the related regulations. Adding more questions for self-inspection of branches. Included the score-deduction item for the operating performance. 	<p>II.</p> <ol style="list-style-type: none"> Amending the accounting practice manual of the Bank; the summary of the additional contents is as following: <ol style="list-style-type: none"> The binding dates, clerk in charge and officer rechecked are added to the directory of vouchers. The head of the business department, i.e., the keeper of the vouchers shall re-inventory the "certificates for retrieving books, vouchers, and statements" when re-inventorying the voucher books of last month, to confirm that the retrieved vouchers were archived back. The head of the business department, i.e., the keeper of the vouchers, along with the non-accounting personnel in charge, shall inventory the voucher books of the past five years every March. When any handover is made between the previous and successive accounting personnel, the accounting vouchers in the past five years must be inventoried thoroughly. Adding the questions to the self-inspection question database of branches as follows: <ol style="list-style-type: none"> Confirm that the accounting vouchers in the past five years have been inventoried every March, as required. Confirm that the entries in the directory of vouchers during the inspection period are complete. Afterward, if any loss of vouchers is found, each incident will minus 5 points under the "accounting management" in the "Table of Score Allocation and Assessment Standard of Operating Performance Assessment Indicator." 	<p>II.</p> <p>The improvement has been completed</p>
<p>III.</p> <p>A teller at the Linkou Branch embezzled the clients' money by taking advantage of his/her job.</p> <ol style="list-style-type: none"> When the supervisor approved the EC transaction, the original certificates and wrong content were not investigated for the reasons and certified, nor is the full set of fund vouchers thoroughly re-checked. The teller did not implement the crossing recheck of vouchers pursuant to the single teller account closing system. There were loaning of funds among employees in the branch. <p>Deficiencies pending improvement as below:</p> <ol style="list-style-type: none"> Enhancing the control measures for system or transactions. Amending the account closing approach by the over-the-counter tellers. Strictly prohibiting loaning of funds among employees. Enhancing training. 	<p>III.</p> <ol style="list-style-type: none"> Enhancing the control measures for the system or transactions: <ol style="list-style-type: none"> Adding the monitoring of the daily and weekly numbers of the corrected transactions and adding the detailed date of each authorized transaction in the "Registry of the Transaction Approved by the Superior" and the control mechanism where only the transaction of "the day" may be added, revised and re-printed. Adding the control over the transactions of cash withdrawal for "temporary credit and debt;" the completion of transaction requires the authorization of the superior. Altering the system transaction program for the system to count the quantity of vouchers automatically. The accounting of OTC tellers is amended to the cross-account closing from the self-closure while being rechecked by others. The business management unit has issued a letter to each unit to reiterate that the internal and external laws and regulations shall be complied with and to be more careful with the ethics and working discipline. The loaning of funds among employees is prohibited strictly. All employees were required to sign the "Promise Note of Employee's Conduct" to promise no illegal conduct or violation. The training of "internal control for deposit and remittance and prevention of employee corruptions" was conducted from December 15, 2021 to January 20, 2022. 	<p>III.</p> <p>The improvement has been completed</p>
<p>[Subsidiary Hua Nan Securities Co., Ltd.]</p> <p>I.</p> <p>On February 5, 2021, the FSC approved a corrective action against the Company and imposed a penalty of NT \$240,000: former trading assistant Hsu provided several clients with funds to create false financial statements to apply for an increase in the one-day trading limit. Hsu also helped clients without specific identity of a natural person determine prices within a range required by clients and the time for subscription on behalf of these clients. The Company, when accepting applications for public subscription and allotment, did not verify if someone filed an application under the name of others or keep a record of the investigation. In assessments of risks of money laundering and terrorism funding, the Company did not investigate existing relationship of clients when there were significant changes to identify the background information of a client.</p>	<p>I.</p> <ol style="list-style-type: none"> For clients who present their bankbook as a financial statement, the Company has required its subsidiaries to report to the direct superior when the deposit of the client is transferred from a party whose name appears on the bankbook is same with any trading assistant or employee of the Company. The superior should conduct an investigation and record the results of handling on the self-inspection report of the subsidiary. Employees who conceal the offence are subject to punishment as the employee committed the offence. Additionally, trading assistants were required not to accept carte blanche to determine the type, quantity, price or purchase or sale of securities. When the client is a qualified investor and required the securities to be exchanged at a price with a specific range, trading assistants should act pursuant to the Company's appropriate regulations. A computer program has been launched for clients who submit a power of attorney for open subscription through the Internet to check whether or not they have subscribed in the name of another person and on Dec. 1, 2020, the Company notified subsidiaries to include this program into the monthly inspection and keep a record for inspection. For restoration of transaction of clients that have not engaged in transaction for a long time, the clients are required to re-submit their general information and complete the Client Survey. For clients subject to investigation and documentation inspection, subsidiaries are required to investigate their existing relationship and complete the "Form of Enhanced Client Due Diligence." For countries and regions that do not comply or do not fully comply with the recommendations of the International Organization for the Prevention of Money Laundering, as defined by the Ministry of Law, the Company included all these countries and regions into the list of countries and regions with high (or extremely high) risks on Dec. 24, 2020. 	<p>I.</p> <p>The improvement has been completed</p>



Deficiencies pending improvement	Corrective action	Estimated date of completion
<p>II. The Financial Supervisory Commission's Information Operations Project Inspection identified the following deficiencies:</p> <ol style="list-style-type: none"> 1. The use of internal network segments is not properly separated. 2. The key principle items of firewall rule inspection are not clearly regulated, and the firewall rule inspection operation is inadequate. 3. The operation specifications for vulnerability scanning and penetration testing are not well-organized, the substantial impact of the vulnerability on system security has not been verified and assessed, and the scanning tool version update control mechanism has not been established. 4. No follow-up processing mechanism has been established for events that trigger alarm indicators, and network attack events have not been properly reviewed and analyzed. 5. Websites that provide external services have not established other defense mechanisms and regularly review the security mechanisms of external websites. 6. Review social engineering drills and strengthen employee information security training to prevent the risk of being hacked by social engineering emails. 7. Failing to perform security maintenance operations related to IoT devices. 8. The suitability of writing files to the USB content for the exceptions to be exempted from system detection personnel, without establishing a regular review mechanism, and regularly reviewing the filtering rules. 9. Code scanning or black-box testing is required for application changes that are not standardized, and a list and version control procedures are established for third-party libraries; for those who cannot obtain the source code of the outsourced vendor's program, the outsourced vendor provides The declaration form does not include security matters such as the program should use the integrity verification mechanism and the corresponding updated version should be prepared when the library referenced by the program is updated. 	<p>II. The company's improvement measures for the following deficiencies are as follows:</p> <ol style="list-style-type: none"> 1. It is proposed to add a network equipment firewall between the formal environment and the test environment network segment to separate the connection between the formal environment and the test environment. On the firewall, in the mode of forward table column, for the connection. The protocol and host required by the line shall be set to open the line, so as to achieve the appropriate partition mechanism. The network equipment firewall has been purchased and is expected to be completed before March 31, 2022. 2. <ol style="list-style-type: none"> (1) The "firewall management details" has been revised and a view has been added to view the key principles and project specifications of firewall rules. (2) The security and necessity of the firewall's network service set to "any" and high-risk connection rules have been reassessed. (3) On November 11, 2011, the "firewall management details" was revised and a new form was added. The form "regularly check the firewall rules with zero traffic for more than half a year" was produced every six months, and an internal evaluation has been carried out. 3. <ol style="list-style-type: none"> (1) The vulnerability scanning and penetration test operation specification has been modified. Add a standard repair period for medium and low-risk weaknesses. (2) After assessing the moderate and low risks of vulnerability scanning, an internal assessment has been carried out and kept as a record. (3) Update the version of the tool every six months and keep records. (4) A low-risk internal self-assessment has been conducted after assessing the low vulnerability of the penetration test. 4. <ol style="list-style-type: none"> (1) According to paragraph 9 of the securities company's Zitong security inspection mechanism, Zitong security threat management, paragraph 10 of intrusion detection and defense, and paragraph 11 of the application firewall, Zitong security monitoring and management shall be established before the end of January 112, and the company is expected to complete it before June 30, 2022. (2) The draft specification of WAF (Application Firewall) and information security event notification was added in December 2021 and is expected to be completed before June 30, 2022. 5. <ol style="list-style-type: none"> (1) At least once a year, the manufacturer shall assist in regularly inspecting the security mechanism of external websites. (2) Fixed the asset security vulnerability of five websites detected by the financial inspection bureau. (3) A new profile was provided on November 11, 110 to correct the weakness of the reference policy; Other weaknesses are to protect the website through the WAF of network devices. 6. <ol style="list-style-type: none"> (1) It has been announced on the employee website, added the publicity of e-mail security announcement, and provided the practice of turning off the e-mail preview function in outlook. (2) Started in December 110, after checking the click rate of each unit, notify colleagues to carry out online education and training of social engineering. 7. <ol style="list-style-type: none"> (1) Unnecessary network connection services for printers of the business management department and the accounting department have been closed. In addition, change the camera of the information department to the off-line route. If you need to view the video playback, send personnel to the scene for inspection. (2) Information security related agreements have been signed with manufacturers. (3) The vulnerability scanning and security update of Internet of things devices are expected to be completed before June 30, 2022. 8. <ol style="list-style-type: none"> (1) The whitelist has been reviewed again. Thereafter, the list of available USB shall be reviewed regularly every year to ensure the correctness of the data of available USB colleagues. (2) The "e-mail management details" has been revised to regularly review the personal information filtering mechanism of e-mail at least once a year. (3) Important factors of identifiable personal data, such as passport and securities and futures account number, have been included in the filtering rules. 9 <ol style="list-style-type: none"> (1) The first draft of relevant specifications and management procedures has been prepared and is expected to be completed before March 31, 2022. (2) It is proposed to register the third-party function library according to the suggestions, strengthen version control, purchase the import of "whitesource" tool, conduct risk assessment management for the third-party function library, and control the code scanning and function registration, which is expected to be completed before June 30, 2022. (3) The manufacturer has been asked to reissue the new version of the statement. 	<p>Improvement : 1 and 9 (1), in progress according to the improvement plan, expected to be completed on March 31, 2022</p> <p>completed before; other improvement measures 4 (1), 4 (2), 7 (3) and 9 (2), according to the improvement</p> <p>The project is in progress and is expected to be completed before June 30, 2022, and the rest have been improved.</p>
<p>[Subsidiary Hua Nan Futures Co., Ltd.]</p> <p>I. The reason why the company should check whether there is any conflict of interest on the orders placed by the salesperson and all the traders of the company, but only check the salesperson's order records and the customers to which the salesperson belongs, which is inconsistent with the internal control system was fined NT\$240,000 by the Financial Supervisory Commission on December 27, 110.</p>	<p>I.</p> <ol style="list-style-type: none"> 1. For internal personnel's entrusted trading conflict of interest check operation, improve the system check program monitoring mechanism, compare all the traders belonging to the same business base, and it was launched on December 7, 2021. 2. On January 12, 2022, the company implemented the education and training on punishment cases, requiring the business supervisor to review the transaction records entrusted by the salesman to prevent similar violations from happening. 	<p>I. The improvement has been completed</p>
<p>II. TWSE suggested that the company should not only fill in the relevant change operation application form, but also keep records of the special permission application and use when setting up the system change.</p>	<p>II. It is proposed to fill in the application and use record when using the special authority, which is expected to be completed before March 31, 2022.</p>	<p>II. Improvement are in progress according to the improvement plan and are expected to be completed before March 31, 2022.</p>

(XIII) Penalty received by the financial holding company and its subsidiaries due to violation of regulations, the major deficiency and related improvement in past two years and until the date of publishing the annual report, and items below shall be disclosed:

Item	Case and Status of Improvement
1. The company's representative or employee has been prosecuted by prosecutor due to occupational crime.	None
2. Where a fine imposed by the FSC for violation of law, a correction imposed by the FSC for a deficiency, a disciplinary action imposed by the FSC in accordance with Paragraph 1, Article 54 of the Financial Holding Company Act, or a disciplinary action imposed by a company on its internal personnel for violation of internal controls may materially impact shareholders' equity or securities price, or qualifies for disclosure as stipulated in Article 2 of Regulations Governing FSC's Disclosure of Major Sanction on Violation of Finance Laws, the sanction content, major deficiencies, and status of improvement shall be disclosed:	<p>Hua Nan Securities</p> <p>Companies fined by FSC due to violation of regulations</p> <p>I. The FSC's Chin-kuan-cheng-chuan-fa-tzu-ti-1090361984 Penalty dated April 30, 2020 stated that the Company had failed to adequately conduct business operations in accordance with the hedging strategy and thus exceeded the limits specified for market risks. The Company also failed to establish comprehensive and effective warrant issuance and risk management systems, failed to report to the Board of Directors and failed to take the necessary measures. The failures have been deemed as violations of Article 2, Paragraph 2 of the Regulations Governing Securities Firms. The FSC therefore imposed a fine of NT\$1.44 million in accordance with Article 178-1, Paragraph 1, Sub-paragraph 4 of the Securities and Exchange Act.</p> <p>Improvement status: the Company has implemented related improvement measures based on the opinions of the FSC.</p> <p>II. Pursuant to the Letter Tai-Zheng-Fu-Zhi No. 1090503610 by Taiwan Securities Exchange dated on December 7, 2020, the former trading assistant X-Yung Huang of Daan Branch opened the securities account under a client's name without authorization, embezzled and retained the clients' stamps and their centralized depository passbooks; such conduct violated paragraph 2, Article 18 and paragraph 4, Article 80 of Operating Rules of the Taiwan Stock Exchange Corporation. Pursuant to Article 135 of the same Rules, the breach penalty of NT\$100,000 was imposed.</p> <p>Improvement status: improvement measures have been taken based on TWSE's opinion and responded to the TWSE in the correspondence.</p> <p>III. Pursuant to the Letter Tai-Zheng-Fu-Zhi No. 1090503722 by Taiwan Securities Exchange dated December 11, 2020, the Company failed to formulate procedures for using Co-Lo services and include such procedures to its internal control system, which violated the related regulations of TWSE and thus pursuant to Article 135 of the Operating Rules of the Taiwan Stock Exchange Corporation, the breach penalty of NT\$200,000 was imposed.</p> <p>Improvement status: improvement measures have been taken based on TWSE's opinion and responded to the TWSE in the correspondence.</p> <p>IV. The deficiencies of the Company as enumerated on FSC's official letter No. Chin-kuan-cheng-chuan-fa-tzu-ti-10903714691 dated February 5, 2021 were as follows: the Company's former trading assistant Hsu provided several customers with funds to create false financial statements to apply for an increase in the one-day trading limit. Hsu also helped customers without specific identity of a natural person to determine prices within a range required by customers and time for subscription on behalf of these customers; when arranging public subscription, the Company failed to verify whether or not a customer had conducted a proxy subscription using another's name and kept such verification record; and, in the assessments of risks of money laundering and terrorism financing, the Company did not investigate existing business relationships of customers when there were significant changes to the identify and background information of a customer. The FSC deemed such deficiencies to be in violation of Article 2, Paragraph 2 of the Regulations Governing Securities Firms, therefore imposed a fine of NT\$240,000 in accordance with Article 178-1, Paragraph 1, Sub-paragraph 4 of the Securities and Exchange Act.</p> <p>Improvement status: the Company has implemented related improvement measures based on the opinions of the FSC.</p> <p>Deficiencies that have been corrected by the FSC</p> <p>I. The FSC conducted regular business inspections of the Company's Taichung and Nanjing Branches from May 27, 2019 to June 5, 2019 and from June 6, 2019 to June 14, 2019. According to Chin-kuan-cheng-chuan-fa-tzu-ti 1080333472 letter dated January 30, 2020, it discovered violations of securities management regulations and demanded corrections.</p> <p>Major deficiencies:</p> <ol style="list-style-type: none"> 1. Failure to review the existence of conflict of interests in commissioned transactions between internal personnel and important customers of the Company and to retain audit logs. 2. Accounts of internal personnel and accounts of customers used the same IP on the same day to order trading of securities. Hua Nan Investment Trust failed to investigate or clarify whether or not there were violations of related regulations on the securities firms in this case. 3. Acceptance of telephone instructions for the trading of securities from individuals other than the customer or the trader authorized by the customer. 4. Acceptance of telephone instructions without price restrictions for the trading of securities from non-specific natural-person customers for which the operator set the price and issued orders. 5. When processing customer-commissioned transaction limit financial resources and financing limit review operations, the Company failed to implement overall account control and management procedures for the maximum trading volume between the customers' branch companies. <p>Improvement status: improvement measures have been taken pursuant to FSC's regulations and will reply to FSC in the correspondence once the improvements are submitted to and approved by the board of directors.</p> <p>II. The FSC conducted a regular business inspection of the Company. According to the Chin-kuan-cheng-chuan-fa-tzu-ti 10903714692 letter dated February 5, 2021, it discovered violations of securities management regulations and demanded corrections.</p> <p>Major deficiencies:</p> <ol style="list-style-type: none"> 1. The Company's former trading assistant Hsu provided several customers with funds to create false financial statements to apply for an increase in the one-day trading limit. Hsu also helped customers without specific identity of a natural person determine prices within a range required by customers and time for subscription on behalf of these customers. 2. When arranging public subscriptions in which multiple customers conducted a proxy purchase via the same IP address, the company failed to (1) verify whether or not a customer conducted a proxy subscription using another name; and, (2) kept the verification record for future reference. 3. In assessments of risks of money laundering and terrorism funding, the Company did not investigate existing relationships of customers when there were significant changes to identify and the background information of a customer. <p>Improvement status: improvement measures have been taken pursuant to FSC's regulations and will reply to FSC in the correspondence once the improvements are submitted to and approved by the board of directors.</p> <p>II. The FSC conducted a regular business inspection of the Company's operation of co-location (Co-Lo). According to the Chin-kuan-cheng-chuan-fa-tzu-ti 11003300055 letter dated March 4, 2021, it discovered violations of securities management regulations and demanded corrections.</p> <p>Major deficiencies:</p> <ol style="list-style-type: none"> (1) The company failed to formulate procedures for using Co-Lo services and to include such procedures to its internal control system. (2) The company failed to preserve the Co-Lo audit log for three years as required by law. (3) The company failed to preserve the firewall log for three years as required by law. <p>Improvement status: Improvements have been handled in accordance with regulations.</p>

Item	Case and Status of Improvement
2. Where a fine imposed by the FSC for violation of law, a correction imposed by the FSC for a deficiency, a disciplinary action imposed by the FSC in accordance with Paragraph 1, Article 54 of the Financial Holding Company Act, or a disciplinary action imposed by a company on its internal personnel for violation of internal controls may materially impact shareholders' equity or securities price, or qualifies for disclosure as stipulated in Article 2 of Regulations Governing FSC's Disclosure of Major Sanction on Violation of Finance Laws, the sanction content, major deficiencies, and status of improvement shall be disclosed:	<p>Offense on which the FSC imposed sanctions in accordance with Articles 54, Paragraph 1 of this Act</p> <p>I. The FSC's Chin-kuan-cheng-chuan-fa-tzu-ti-1090361984 Penalty dated April 30, 2020 stated that the Company was given warning for deficiencies against securities management regulations. Major deficiencies:</p> <ol style="list-style-type: none"> (1) The Company failed to develop an effective issuance and risk control system for warrant issuance, practiced poor management of risk of index warrens and ignored risks beyond limits and the potential consequences. On the contrary, GM X-X Chen approved trading assistants to do what they were unauthorized to do and extend the time limit for adjustments many times. (2) The Financial Product Department failed to take reasonable actions to control risks promptly in accordance with internal risk control policies or worked in accordance with hedging strategies when the market experienced significant fluctuations, which led to market risks exceeding the established limits. The Risk Control Department informed the Financial Product Department of the risks and losses exceeding the limits for several consecutive days, but did not check if relevant policies and regulations were followed by the Financial Product Department when they practiced hedging. (3) The company did not specify the procedures for handling and reporting losses beyond the limits and major risks, which led to failure to report to the Board of Directors and take necessary actions in a timely manner. It is obvious that there are significant deficiencies in the internal control system of the company that violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms. <p>Improvement status: the company has reviewed its warrant issuance operations and relevant procedures and improved the internal control and risk control systems.</p> <p>South China Insurance</p> <p>Companies fined by the FSC due to violation of regulations</p> <p>I. Deficiencies in adequacy of premium rate and underwriting of South China Insurance Automobile Warranty Extension Cost Insurance. Penalty letter: Chin-kuan-bao-chan-tzu-ti 10904938042 dated October 19, 2020</p> <p>Case: The "South China Insurance Automobile Warranty Extension Cost Insurance" submitted by the company for inspection on June 8, 2018 did not examine the adequacy of the premium rate by reference to the actual loss rate and in doing so failed to comply with the pricing principles of adequacy, reasonableness and fairness as stipulated in Articles 6 and 8 of the "Regulations Governing Pre-sale Procedures for Insurance Products" which was formulated with the authorization from Paragraph 1, Article 144 of the Insurance Act. The company was fined NT\$ 600,000 and required to discontinue the sale of South China Insurance Automobile Warranty Extension Cost Insurance.</p> <p>Improvement status:</p> <ol style="list-style-type: none"> (1) Regulations concerning warranty cost insurance underwriting were added to the standards for automobile insurance underwriting of the Company. (2) The Company pulled South China Insurance Automobile Warranty Extension Cost Insurance off the shelves on October 20, 2020 as required in the penalty letter. (3) For the lack of adequacy, reasonableness and fairness of premium rate, annual premium rate review has been performed for all automobile insurance products and a higher degree of care will be applied to future reviews of insurance products. <p>II. In the course of underwriting of South China Insurance Automobile Warranty Extension Cost Insurance, the company did not collect insurance premiums in full and accepted responsibility for the insurance policy without assessment based on coverage of the insurance. Penalty letter: Chin-kuan-bao-chan-tzu-ti 10904938042 dated October 19, 2020</p> <p>Case: In the course of underwriting, the company did not ask about the automobile warranty extension contracts signed by the insured and the automobile buyer, used incorrect coefficients for premium calculation, which led to failure to collect insurance premium in full and accepted responsibility for the insurance policy without assessment based on coverage of the insurance. The inspection results showed that the company violated Item 2, Sub-paragraph 12, Paragraph 1 of Article 7 and Article 17 of Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises which was established with the authorization of Paragraph 2, Article 148-3 of the Insurance Act. The company was fined NT\$600,000.</p> <p>Improvement status: in this case, it was found that due to negligence in some cases, the extended warranty contracts signed between the insured and the automobile buyer were not required to be provided and the company underwrote the insured according to the warranty liability of the pre-owned car dealer. The company's collection of more or less premium was a result of mistakes in premium calculation by underwriters. The company provided underwriters and salespersons of the Automobile Insurance Department with training on Adjustments to Warranty Extension Insurance Products on February 6, 2020. In terms of underwriting, the company will require the insured to provide relevant documents in accordance with the regulations and provide underwriters with further training to ensure that they can calculate the premium based on established premium coefficients.</p> <p>Deficiencies that have been corrected by the FSC</p> <p>I. South China Insurance did not report deficiencies provided in "2018 Computer System Information Security Assessment Report" to the auditor for tracking and review. Penalty letter: Chin-kuan-bao-chan-tzu-ti 10904938042 dated October 19, 2020</p> <p>Case: in terms of information security protection, no firewall was provided to an off-site backup of sever, IT equipment management was carried out for computers in the office rather than in isolated network sections and deficiencies found in network sections without important materials were not reported to the auditors for investigation, which might hinder sound operations of the company. The company was asked by FSC to take one corrective action.</p> <p>Improvement status:</p> <ol style="list-style-type: none"> (1) The Company sent to auditors the "2019 Computer System Information Security Assessment Report" and related deficiency items on March 17, 2020 and sent the "2018 Computer System Information Security Assessment Report" to the auditors for follow up tracking and review on July 17, 2020 according to the suggestions of the competent authority. Improvements have been made on the said deficiency. (2) The company will work in accordance with the Regulations Governing the Insurance Industry on Computer System Information Security Assessment and perform more stringent reviews during self-evaluation to ensure compliance with the laws and regulations. <p>Hua Nan Investment Trust</p> <p>FSC demanded corrections of the following deficiencies on September 24, 2021:</p> <ol style="list-style-type: none"> 1. For the four-year investment plan for big data, the internal approval and reviews of the compliance department were not documented before implementation and thus it was unable to verify the content of the plan and contractual terms complying with the laws and regulations; the related advertisement campaign was not filed, no internal review was documented, nor was the information specifying the computation models or modules and the assumption conditions; the plan went onboard without accepting the program; 2. The clients qualified as politically exposed person (PEPs) or their family members and relative or close associates (RCA) were not rated as high risk pursuant to the established regulations; 3. No ML or FT risk assessment for new products or the tracking information of the approvals was documented.

Item	Case and Status of Improvement
3. Disciplinary action imposed by the FSC in accordance with Paragraph Article 61-1 of the Banking Act.	<p>Hua Nan Commercial Bank (HNCB)</p> <p>I. For the case where Yuanshan and Jiadon Branches lost accounting vouchers, FSC demanded corrections:</p> <p>(I) The following deficiencies were found:</p> <ol style="list-style-type: none"> 1. Yuanshan and Jiadon Branches did not bind, in-stock, and destroy the accounting vouchers pursuant to the internal accounting operating regulations and thus the accounting vouchers still in the retaining period were lost on August 26, 2019 and February 18, 2020, respectively. 2. Yuanshan Branch did not report the loss of vouchers to HQ immediately when they realized such fact as required by the internal regulations. 3. Although the case was the deficiencies of operations in branches, the HQ did not fulfill its obligation of oversight and inspection and thus several branches had the same deficiencies consecutively. <p>(II) Improvement status of the case:</p> <ol style="list-style-type: none"> 1. To enhance the controls over the voucher custody, the Finance and Accounting Department had added the related measures as below: <ol style="list-style-type: none"> (1) On July 28, 2021, August 13, 2021, November 17, 2021, and December 22, 2021, letters were sent to BUs to inform on the amendments to the regulations in the Accounting Practice Manual (e.g., the keeper, i.e., the head of the BU shall re-inventory the voucher books of the last month before the 10th business day each month; the voucher directory specifies the binding date, clerk in charge and re-check superior; and the voucher keeper, i.e., the head of the BU, along with the non-accounting personnel in charge, shall inventory the voucher books in the past five years every March). Also on August 12, 2021 and November 16, 2021, the related control measures were incorporated into the self-inspection question database, for BUs to get familiar with the regulations and comply with them. (2) On December 15, 2021, a letter was issued to reiterate the destruction regulations for vouchers, books and statements. 2. To prevent these type of cases from failing to report pursuant to the internal regulations, as well as to fulfill HQ's obligations of oversight and inspect, the following measures have been taken: <ol style="list-style-type: none"> (1) The Auditing Department of the board of directors issued a letter on December 17, 2021, to reiterate that when any material incident occurs, such incident must be reported pursuant to the "Key Points of Reporting Material Incidents." (2) The Finance and Accounting Department issued letter to BUs and the related units in the HQ on February 24, 2022, specifying that pursuant to the regulations in the Accounting Practice Manual, the voucher book inventory should be completed by March 31, 2022 and reported back; any short vouchers must be reported to the HQ as a material incident. <p>Since 2022, if any loss of vouchers is found, each incident will minus 5 points under the "accounting management" in the "Table of Score Allocation and Assessment Standard of Operating Performance Assessment Indicator" by the Finance and Accounting Department.</p>
4. If safety incidents occurred due to fraud, significant incidents (fraud, theft, appropriation, embezzlement, false transaction, false certificate or marketable securities, receipt of rebate, natural disaster, loss due to external forces, hack, theft of information, leakage of confidential business secret or customer information) or failure in following the guidelines for the safety maintenance of financial institutions and loss for each incident in total exceeding NT\$50 million, the nature and amount of loss shall be disclosed.	<p>Hua Nan Commercial Bank (HNCB)</p> <p>I. A cashier of the branch at the HQ, Lin, embezzled the cash inventory by taking advantage of his/her job in October 2021; provided Lin returned the short funds and the Bank suffered no financial loss.</p> <p>(I) Improvement status of the case:</p> <ol style="list-style-type: none"> 1. Adding the restrictions on the recruitment of cashiers and monitoring mechanism: <ol style="list-style-type: none"> (1) Specify the qualifications of cashiers. (High-risk staff must not be appointed as the cashiers) (2) Adding the mechanism that the newly appointed cashiers must be reported to the HQ; for the existing cashiers, the managers of the BUs and HR staff shall review their conduct, integrity and daily performance. Anyone disqualified shall be re-appointed to another position when appropriate. 2. Enhancing the cash stock-in and out management and supervision: <ol style="list-style-type: none"> (1) Adding the random inspection without prior alerts <ol style="list-style-type: none"> A. The managers of BUs will appoint the auditors stationed in the branches to inventory the cash in the branches without prior alert in semi-annually. B. The business management units intend to assign branches to conduct the overall cash inventory without prior alerts (2) Adding HQ control statements <ol style="list-style-type: none"> A. Since October 26, 2021, the Operation management units review the treatment of the shortage/surfeit of cash received and paid at the BUs "every business day." B. Adding "monthly" statistics of the frequencies and amounts of bill shortage/surfeit in business units. For these business units with higher monthly frequencies are required to report "the reasons and corrective measures". <p>II. A teller in Linkou Branch, Zhang, embezzled the clients' money by taking advantage of his/her job during October to November 2021; the embezzled funds were returned by Zhang's relatives and the clients' interest were not damaged.</p> <p>(I) Improvement status of the case:</p> <ol style="list-style-type: none"> 1. Enhancing the control measures for system or transactions: <ol style="list-style-type: none"> (1) Adding the monitoring of the daily and weekly number of the corrected transaction, and adding the detailed date of each authorized transaction in the "Registry of the Transaction Approved by the Superior" and the control mechanism where only the transactions of "the day" may be added, revised and re-printed. (2) Adding the control over the transactions of cash withdrawal for "temporary credit and debt;" the completion of transaction requires the authorization of the superior. (3) Altering the system transaction program for the system to count the quantity of vouchers automatically (expected to be completed by June 30, 2022) 2. The accounting of OTC tellers is amended to the cross-account closing from the self-closure with rechecked by others. 3. The HR Department has issued a letter to each unit to reiterate the internal and external laws and regulations shall be complied with and to be more careful with the ethics and working disciplines. The loaning of funds among employees is prohibited strictly. All employees were required to sign the "Promise Note of Employee's Conduct" to promise no illegal conduct or violations. 4. The training on "internal control for deposit and remittance, and prevention of employee corruptions" was conducted from December 15, 2021 to January 20, 2022. The training regarding deposit and remittance, accounting and compliance will be continued.
5. Other items of which the FSC require disclosive	None

(XIV) Significant resolutions in Shareholders' Meeting and Board of Directors' meeting as of the date of 2021 annual report

1. Significant resolutions of the Board of Directors

Term and Session	Significant Resolutions
20th meeting, 7th term	Proposal of amendments to the organizational charter of the subsidiary, Hua Nan Investment Trust.
	Proposal for replacement of CPAs.
	The commission and compensations for audit and certifying the 2021 financial reports and certifying the income tax of the profit-seeking enterprise.
	The proposal for subsidiary Hua Nan Commercial Bank to apply to competent authority for issuance of senior unsecured financial green bonds with total value of no more than NT\$ 1 billion.
	The proposal for subsidiary Hua Nan Commercial Bank to apply to competent authority for issuance of non-cumulative subordinated financial bonds with no maturity date with total value of no more than NT\$ 12 billion.
21st meeting, 7th term	2021 limits of risk concentrations and market risks and warning level of capital adequacy.
	Proposal to appoint a supervisor to the subsidiary, Hua Nan Commercial Bank and directors to Hua Nan Venture Capital Co., Ltd.
	Proposal of annual performance evaluation of the Company's President for 2020
22nd meeting, 7th term	Proposal of appointing the director of the subsidiary, Hua Nan Commercial Bank
	The Company's 2020 financial and business reports
	The Company's 2020 Statement of Internal Control System
	Proposal of the date and location of the 2021 Annual General Meeting as well as the reasons to convene the meeting
	Intention to submit to the AGM the regulation promotion regarding the same person or the same related party holding voting right-attached shares issued by the same financial holding for more than a certain percentage.
	Proposal for the Company's 2020 Board of Directors' and employees' remuneration distribution
	Proposal to appoint the vice president of the subsidiary, Hua Nan Investment Trust
	Proposal of appointing G.M. of the Company
	Proposal of 2020 performance bonuses for the staff at G.M. level or above
	Proposal of 2021 annual salary adjustments for the staff at G.M. level or above
23rd meeting, 7th term	Proposal for distribution of earnings (appropriation for loss) among subsidiaries for 2020
	Proposal for distribution of earnings of the Company for 2020
24th meeting, 7th term	Proposal to issue new shares for surplus transferred as capital increase in 2020.
	Proposal to amend the subsidiary, "Hua Nan Commercial Bank's Article of Incorporation."
	Proposal of sales of building by the subsidiary, Hua Nan Assets Management
25th meeting, 7th term	The Company intended to apply for a one-year credit facility from financial institutions
	Proposal of amendments to the organizational charter of the subsidiary, Hua Nan Securities.
	Proposal to determine the delay of the 2021 AGM.
	Proposal to appoint the chief auditor of the subsidiary, South China Insurance
	Proposal to appoint the executive vice president of the subsidiary, Hua Nan Securities
	Proposal of appointing G.M. of the Company
	Proposal to appoint the vice president of the subsidiary, Hua Nan Commercial Bank
	Proposal to appoint the vice president of the Company
	Proposal to appoint the president of the subsidiary, Hua Nan Securities
	Proposal to re-appoint the directors and supervisors of the subsidiary, Hua Nan Securities, whose terms expired
26th meeting, 7th term	Proposal to appoint the president of the subsidiary, Hua Nan Securities
	Proposal to amend the "Key Points of Co-Marketing Management of Hua Nan Financial Group."
27th meeting, 7th term	Proposal to appoint the directors of the subsidiary, Hua Nan Investment Trust
	Financial report of Q2, 2021
	The outcomes of the 2020 Institutional risk assessment (IRA) of the Group's money laundry and financing terrorism, statement of risk appetite and the 2021 AML and CFT plans and action programs
	Proposal to amend the "Supervisory Committee of Labor Pension Reserve Organizational Charter."
	Submit the proposal for the subsidiary, Hua Nan Asset Management's "Key Points of Standard Operating Procedures for the Amount Standards to be Reported to HNFHC as Significant Asset Transactions (draft)".
	Intention to determine September 24, 2021 to be the date to distribute cash dividends and the base date of the new share issuance for capital increase.
	Proposal on the remuneration standards for the new chairman of the subsidiary, Hua Nan Investment Trust.
	Proposal on the remuneration standards for the new vice president of the Company.
28th meeting, 7th term	Proposal to appoint the president of the subsidiary, Hua Nan Investment Trust.
	Renewal of liability insurance for the Group's directors and managerial officers.
5th extraordinary meeting, 7th term	Proposal to donate to The Chinese National Association of Industry and Commerce, Taiwan
	Proposal to re-appoint the directors and supervisors of the subsidiary, Hua Nan Commercial Bank
29th meeting, 7th term	Proposal to re-appoint the directors and supervisors of the subsidiary, South China Insurance.
	Proposal to amend the organizational charter of the subsidiary, Hua Nan Securities.
30th meeting, 7th term	Proposal on the remuneration standards for the new president of the subsidiary, Hua Nan Investment Trust
	Proposal to increase the real estate risk limits for the Group and the subsidiary, Hua Nan Commercial Bank.
	Proposal on the total budget for construction expenses at Si-Xin Section, Xindian District, New Taipei City by the subsidiary, Hua Nan Assets Management.
	Proposal of establish the new "Human-Right Policy" of the Company
	Proposal of 2022 information strategies
31st meeting, 7th term	Proposal on the 2022 subsidiaries' budgets.
	Proposal on the 2022 Company's budgets.
	Proposal on the total budget for construction expenses at Si-Xin Section, Xindian District, New Taipei City by the subsidiary, Hua Nan Assets Management.
	Proposal on the amendments to the organizational charter of the subsidiary, Hua Nan Bank.
	Proposal on the amendments to the "Implementation Key Points of Accountability by Level" and the "Detailed Schedule of Accountability by Level."
	Proposal to amend the Company's "Internal Audit System."
	Proposal to re-appoint the directors and supervisors of the subsidiary, Hua Nan Investment Trust.
	Proposal to appoint the independent directors to the subsidiary, South China Insurance.
32nd meeting, 7th term	The Company's 2022 Annual Audit Plan.
	I. Proposal on the total budget for construction expenses at Si-Xin Section, Xindian District, New Taipei City by the subsidiary, Hua Nan Assets Management.
	II. The commission and compensations for audit and certifying the 2022 financial reports and certifying the income tax of the profit-seeking enterprise.
33rd meeting, 7th term	III. Proposal to amend the "Key Points of Maintaining Security of the Personal Data Files."
	I. 2022 limits of risk concentrations and market risks and warning level of capital adequacy.
	II. Proposal to amend the Company's "Organizational Charter."
	III. Proposal to assess the 2021 Company's president's performance.

2. Important resolutions made by the general shareholders' meeting and their implementation in 2021

Date of the Meeting	Proposed Resolutions	Resolution	Status of Execution
2021.7.20	To approve the proposal for appropriation of 2020 earnings: Each common share holder is entitled to receive a NT\$0.265 cash dividend and NT\$0.264 stock dividend	The affirmative voting shares exceeded the legal threshold. Proposed resolution approved.	1. The dividend distribution has been completed according to shareholders' resolution. 2. The 2021 dividend distribution in cash and through capital increase have been announced on Aug 27, 2021. 3. The cash dividend of NT\$0.265 per share for 2020 was distributed by the stock transfer agent Hua Nan Securities agent department through wire transfer or check sent by registered mail on Oct. 8, 2021. 4. The dividend distribution through capital increase is NT\$0.264 per share in 2020. The record date of delivering new shares certificate: Oct. 8, 2021. The capital increase was made through non-physical issuance and new shares were deposit directly into shareholders' central depository accounts on the record date.
	339,366,160 shares were issued for the stock dividend.	The affirmative voting shares exceeded the legal threshold. Proposed resolution approved.	The issuance and registration of new shares have been completed according to Shareholders' Meeting resolution. Ministry of Economic Affairs—Oct. 18, 2021 —Letter No. of Ching-shou-shang-tzu-ti-11001188530.

(XV) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors during the most recent year and as of the Date of this Annual Report: None.

(XVI) Does the Company Disclose the Dissenting Opinion from Any Independent Director, and the Disposition by the Company regarding the Opinion: None.

(XVII) Resignation or Dismissal of personnel related with financial reports (including Chairman, President, Heads of Accounting, Finance, and Internal Audit) during 2021 and as of the Date of this Annual Report.

April, 30, 2022

Position	Name	On Board Date	Resignation Date	Reason for the Resignation or Dismissal
Chief of Corporate Governance	Ping-Hui Chang	Jul. 16, 2020	Aug. 1, 2021	Job Rotation

Note: Related personnel in the Company means Chairman, President, Heads of Accounting, Finance, Chief Internal Audit and Company Secretary

IV. Information on CPA Professional Fees:

Accounting Firm	Name of CPA	Auditing Period	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte Taiwan	Yi-Chun Wu	2021.1.1.-2021.12.31	2,500	910	3,410	
	Ting-Sheng Chang					

Note: Non-audit fees refers to the professional services fees including taxation certification, BEPS action plans and administrative relief for tax.

(I) Audit-fees refer to the professional services fees the Company pays to the CPAs for audit, review and re-check of the financial reports and review of the financial forecasts.

(II) When audit fees paid for the current year are lower than those for the previous year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reasons shall be disclosed: None.

(III) When audit fees paid for the current year are lower than those for the previous year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reasons shall be disclosed: None.



V. CPA change information: Where the Company changed CPA during the last two years and the period after that, the following matters shall be disclosed:

(I) Former CPAs

Date of Replacement	Jan. 27, 2021		
Reason for Replacement	Internal restructuring of Deloitte Taiwan		
Statement on whether the Company or the CPA Terminates or Rejects Engagement	Status of the Principal	CPA	The Company
	Voluntary termination	Not applicable	
	CPA declined to accept (continue with) the appointment	Not applicable	
Opinions and Reasons in the Issued Audit Report Expressing Other than an Unqualified Opinion in the Most Recent Two Years	No such occurrences		
Disagreement between the Company and CPAs	None		
Other Disclosures (disclosure deemed necessary in accordance with Item 1-4, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

(II) Successor CPAs

Name of Accounting Firm	Deloitte Taiwan
Name of CPA	Yi-Chun Wu, Ting-Sheng Chang
Date of Appointment	Jan. 27, 2021
Results of Consultation about the Accounting Treatment or Accounting Principles for Specified Transactions or the Type of Audit Opinions that Might Be Rendered on the Financial Statements before Engagement	None
Written Opinions from the Successor CPAs on the Disagreement between the Company and Former CPAs	None

(III) Any Response Mails from Former CPAs regarding Items Specified in Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations Governing Information to Be Published in Annual Reports of Public Companies: None.

VI. If Chairman, President, or Chief Financial Officer Holding Positions at the Independent Audit Firm or its Affiliated Company within the Most Recent Fiscal Year: None.

VII. Any Transfer or Pledge of Equity Interests in the Most Recent Year up to the Date of Publication of the Annual Report by a Director, Manager, or Individual or Related Party Holding Shares of the Same Financial Holding Company with Voting Rights Issued over a Certain Ratio Set Forth in Article 11 of the Regulations (I):

Unit: shares

Title (Note 1)	Name	2021		As of Apr. 30, 2022	
		Increase/ Decrease in Number of Shares Held	Increase/ Decrease in Number of Shares Pledged	Increase/ Decrease in Number of Shares Held	Increase/ Decrease in Number of Shares Pledged
Chairman (Major Shareholder)	Ministry of Finance	5,768,755	0	0	0
Institutional Representative of Chairman	Yun-Peng Chang	4,604	0	0	0
Vice Chairman (Major Shareholder)	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	5,993,454	0	0	0
Institutional Representative of Vice Chairman	Ming-Cheng Lin	665,721	0	0	0
Director (Major Shareholder)	Ministry of Finance	5,768,755	0	0	0
Institutional Representative of Director	Pao-Chu Lo	3,323	0	0	0
Director (Major Shareholder)	Bank of Taiwan	72,051,682	0	0	0
Institutional Representative of Director	Shih-Ching Jeng	0	0	0	0
Director (Major Shareholder)	Bank of Taiwan	72,051,682	0	0	0
Institutional Representative of Director	Chou-Wen Wang	0	0	0	0
Director (Major Shareholder)	Bank of Taiwan	72,051,682	0	0	0
Institutional Representative of Director	Ho-Chyuan Chen	0	0	0	0
Director (Major Shareholder)	Bank of Taiwan	72,051,682	0	0	0
Institutional Representative of Director	Yu-Ming Yen	0	0	0	0
Director (Major Shareholder)	Bank of Taiwan	72,051,682	0	0	0
Institutional Representative of Director	An-Pang Wang	0	0	0	0
Director (Major Shareholder)	Bank of Taiwan	72,051,682	0	0	0
Institutional Representative of Director	Wei-Te Tsai	0	0	0	0
Director (Major Shareholder)	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	5,993,454	0	0	0
Institutional Representative of Director	T. Lin	0	0	0	0
Director (Major Shareholder)	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	5,993,454	0	0	0
Institutional Representative of Director	Chih-Yu Lin	0	0	0	0
Director (Major Shareholder)	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	5,993,454	0	0	0
Institutional Representative of Director	Chih-Yang Lin	0	0	0	0
Director	He Quan Investment Co., Ltd.	94,170	0	0	0
Institutional Representative of Director	An-Lan Hsu Chen	1,402	0	0	0
Director	He Quan Investment Co., Ltd.	94,170	0	0	0
Institutional Representative of Director	Michael, Yuan-Jen Hsu	0	0	0	0
Director	China Man-Made Fiber Corporation	1,801,889	0	0	0
Institutional Representative of Director	Vivien, Chia-Ying Shen	2,065	0	0	0
Independent Director	Kuei-Sun Wu	0	0	0	0
Independent Director	Kuo-Chuan Lin	0	0	0	0
Independent Director	Ming-Hsien Yang	0	0	0	0
Independent Director	Sung-Tung Chen	0	0	0	0
President	Pao-Chu Lo	3,323	0	0	0
Chief Auditor and G. M. of the Auditing Department	Pi-E Huang	3,030	0	0	0
Executive Vice President	Greta Lin (Appointed on Aug. 1, 2021)	3,045	0	0	0
Executive Vice President and G.M. of the Law and Ordinance Compliance Department	Amy, M.C. Chiou	2,442	0	0	0
Chief Secretary of Board of Directors	Hui-Ling Hsu	2,891	0	0	0
G.M. of the Information Technology Department	Yi-Jer Hor (Appointed on Apr. 1, 2021)	29	0	0	0
G.M. of the Marketing Department	Chao-Chi Yeh	2,065	0	0	0
G.M. of the Risk Management Department	Chin-Hua Yang	0	0	0	0
G.M. of the Finance Department and Chief of Corporate Governance	Wan-Li Chu	6,064	0	0	0
G.M. of the Administration Department	Po-Hsun Chen	1,045	0	0	0
Entity Holding a Stake of 10% or More	Bank of Taiwan	72,051,682	0	0	0
Related Party Holding a Stake of 10% or More	Bank Taiwan Life Insurance Co., Ltd.	13,040,502	0	0	0

Note 1: If a shareholder holds more than 1% of the financial holding company's shares, he/she shall be marked "major shareholder" separately.

Note 2: If counterparties involving in transfer or pledge of equity interests are related parties, the following table shall be filled in.

Note 3: "As of the date of publication of the Annual Report" shall refer to the date when the Annual Report is adopted by the Board of Directors.

Transfer of Equity Interests (II)

Name (Note 1)	Reason for Transfer of Equity Interests (Note 2)	Transaction Date	Counterparty	Relationship between Counterparty and the Financial Holding Company and Its Directors and Shareholders with Shareholding Percentage of 10% or More	Number of Shares	Transaction Price
None	None	None	None	None	None	None

Note 1: Name of director, manager, or individual or related party holding shares of the same financial holding company with voting rights issued over a certain ratio set forth in Article 11 of the Regulations shall be disclosed.

Note 2: Acquisition or disposal shall be indicated.

Pledge of Equity Interests (III)

Name (Note 1)	Reason for Pledge of Equity Interests (Note 2)	Date of change	Counterparty	Relationship between Counterparty and the Financial Holding Company and Its Directors and Shareholders with Shareholding Percentage of 10% or More	Number of shares	Pledge (redeemed) Amount
None	None	None	None	None	None	None

Note 1: Name of director, manager, or individual or related party holding shares of the same financial holding company with voting rights issued over a certain ratio set forth in Article 11 of the Regulations shall be disclosed.

Note 2: Pledge or redemption shall be indicated.

VIII. Information on Relationship if among Top 10 Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another

Date: Apr. 19, 2022

Name (Note 1)	Shares Held in Person Shares Held		Shares held by Spouse and Children of Minor Age (Note 2)		Shares Held in Name of Another Person (Note 2)		Title or Name and Relationship of Top 10 Shareholders who Are Related Parties or Each Other's Spouse and Relative within the Second Degree of Kinship (Note 3)		Remarks
	Number of Shares	Shareholding Percentage %	Number of shares	Shareholding Percentage %	Number of shares	Shareholding Percentage %	Company Name (or Name)	Relationship	
Bank of Taiwan (Chieh-Cheng Lu)	2,801,282,059	21.23%	0	0	0	0	Ministry of Finance	Ministry of Finance holds 100% equity interests in its parent company, Taiwan Financial Holdings Co., Ltd.	None
							Bank Taiwan Life Insurance	Bank of Taiwan and Bank Taiwan Life Insurance 100% held by Taiwan Financial Holdings Co., Ltd.	None
							First Commercial Bank	Bank of Taiwan invests in the parent company of First Bank, First Financial Holding Co., Ltd.	None
Bank Taiwan Life Insurance Co., Ltd. (Yu-Chih Liu)	506,998,925	3.84%	0	0	0	0	Ministry of Finance	Ministry of Finance holds 100% equity interests in its parent company, Taiwan Financial Holdings Co., Ltd.	None
							Bank of Taiwan	Bank Taiwan Life Insurance and Bank of Taiwan 100% held by Taiwan Financial Holdings Co., Ltd.	None
First Commercial Bank (Yueh-Chin Chiu)	322,159,375	2.44%	0	0	0	0	Ministry of Finance	Ministry of Finance invests in the parent company of First Bank, First Financial Holding Co., Ltd.	None
							Bank of Taiwan	Bank of Taiwan invests in the parent company of First Bank, First Financial Holding Co., Ltd.	None
Yuan Ding Investment Co., Ltd. (An-Lan Hsu Chen)	286,817,450	2.17%	0	0	0	0	None	None	None
Yung Tsai Investment Co., Ltd. (Zhi-Mei Huang Yan)	254,051,126	1.93%	0	0	0	0	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	Yung Tsai Investment Co., Ltd.'s representative and The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin's representative within the second-parent relationship	None
The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin (Ming-Cheng Lin)	233,018,238	1.77%	0	0	0	0	Yung Tsai Investment Co., Ltd.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin's representative and Yung Tsai Investment Co., Ltd.'s representative within the second-parent relationship	None
Ministry of Finance (Chien-Jung Su)	224,282,215	1.70%	0	0	0	0	Bank of Taiwan Bank Taiwan Life Insurance	Ministry of Finance holds 100% equity interests in its parent company, Taiwan Financial Holdings Co., Ltd.	None
							First Commercial Bank	Ministry of Finance invests in the parent company of First Bank, First Financial Holding Co., Ltd.	None
HWATAI Bank as custodian of Trust Account	178,120,953	1.35%	0	0	0	0	None	None	None
CTI in Custody for Dedicated investment account of Norges Bank	145,723,819	1.10%	0	0	0	0	None	None	None
J.P. Morgan Chase Bank as custodian of Vanguard Emerging Market Stock Index Fund Account	139,607,790	1.06%	0	0	0	0	None	None	None

Note 1: All top 10 shareholders shall be listed. For institutional shareholders, their names and the names of their representatives shall be listed separately.

Note 2: The percentage of shares held by the shareholders or his/her spouse or children of minor age or in the name of another person shall be listed separately.

Note 3: The relationship between the aforementioned shareholders, including institutional shareholders and natural person shareholders shall be disclosed based on the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies

IX. Total Number of Shares Held by the Financial Holding Company and Its Subsidiaries, Directors, Managers, and Businesses, either Directly or Indirectly Controlled by the Financial Holding Company as a Result of Investment, and the Ratio of Consolidated Shares Held

Unit: Shares; %

Invested Company (Note 1)	Investments of the Company		Investment of Directors, Supervisors, Managers and Directly or Indirectly Controlled Businesses		Total Ownership	
	Number of shares	Percentage of Shares	Number of shares	Percentage of Shares	Number of shares	Percentage of Shares
Hua Nan Commercial Bank Ltd.	9,076,700,000	100.00	-	-	9,076,700,000	100.00
Hua Nan Securities Co., Ltd.	654,774,346	100.00	-	-	654,774,346	100.00
South China Insurance Co., Ltd.	200,138,625	100.00	-	-	200,138,625	100.00
Hua Nan Investment Trust Corp.	30,839,927	100.00	-	-	30,839,927	100.00
Hua Nan Venture Capital Co., Ltd.	200,000,000	100.00	-	-	200,000,000	100.00
Hua Nan Assets Management Co., Ltd.	100,000,000	100.00	-	-	100,000,000	100.00
Taiwan Depository & Clearing Corporation	1,084,832	0.25	1,800,320	0.41	2,885,152	0.66
Hua Nan Securities Investment Management	-	-	3,718,319	99.95	3,718,319	99.95
Hua Nan Securities Holdings Corp.	-	-	100,000	100.00	100,000	100.00
Hua Nan Futures Co., Ltd.	-	-	43,413,000	99.80	43,413,000	99.80
Hua Nan Securities (Hong Kong) Limited	-	-	79,975,000	100.00	79,975,000	100.00
Hua Nan International Leasing Co., Ltd.	-	-	150,000,000	100.00	150,000,000	100.00
Hua Nan International Leasing Corp.	-	-	-	100.00	-	100.00

Note 1: Investment made in accordance with Article 36 of the Financial Holding Company Act.

Activeness



IV Capital Overview

I. Stocks and Dividends

(I) 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	Others
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-tzu-ti-09101432670
2003.08	\$10	10,000,000,000	100,000,000,000	4,728,503,594	47,285,035,940	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-tzu-ti-09201240920 Ministry of Economic Affairs—Aug. 27, 2003—Letter No. of Ching-shou-shang-tzu-ti-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-tzu-ti-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
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-tzu-ti-10601130940
2018.09	\$10	18,000,000,000	180,000,000,000	11,543,613,256	115,436,132,560	Capitalization of Earnings: 4,970,933,930	Ministry of Economic Affairs—Sep. 17, 2018—Letter No. of Ching-shou-shang-tzu-ti-10701116700
2019.09	\$10	18,000,000,000	180,000,000,000	12,172,740,178	121,727,401,780	Capitalization of Earnings: 6,291,269,220	Ministry of Economic Affairs—Sep. 18, 2019—Letter No. of Ching-shou-shang-tzu-ti-10801126120
2020.09	\$10	18,000,000,000	180,000,000,000	12,854,778,810	128,547,788,100	Capitalization of Earnings: 6,820,386,320	Ministry of Economic Affairs—Sep. 23, 2020—Letter No. of Ching-shou-shang-tzu-ti-10901172000
2021.10	\$10	18,000,000,000	180,000,000,000	13,194,144,970	131,941,449,700	Capitalization of Earnings: 3,393,661,600	Ministry of Economic Affairs—Oct. 18, 2021—Letter No. of Ching-shou-shang-tzu-ti-11001188530

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	13,194,144,970	4,805,855,030	18,000,000,000	Listed stock

(II) Shareholder Structure

Date: April 19, 2022

Shareholder Structure Quantity	Government Agency	Financial Institution	Other Corporation	Individual	Foreign Company or Foreigner	Total
Number (people)	11	36	928	371,705	1,105	373,785
Shares of holding (shares)	3,731,952,980	444,290,793	2,659,939,681	3,926,166,282	2,431,795,234	13,194,144,970
Percentage of Ownership (%)	28.28	3.37	20.16	29.76	18.43	100.00

(III) Status of Stock Dispersion

Unit: Shares

Level of Shares Held			Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1	~	999	132,216	20,902,868	0.16
1,000	~	5,000	136,799	299,271,416	2.27
5,001	~	10,000	38,535	268,960,759	2.04
10,001	~	15,000	19,833	237,819,844	1.80
15,001	~	20,000	10,169	176,826,374	1.34
20,001	~	30,000	11,661	281,559,925	2.13
30,001	~	40,000	5,985	205,607,315	1.56
40,001	~	50,000	3,540	158,177,884	1.20
50,001	~	100,000	7,914	546,633,270	4.14
100,001	~	200,000	4,076	553,844,501	4.20
200,001	~	400,000	1,671	454,407,486	3.44
400,001	~	600,000	489	237,731,971	1.80
600,001	~	800,000	182	124,510,460	0.94
800,001	~	1,000,000	134	119,806,025	0.91
1,000,001 above			581	9,508,084,872	72.06
Total			373,785	13,194,144,970	100.00

(IV) 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 19, 2022

Name of Major Shareholders	Shares	Shares of holding (shares)	Shareholding Percentage (%)
Bank of Taiwan		2,801,282,059	21.23
Bank Taiwan Life Insurance Co., Ltd.		506,998,925	3.84
First Commercial Bank		322,159,375	2.44
Yuan Ding Investment Co., Ltd.		286,817,450	2.17
Yung Tsai Investment Co., Ltd.		254,051,126	1.93
The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin		233,018,238	1.77
Ministry of Finance		224,282,215	1.70
HWATAI Bank as custodian of Trust Account		178,120,953	1.35
CITI in Custody for Dedicated investment account of Norges Bank		145,723,819	1.10
J.P. Morgan Chase Bank as custodian of Vanguard Emerging Market Stock Index Fund Account		139,607,790	1.06

(V) Market Value Per Share, Net Value, Earnings, Dividends, and Related Information for Past 2 Years

Item		Year	2021	2020
Market value per share (Note 1)	Highest		21.35	22.50
	Lowest		17.15	16.05
	Average		19.23	19.15
Net value per share (Note 2)	Before issuance		15.21	14.73
	After issuance	Note 8		14.36
Earnings Per Share	Weighted average of shares (thousand shares)		13,194,145	12,854,779
	Earnings per share—before adjustment (Note 3)		1.30	0.67
	Earnings per share—after adjustment (Note 3)	Note 8		0.66
Dividend per share	Cash dividend	Note 8		0.2650
	Stock dividend	Appropriated from retained earnings	Note 8	0.264
		Appropriated from capital surplus	None	None
	Accumulated undistributed dividends (Note 4)		None	None
Return on Investments	Price/earnings ratio (Note 5)		14.79	28.58
	Dividend ratio (Note 6)		Note 8	72.26
	Cash dividend yield (Note 7)		Note 8	1.389

* When distributing the dividend from retained earnings or capital reserve, the information on stock market price adjusted according to the number of 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 based on the number of shares issued at year end and the appropriation resolved in the shareholders' meeting of the following year.

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

Note 4: If the terms of equity securities issued stipulate that the current year undistributed dividend could be accumulated until the year having surplus, undistributed dividend accumulated in each year until the current year should be disclosed respectively.

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

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

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

Note 8: The 2021 earnings distribution will be resolved in the 2022 shareholders' meeting.

(VI) Dividend Policy and Execution status:

1. The company will continue to expand its scale, enhance its profitability, follow related laws and regulations, and adopt a surplus dividend policy.

The earnings (if any) of the company shall be first used to pay the tax due and offset accumulated loss over the years according to 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. Any balance left over along with prior year undistributed earnings shall be the distributed amount, and the shareholders' meeting shall resolve the distribution of the shareholder's dividend and bonus within 30% to 100% of the attributable 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 shareholders' meeting, it shall not be distributed.

2. Dividend distribution to be proposed in the shareholders' meeting for this period: Dividends of NT\$1.12 per share, which comprise cash dividends of NT\$0.78 per share totaling NT\$10,291,433,077 and stock dividends of NT\$0.34 per share totaling NT\$4,486,009,280.



(VII) The Effects of the Stock Grant Proposed by the Shareholders' Meeting on Business Performance and Earnings per Share:

		2022 (Estimated)
Paid-up capital at the beginning of the period		NT\$ 131,941,450 thousand
Dividend distribution status for this year	Cash dividend per share	NT\$ 0.78
	Surplus to capital increase shares allocated per share	Shares 0.034
	Capital reserve to capital increase shares allocated per share	-
Changes in business performance	Operating income	N/A (Note)
	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	If the surplus to capital increase is changed to cash dividend distribution	Pro-forma funding per share
		Pro-forma Average Annual Return on Investment
	If capital reserve to capital increase is not undertaken	Pro-forma funding per share
		Pro-forma Average Annual Return on Investment
	If capital reserve to capital increase is not undertaken	Pro-forma funding per share
		Pro-forma Average Annual Return on Investment

Note: The Company has not published its financial forecasts for 2021. According to the regulations of the Securities and Futures Administration Commission of the Ministry of Finance on February 1, 2000 (89) Taiwan Finance No. 00371, the company does not need to disclose this information if it has not announced its financial forecast.

(VIII) 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 net income for the year, the Company shall set aside a certain amount as director remuneration and employee compensation based on net income before tax. The compensation shall be determined according to the below-mentioned ways, and the Board of Directors shall be authorized to proceed. However, net income of the year shall be first used to offset accumulated loss, if there is any.

- (1) Director remuneration shall be no more than 1%.
 - (2) Employees' compensation shall be between 0.02% and 0.15% and shall be distributed in stocks or cash. The recipients may include employees of affiliated companies that meet certain requirements. The Board of Directors shall set rules specifying the requirements.
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 2021 employee compensation and director remuneration are estimated pursuant to the Articles of Incorporation of the company and profits in 2021 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:
 - (1) In 2021, NT\$173,639 thousand was distributed to directors for remuneration, and NT\$18,846 thousand was distributed to employees for remuneration. The total amount was distributed in cash.
 - (2) The ratio of employee share bonuses to the stand-alone net profit after tax and the total employee bonuses: 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 2020 director remuneration and employee compensation distributed in 2021 were NT\$87,300 thousand and NT\$6,998 thousand respectively.

(IX) Buy-back of the company's shares by the financial holding company: None

II. Corporate Bonds

Exercising of employee stock options		2017 First term of unsecured ordinary corporate bonds—Issue A	2017 First term of unsecured ordinary corporate bonds—Issue B	2019 First term of unsecured ordinary corporate bonds
Issuance (processing) date		Jan. 9, 2018	Jan. 9, 2018	Jan. 9, 2020
Face Value		NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Place of Issuance and Transaction		R.O.C.	R.O.C.	R.O.C.
Price at issuance		Issued according to 100% of face value	Issued according to 100% of face value	Issued according to 100% of face value
Total Amount		NT\$7 billion	NT\$5 billion	NT\$5 billion
Coupon Rate		Fixed annual rate of 0.92%	Fixed annual rate of 1.75%	Fixed annual rate of 0.88%
Term		5 years, maturity date: January 9, 2023	10 years, maturity date: January 9, 2028	10 years, maturity date: January 9, 2030
Priority order of compensation		Normal order	Placed behind all other company creditors	Normal order
Warranty Agency		None	None	None
Trustee		Yuanta Commercial Bank Trust Department	Yuanta Commercial Bank Trust Department	Yuanta Commercial Bank Trust Department
Underwriting Agency		Hua Nan Securities	Hua Nan Securities	Hua Nan Securities
Legal Service Signatory		Eternity Attorney Office: Attorney Kang-Jung Chan	Eternity Attorney Office: Attorney Kang-Jung Chan	Eternity Attorney Office: Attorney Kang-Jung Chan
CPA signatories		Deloitte & Touche: Yi-Chun Wu, Kuang-Chung Lai	Deloitte & Touche: Yi-Chun Wu, Kuang-Chung Lai	Deloitte & Touche: Ting-Sheng Chang, Kuang-Chung Lai
Terms of Payment		One-time payment upon maturity	One-time payment upon maturity	One-time payment upon maturity
Unpaid Principal		NT\$7 billion	NT\$5 billion	NT\$5 billion
Provisions for redemption or advance payoff		None	None	None
Restrictive Clauses		None	If interest or principal payments 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).	None
Inclusion in qualifying capital		No	Yes	No
Name of Credit Rating Agency (CRA), Rating Date, and Results of Corporate Bond Ratings		None	None	None
Other Appended Rights	Amount of converted (exchanged or subscribed) ordinary shares, GDRs, or other securities as of the annual report publishing date	None	None	None
	Issuance and conversion (swap or subscription) methods Rules and Procedures	None	None	None
Dilution Effect and Other Effects on Existing Shareholders Caused by the Issuance, Conversion, Trade, or Subscription, and Issuance Condition of Shares		None	None	None
Name of the Custodian Institution Entrusted with Securities to be Converted		None	None	None



III. Issuance of Preferred Stock: None.

IV. Issuance of Global Depositary Receipts: None.

V. New Issuance of Restricted Employee Shares: None.

VI. Merger by Other Financial Institutions or Acquisition of Other Financial Institutions:
Not applicable. The Company does not engage in such affairs.

VII. Execution of Fund Application Plans:

As of the first quarter of the annual report, the previous issuance of securities has been completed and the project benefits have been revealed.

Responsibility





V Business Overview

I. Details on Group business

(I) Hua Nan Financial Holdings

1. Businesses 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:

- | | |
|--------------------------------|---|
| a. Financial holding companies | g. Securities enterprises |
| b. Banking enterprises | h. Futures enterprises |
| c. Bills financial business | i. Venture capital enterprises |
| d. Credit card business | j. Foreign financial institutions approved by the competent authorities for investment |
| e. Trust enterprises | k. Other enterprises related to financial businesses as recognized by the competent authorities |
| f. Insurance enterprises | |

C. 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 managerial officer 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.

D. 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) Proportion of business operations over the past two years:

Unit: Thousand NTD

Item	Year	2021		2020	
		Amount	%	Amount	%
Gains on Long-term Equity Investments	Hua Nan Commercial Bank(HNCB)	14,594,218	81	12,460,873	133
	Hua Nan Securities(HNSC)	2,524,379	14	(3,632,276)	(39)
	South China Insurance(SCIC)	900,344	5	481,622	5
	Hua Nan Investment Trust(HNIT)	(7,010)	-	(135,771)	(1)
	Hua Nan Venture Capital(HNVC)	25,564	-	121,590	1
	Hua Nan Assets Management Company(HNAMC)	316,460	2	22,665	-
	Sidestream Transaction Reversal	(376,932)	(2)	-	-
	Subtotal	17,977,023	100	9,318,703	99
Other Income		34,609	-	62,202	1
Total		18,011,632	100	9,380,905	100

Note: The 2021 profit of the Company has offset the real estate income generated from the real-estate transaction between HNCB and HNAMC for NT\$376,932 thousand.

2. 2022 Business Plan

The Company's 2022 business plan covers: 1. Continue to expand net income to increase profit. 2. Balance profit contribution within the Group and increase benefits created by the use of assets and capital. 3. Expand the scale of assets in the overseas units, and cultivate the overseas market and international deployment. 4. Build a solid information infrastructure to strengthen the information security protection mechanism and improve the digital transformation information services to deepen fintech. Build a culture of legal compliance (GRC), strengthen corporate management, and implement the concrete execution program of ESG initiative platform. The above are illustrated below:

- (1) Diversify income sources: Increase net service charge income and net finance income
 - A. Enhance the promotion of medium and long-term loans with higher profitability, such as SME's purchase of plants, machinery equipment, and high-quality construction companies' land and construction financing; actively expand new deposit accounts within SMEs; increase the proportion of TWD and foreign currency demand deposits; maintain the advantage of low capital costs; and grasp the trend of interest rate rising cycle, to gradually increase the deposit spread and net interest yields.
 - B. In response to the opening of the "Wealth Management Business for High-Asset Customers" and the promotion of the "Trust 2.0" policy by the FSC, for the needs of high-value customers' asset inheritance, the Company offers service such as high-coverage life insurance combining with insurance claims, to assist high-value customers in planning their wealth inheritance. By applying the concept of LIFE CYCLE, reinforce the promotion of various trust businesses in the aging society, and increase the service charge income.
 - C. The cross-securities system and the bank integrated channel take both online and offline approach. The Bank has set up a platform to expand order placement in offshore products under the wealth management, and overseas sub-brokerage for securities; the investment trust has launched the investment solutions for ESG and retirement wealth management based on market trends, simultaneously strengthening the subsidiary's wealth management power.
 - D. To prudently respond to the pulse of economic recovery and monetary normalization, flexibly operate with stable allocation at the same time, allocate core holdings with diversified strategies, and strictly abide by the stop-loss (profit) mechanism, to improve the overall return on investment.
 - E. Enhancing digital marketing and promotion of record in the past, to escalate the Group's reputation in the urban renewal and reconstruction of dangerous and old buildings. Through the one-stop service model of "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" between HNCB and Hua Nan AMC, the Group has increased opportunities of engagement, and improved the investment scale.
- (2) Balance profit contribution within the Group and increase benefits created by the use of assets and capital.
 - A. Improve the operating performance of subsidiaries, so that the total profit contribution of securities and insurance (the ratio of the subsidiary's net profit after tax to the Company's investment income) exceed 15%, for balancing the Group's profit contribution.
 - B. Applying the "two-way parallel strategy" to effectively and swiftly accumulate customers, strengthen the Group's financial ecosystem, continue to promote the joint marketing among various subsidiaries, and apply the point exchange platform and for cross-industry alliance, to build an ecosystem that is mutually beneficial and prosperous.
 - C. The Group's capital planning team regularly reviews the capital demands, allocation, adequacy and utilization efficiency, while evaluating and planning countermeasures, for reconciled capital allocation with profit contribution.
 - D. Continue to optimize the asset structure and increase capital utilization efficiency, for maintaining suitable levels of liquidity and capital adequacy ratio.
- (3) Plan additional overseas operations, expand the scale of overseas operations, and increase the quality of overseas business operations and contribution to profitability.

- A. Continue to expand the scale of credit assets in overseas units, and apply for credit facilities with the premise of proper credit risk and reward control, to increase the earning contributions from overseas units.
 - B. Actively search for high-quality financial bonds with investment grade or above, or apply for corporate bond limits, to expand and deploy the bond and bill position of overseas units, to improve the overall capital utilization efficiency of overseas units.
 - C. To respond the restructuring of the global supply chain, assist Taiwanese companies to expand overseas markets, develop quality cross-border financing businesses, strive for high-spread credit cases, while gradually increasing the proportion of self-loan cases by overseas units, to increase the proportion of overseas revenue.
 - D. Evaluate the establishment of branches in the new southbound areas. In the future, the existing overseas presences will be integrated to strengthen the credit business in the new southbound countries, Europe and the United States, to increase the profits of all overseas units.
- (4) Build a solid information infrastructure to strengthen the information security protection mechanism and improve the digital transformation information services to improve the quality of financial services.
- A. Regarding the multi-channel digital financial services, to ensure the stability and security of the information system, the Group continues to strengthen the information infrastructure to provide customers with secure, convenient and uninterrupted financial services.
 - B. Continue to promote the progress of information security, establish the information security system of “active defense” and “joint defense of information security,” implement the financial information security action plan by the FSC, continue to reinforce the information security protection capability, enhance the overall financial information security momentum, and protect the customer's properties and privacy.
 - C. Continue to promote the digitization of operational processes, reduce labor costs and enhance intelligent operations for better overall digital competitiveness; fuse the expertise in the fields of finance and technology, timely feedback and adjustment, develop the agile collaboration across departments, and dare to change the organization and innovate the organizational culture.
 - D. Expand the existing data structure and upgrade to quasi-real-time data aggregation to optimize customer experience and improve real-time decision-making capability, while continuing to enhance data quality and develop self data service. Also the micro-service architecture is introduced to enable easy application deployment, and API application is extended, allowing financial services to connect with different scenarios across fields, and continues to upgrade system upgrades and transform towards the goal of “small core with huge periphery.”
- (5) Build a culture of legal compliance (GRC), strengthen corporate management, and fulfill corporate social responsibility
- A. Construct a GRC culture for the Group. Enhance functions and effective communication of the triple lines of internal control: legal compliance, risk management, and internal audit. Periodically provide related trainings.
 - B. By continuously implementing the Group's key compliance matters, and with the consistent compliance standards and regulations, periodical Group compliance meeting and reporting mechanism, investigation of compliance project and implementation effects, compliance risk appraisal, analysis and management of violations, and continuous monitoring and assessment, the Group's compliance system is implemented continuously based on the Group's compliance information reporting system and platform sharing AML informant, while ensuring the effectiveness of implementation.
 - C. Continue to supervise the application of compliance risk management architecture for subsidiaries' establishment, to identify their own legal compliance vulnerabilities, protect the Company's interests while reducing legal risks, and improve legal compliance management and operation efficiency.
 - D. Continue to strengthen and implement the Group's credit, market, operation, asset-liability management mechanism, while strengthening the development of the Group's quantitative model and the functions of the market risk management system, and establishing a complete risk measurement and control mechanism, to enhance the effectiveness of risk management and control.

- E. In addition to continuously strengthening corporate governance, fulfilling corporate social responsibility and striving for environmental sustainability, the Group has taken TCFD (Task Force on Climate-related Financial Disclosure) and SASB (Sustainable Accounting Standards Board) into consideration in operational decision-making in accordance with the Corporate Governance 3.0- Blueprint for Sustainable Development and Green Finance Action Plan 2.0 of the Financial supervision committee. It also has adhered to ESG spirit when undertaking business, gradually undertaken the responsibility of investment and financing, and continuously assisted industries of green energy technology and circular economy in sustainable operation.

3. Industry overview:

(1) Financial management

- A. Situation of finance industry: Benefitted from the rebounds in the global stock and bond markets in 2021, the brokerage fees and investment income of the securities and insurance industries have been lucrative, and the banking industry has also gotten rid off the shadow of NPL provisions. The financial industry made a profit of NT\$936.597 billion for the year, setting a new record high in the financial history, an increased by 38.7% from NT\$675.264 billion 2020.
- B. Situation of banking industry: Profits of the entire banking industry reached NT\$385.61 billion in 2021, increased by 4% from 2020. The main reason is that in 2021, the the volume of loans increased and spreads widened, resulted in the increase of net interest income and the service charges.
- C. Situation of securities industry: The entire securities industry had the profit after tax of approximately NT\$105.42 billion in 2021, which was an increase of 80.3% from 2020, the best record in the history. It was mainly because that the average daily trading volume driven by the liquidity and prevailing the-same-day trading, reached NT\$471.6 billion, a 88.7% increase from NT\$249.9 billion in 2020. Also, the centralized market grew by 23.6%, the second year in row with a growth over 20%, so the profit also grew continuously.
- D. Situation of property insurance industry : The property insurance industry generated profits before tax of approximately NT\$411.1 billion in 2021, or grew by 88.5% from 2020, to record a new historic high, mainly because the investment income increased significantly. Of which, the profit before of life insurance was NT\$388.5 billion, an increase of 88.5% over 2020; the profit before tax of property insurance was about NT\$22.6 billion, an increase of 33% over 2020.

(2) Marketing

With the liberalization in financial regulations, the financial industry is moving towards data sharing, collaboration with third party service institutions and digital transformation to cope with future changes in the financial industry.

In terms of FinTech topic, we have identified mobile, blockchain, AI, and Open API as the current mainstream technology applications in current FinTech development.

At present, the most important topic of the financial industry is “connection”. In addition to the integration of existing virtual and real channels, the emerging business models have been developing towards the financial ecosystem. Proper connection and integration of FinTech services and enhancement of consumer experience will be the focus of ecosystem operations.

4. Research and development

The Company's R&D expenditures for employee training in 2021 and 2020 amounted to NT\$1,401 thousand and NT\$1,251, respectively. Our future R&D programs will be implemented in accordance with the Company's development strategies. We shall, where necessary, recruit and assign employees from different professional backgrounds to participate in a diverse range of training courses and seminars with the aim of strengthening their professional skills and cultivating high-quality talents.

(1) Marketing

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

a. Mobile:

The Company led the industry and launched the Taiwan Pay QR Code joint payment services and introduced biometrics and facial recognition functions for the mobile banking to provide cardless withdrawal, fund transfer, and mobile payment services with facial recognition.



b. Blockchain:

The Company serves as the convener of the Financial Block Chain Team of Financial Information Service Co. Ltd. and promotes the finance blockchain information inquiry service project and the external confirmation blockchain.

c. Artificial intelligence (AI):

The Company created the first AI dialog mobile banking and successively launched the innovative smart services such as AI smart stock selection, AI smart customer services, and AI wealth management.

d. Open Application Programming Interface (Open API):

HNCB was among the first batch of financial institutions, together with TDCC, that launched the function of “Public Information Inquiry” in the first and second stages of Open Banking.

e. Customized services:

To meet the diverse customer needs, we provided a variety of customized products and services, such as SNY digital deposit account APP, periodical investment in stocks and comprehensive travel insurance multiple life insurance services.

B. Future R&D plans are as follows:

In the future, HNCB will develop towards the dual core “A Platform” of AI+API, use the AI FinTech to enable customers to enjoy consistent experience in both virtual and real channels, and aggressively connect partners with other fields through API to build a financial ecosystem of Hua Nan.

a. Provide warm heart customer-centric financial services

- (a) Using the power of fintech to create a channel with customers, by launching the online SnY digital account opening APP, with which customers may access to convenient financial services any time via their mobile devices.
- (b) Integrate the external data and internal group data, to create a financial ecosystem through API and cooperation with different industries; by analyzing the financial products and services that customers most need and want, the customer needs are understood and predicted, and help to develop existing and potential clientele. Also, connect with external partners such as platforms of e-commerce, network communication, and communities, to develop the group ecosystem towards a platform incorporating customer flow, capital flow and information flow.
- (c) Starting from the heart, AI technology is applied from all aspects, to formulate customized financial products and services for customers. Currently, innovative financial services such as AI mobile banking, AI intelligent customer service, and AI stock selection have been launched to enhance the customer experience. In addition, for digital finance, operation management, customer service, dedicated departments are set up to centralize operation management, by using AI and RPA automation processes the operation efficiency and precision are improved, to create the real-time, omni-channel and customized financial service experience for customers.

b. Make Open Banking achieve contextual finance

Open Banking has become an international development trend and the policy direction of competent authorities. In the future, Hua Nan Group will devote itself to integrating various types of FinTeches, achieving contextual finance and strengthening its core capabilities and technological infrastructure to realize the “platform economy” and continue to be the leader of digital finance.

(2) Risk management

A. Establish a risk management information platform with integrated reporting mechanisms and query functions

The Group plans to establish a “Risk Management Information Platform” to strengthen control mechanisms for the Group’s risk management information reporting system and increase the efficiency of risk exposure information queries. The Platform will provide query functions for credit exposure information and editing and query functions for risk management information reports to improve the Group’s control and management mechanisms for reports.

B. Achieve balance between risks and returns

To meet requirements of the competent authority and Group policy of solid capital adequacy ratio, meet the direction of management from the Group capital planning team, the Company plans the capital adequacy ratio and capital utilization efficiency information disclosure for the Group and subsidiaries in order to ensure compliance with competent authority and the business development plan.

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

(1) Financial management

A. Short-term —

- a. Continue to expand net income to improve profitability.
- b. Balance profit contribution within the Group and increase benefits created by the use of assets and capital.
- c. Expand the scale of assets in the overseas units, and cultivate the overseas market and international deployment.
- d. Build a solid information infrastructure to strengthen the information security protection mechanism and improve the digital transformation information services to deepen fintech.
- e. Build a culture of legal compliance (GRC), strengthen corporate management, and implement the concrete execution program of ESG initiative platform

B. Long-term —

Digital transformation, global presence, and becoming an exemplary financial institution to continue as a going concern.

(2) Marketing management:

A. Short-term business development plans:

- a. Promote the Group's financial plan to develop individual customers and continue to keep an eye on the operations for customers of all ages, such as young, middle-aged and elderly customers. Deepen the cultivation of existing customers and expand the scale of customers, so as to improve customer operations efficiency.
- b. Continuously promote the business of corporate and non-corporate customers with credit granted to them, so as to increase customer stickability and enhance customer value.
- c. Integrate subsidiaries' products and promote marketing campaigns for complex products to satisfy customers' demand 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. The Group has set up a cross-subsidiary "Big Data Analyst Team", hoping to understand and predict customer needs and strengthen risk control through big data analysis, assist in developing existing and potential customer groups, and provide a full range of digital financial services.
- f. 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. In response to the trend of digital finance, the Group integrated physical operating bases and digital financial trading platforms, connected online and offline services, continuously increased the proportion of cross-selling business, and gave full play to the cross-industry marketing synergy of the Group.
- b. Using the previous cross-industry experience of cooperation, the Group aggressively created open API connection with different industries to build an ecosystem that enables consumers to integrate with finance in food, clothing, housing, transportation, education and entertainment to create new business opportunities.
- c. Continue to improve customer business management models and integrate and enhance the Group's competitive advantages. Optimize customer experience and continue to develop high-quality customers to create win-win with customers.



(II) Hua Nan Bank

1. Business scope

(1) Main business:

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 item).
- Issue bank debentures.
- Engage in loan business (Replace the provision of short-term and long-term loans, deposit certificate pledge, and consumer loans originally listed on the Business License with this item).
- 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 item).
- Engage in domestic exchange business.
- Engage in commercial draft acceptance business.
- Issue domestic L/Cs.
- Issue secured corporate bonds.
- Engage in local guarantee business (Replace the engagement in guarantee business originally listed on the Business License with this item).
- 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 bills, corporate bonds, and corporate stocks originally listed on the Business License with this item).
- 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 item).
- 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 buying and selling foreign-currency notes and traveler's cheques.
- 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.

- Concurrently engage in securities investment consulting business.
- Engage in personal 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 Income from Main Business Items

Business item	Year	2021		2020		Increase/(decrease)	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage(%)
Corporate banking		13,389	26	12,808	25	581	5
Consumer banking		12,807	25	11,577	23	1,230	11
Financial transactions		7,529	15	8,302	16	(773)	(9)
Foreign exchange		10,213	20	12,027	24	(1,814)	(15)
Trust and wealth management		5,512	11	4,784	10	728	15
Others		1,351	3	1,041	2	310	30
Total main incomes		50,801	100	50,539	100	262	1

Note: 1. The above business incomes include interest, service fees and profits of financial assets/liabilities, currency exchange, and investment in real estate.

2. Consumer banking covers the credit and cash card business, whereas foreign exchange includes the overseas and international banking branch business.

(3) New financial products and services under planning:

- Continue to engage in digital transformation to accelerate the speed of product planning and development in collaboration with cross-selling and tied selling business. Increase digital brand exposure opportunities through cross-industry partnerships to achieve growth momentum.
- Continue to develop cross-institution e-payment services and catch the cross-selling business opportunities. The operators onboard include Easy Wallet, iCash Card and ezPay. Later, the Bank will partner with JKOPay, +Pay, PXPAY Plus and LINE Pay. The Bank's account may be bound at with these payment service for top-up, consumption, tax and bill payment, among other transactions, to extend the functionality of the account, activate the account usage, and reach potential customers (e-payment members) to convert them into the Bank's customers. The Bank also joins the shared platform of cross-institution e-payment services, so that the customers may use HNCB Payment for consumptions at the stores using other e-payment operators (such as: +Pay, PXPAY +, Shopee, Gama Pay, O'pay, and InterPay), for about 315,000 stores. By expanding the applicable field of mobile payment, the frequency of customers' use of HNCB Payment and the stickiness with the Bank are to be increased.
- Assist all product business management units with full force, as an active care and uninterrupted banking services.

- Respond to the development of finance digitalization and continue to optimize the use of robots in customer services to increase customer stickability and satisfaction.
- Respond to government policies by continuing to promote the “Taiwanese Business Repatriation Investment 2.0 Plan” for returning Taiwanese businesses and provide financing products for the “Taiwanese Companies Accelerated Investment Action Plan” and the “Small and Medium Companies Accelerated Investment Action Plan” for large enterprises that have not invested in Mainland China and small and medium local enterprises to actively expand the Bank’s loan businesses.
- Due to the increased demand for plants and offices as a result of investments of returning Taiwanese businesses, the government has proposed the “Three-Dimensional Development Plan for Industrial Districts” to help enterprises obtain land for plants and offices. Enterprises and construction companies are expected to proceed with new construction or refurbishment based on this policy. The Bank will continue to monitor related business opportunities and pursue financing businesses in the three-dimensional development plan for industrial districts.
- Align with the government to promote the financing plans, such as “Cooperation with Government-Owned Banks and One Trillion Revitalization Financing Plan” and “Green Finance Action Plan 2.0”, to aggressively expand the margin purchase of related industries and grasp the opportunities of enterprise transformation and upgrading.
- The Bank will seize business opportunities arising from the government’s effort to promote the 5+2 key innovative industries and aggressively expand corporate customer base in related industries, providing them with customized project financing products and enhance the stickability of customers with whom the Bank has business dealings.
- The pandemic has changed consumption patterns and accelerated the development of the digital economy. The credit card market strategy emphasizes the online at-home economy; the personal financial business will continue to use a differentiated pricing model depending on different clientele to regulate lending volume and increase interest incomes, with introduction of customers to the personal financial products via credit card.
- Introduce OCR ID card identification and automatic import of basic data, adjust mortgage appraisal and estimation page, while using the MyData platform to interface with government agencies to authorize banks to directly investigate personal property and income lists among other information, as an optimization of customer experience in online application, as well as simplification of document provision, to increase the application rate.
- Continue to conduct the wealth management business for high-asset customers and Trust 2.0 related business, for the needs of high-value customers’ asset inheritance, the Company offers service such as high-coverage life insurance combining with insurance claims, to assist high-value customers in planning their wealth inheritance.
- Continue to promote the Trust 2.0 program to expand cross-industry alliances; by combining real estate trusts with the elderly care trust, to provide the elderly care trust customer with related real estate leasing and management services, to catch business opportunities among the elderly people.
- Cooperate with the Financial Supervisory Commission in easing the restrictions on goods and services applicable to high-net-worth customers. Plan to link foreign currency pricing and settlement with financial derivatives of stock and equity markets in Taiwan.

2. 2022 Business Plans:

- (1) Continue to strengthen the deposit quality management to maintain HNCB’s advantage of low capital cost.
- (2) Continue to develop new customers and payroll account customers and use big data to analyze and satisfy customers’ diverse demands for financial services to increase customer stickability.
- (3) Evaluate the benefits of business bases through big data and site conditions, and propose channel adjustment strategies to enhance the value of physical channels.

- (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 commission income.
- (5) The preferential interest rates, limits and the number of interbank transfer and withdrawal are planned for the digital accounts to be comparable to the level of competing products among peers. By combining with the cross-industry cooperation and holding task activities, the Bank continues to introduce customers and increases the deposit volume and cross-selling products simultaneously, thereby increasing the number of SnY digital deposits in the Bank, brand awareness, and customer stickiness.
- (6) Plan a new generation of mobile banking, optimize the digital financial access and improve customers' user experience; by using micro-service architecture development, with application of visualized and intuitive architecture, the transactions including deposits, investment and wealth management, credit cards, foreign exchange, loans and other transactions are presented, so that customers may have easier management for their wealth and bonds, while optimizing the customer experience.
- (7) The "Corporate Mobile Banking APP" exclusively for corporate customers is launched; corporate customers may conduct transactions with their mobile phones conveniently.
- (8) Combine digital services and products, to enhance the satisfaction to the robot customer service and business opportunities.
- (9) The Bank will continue to adjust the structure of corporate lending denominated in New Taiwan dollar to increase lending to SMEs with high profitability, and make good use of various relevant policy-based preferential loan projects and credit guarantee mechanisms to reduce the Bank's credit risk and enhance the competitiveness of the Bank's SMEs credit business.
- (10) The Bank will aggressively promote, organize and manage its syndicated loan business by not only deepening relationships with high-quality customers, but also enhancing cooperation with its peers in the financial industry and participating in international syndicated loans in order to increase the Bank's market share in the syndicated loan market and enhance commission income.
- (11) The Bank will aggressively promote, organize and manage its syndicated loan business by not only deepening relationships with high-quality customers, but also enhancing cooperation with its peers in the financial industry and participating in international syndicated loans in order to increase the Bank's market share in the syndicated loan market and enhance commission income.
- (12) Continue to catch the business opportunities from returned Taiwanese companies, and actively strive for corporate customers that plan to return to Taiwan to set up plants and invest. Other than coping with government policies to handle the "Three Major Investing Programs in Taiwan," the Bank also provides various self-organized preferential project loans and business consulting services to assist corporates to obtain the funds required for investment, and expand the Bank's credit business.
- (13) Coping with the government's policies to promote green energy industry development, the Bank provides various green energy preferential loan projects or special limits, while evaluating and participating in syndicate loans for the green energy industry (offshore wind power and solar power) project financing, and timely combining SME credit guarantee and national financing guarantee mechanism, to reinforce risk management and control, and enhance the competitiveness of the Bank's green energy financing business.
- (14) The Bank will move toward the digital era and continue to promote receivables acquisition and online electronic transaction financing business, deepen the existing customer relationship and increase customer stickability, and aggressively develop new high-quality customers and expand the customer sources of the Bank, so as to strengthen the self-compensated financing business of the Bank.
- (15) Through the Urban Renewal Business Promotion Team, the Bank will take the initiative to combine both Chung Hwa Real Estate Management Co., Ltd. and the Bank's Trust Department, aggressively visiting various construction companies and self-established urban renewal associations and promoting urban renewal and reconstruction of dangerous old residential buildings in order to improve the visibility of the Bank's urban renewal business and increase income from its deposit, credit and trust business.

- (16) Collaborate with FSC in practicing the Green Finance Action Plan 2.0 to aggressively expand the financing business of green and sustainable development industries, and grasp the business opportunities in pursuing carbon reduction transformation and sustainable development.
- (17) The overseas layout is mainly planned in line with the government policy direction and the overseas investment of Taiwan businessmen. Affected by the US China trade war and the COVID-19, the trend of Taiwan businessmen's industry moving from the mainland to ASEAN countries is obvious. In the post epidemic era, the economic growth of the new southbound region is relatively stable. At this stage, the bank will also take the new southbound region as the first choice for the layout region, and at the same time, depending on the business promotion, waiting for the opportunity to assess the possibility of setting up sites in economically mature and stable regions such as Europe and the United States.
- (18) Actively enhance overseas profits, expand credit positions in the United States and New South countries and other regions, and strengthen overseas securities investment to inject profits throughout the bank to increase the proportion of overseas profits.
- (19) In the future, it will continue to strengthen the provision of global financial services through OBU, and use the business recommendation and referral function of overseas offices and domestic business units to strive for potential business opportunities to provide more comprehensive financial services.
- (20) Focusing on performance improvement, the Bank differentiates and priced products depending on the attributes of different clientele, purpose of real estate, and debt ratios, to expand the capacity of the mortgage business. Furthermore, the credit loans are grouped based on occupational risks for differentiated pricing, for adjusting the loan structure and create profits.
- (21) Focusing on digital clientele, the credit promotion project is launched, and the ID card identification and auto-import of basic information to application forms are introduced, to increase the volume of share subscription payment by corporate employees, loans for public servant/teachers and credit loans in batch.
- (22) Increase the penetration of credit card products, strengthen the customer stickiness; by using the credit card business as a medium for attracting customers and a feedback platform for personal financial business, a brand new loyalty customer feedback and cross-selling project is created, to stimulate the consumption momentum of existing cardholders, and increase transaction fee income while introducing mortgage and credit loan customers.
- (23) Wealth management business

Product strategy: Continue to promote the insurance upgrades and the parallel improvement of fund quality and quantity, to provide the complete planning meeting the diversified financial and safeguard needs of customers.

Channel strategy: Expand and integrate sales channel resources, and combine digital and physical branches, to create an omni-channel service model, for precisely marketing to customers at all levels.

Promotion strategy: Leverage the service advantages of wealth management specialists, via the diversified marketing activities, to promote cares to different clientele.

Price strategy: Adopt segment marketing to create exclusive clientele, for providing differentiated services and pricing, enhancing customer loyalty and increasing overall revenue.
- (24) With the implementation of Trust 2.0 program, a full range of trust business is promoted based on LIFE CYCLE concept, to assist customers in planning the preparations for at various stages from young aged, middle aged, senior to inheritance.
- (25) Leverage the trust mechanism and cope with the government's urban renewal and Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, to actively promote the real estate trust services of development type.
- (26) Promote employee benefit trusts to enhance the centripetal force and assist employees in enhancing their pension provisions.
- (27) In terms of custody business, in addition to maintaining the stable growth of balance of balanced ETFs, the Bank will continue to deepen the relationship with cooperative trusts and seek to undertake custodian business. New types of funds to expand the size of custody business.

- (28) Provide diversified wealth management products, including funds, foreign bonds, ETFs and offshore structured products, to meet the needs of customers for asset allocation, and manage and utilize such in the manner of trust, to achieve the purpose of asset preservation and property allocation.
- (29) Continue to expand the support trusts to build a comprehensive platform and make the support related industries as the target of cooperation. The Bank provides the elderly with one-stop comprehensive services for “food, clothing, housing, transportation, education, and entertainment” which integrate offers from different industries.
- (30) Properly adjust the allocation of excessive NTD current assets and elevate the yield of current capital.
- (31) Aligning with the changes in the international financial conditions, the investments in TWD and foreign currency bonds investment are enhanced, and increase interest income and capital gains.
- (32) Flexibly leverage the net FX Swap position to increase HNCB’s income.
- (33) Aligning with the changes in the international financial conditions, the allocations are focused on companies with world-class competitiveness, good management and reasonable yields. The offshore ETF investments are enhanced to expand capital gains and dividend income.
- (34) Promote the foreign exchange and interest rate derivative business robustly to meet the investment needs of customers for hedging against interest and foreign exchange rates, fund deployments, and investments.
- (35) From the three aspects of products, digital, and cross-selling, the goal of the insurance agency business operation plan is implemented.
 - A. Products: Extend the advantages of existing high-guarantee and investment-based products, and continue to focus on inheritance and retirement products for high-asset customers; moreover, the high-safeguard products in TWD are added, by adopting the RFA training, the three-stage safeguard plan for the aging population is focused to enhance the and strengthen the self-benefit insurance for the retired and medical security.
 - B. Digital: Continue to expand the mobile insurance purchasing function and build a remote insurance purchasing system, with the goal of saving the time of the checking operation, zero contact, and paperless.
 - C. Cross-selling: Use digital technology to deepen customers’ digital experience, promote online insurance purchase, to provide customers with a diversified but one-stop shopping platform, while increasing the cross-selling products for the digital clienteles and salary-transfer clienteles through the personal finance APP incorporating with the Rich+ card feedback mechanism, to improve customer value and loyalty.

3. Industry overview:

Overbanking issue has existed in Taiwanese banking industry for a long time, and the homogeneity of financial offerings and businesses is also high. Plus the factors such as the accommodative domestic capital environment, the excessive liquidity in the market, and the fierce price competition of credit business, the banks’ core business that earns interest margins has difficulty to grow. In order to grow profits, the banking industry has continued to expand offshore markets in recent years. Meanwhile, with the international carbon reduction trend, ESG has become the common development direction of the banking industry.

In 2021, as the spread between deposits and loans continues to rebound, and the financial market transactions are very active, driving the loans, service charges, and net investment incomes to rise, and thus the profits of domestic banks increase. As the pandemic is relatively under control in Taiwan, and the policy encouraging Taiwanese companies to return has been extended continuously, the active real estate market and the expansion of capital expenditure plans by major technology manufacturers help to maintain the momentum of economic growth. The Directorate-General of Budget, Accounting and Statistics estimates that the economic growth in 2022 will be 4.15%. With the expansion of semiconductor plants, the continual construction of 5G networks, and continual establishment of green energy facilities, as well as funds after-sought by corporates and increasing chance of interest rate hike, the lending business will be driven higher; with low NPL ratio and robust asset quality, it is expected the banking industry will enjoy good economic conditions.

The pandemic has led the trend of digitalization, and it is expected that the future financial services will be more diverse and convenient. In terms of external competition, the opening of pure online banking operators and the participation of third-party non-financial institutions, such as e-payment operators who are operating small-amount exchange and cross-platform transfers, have brought new competitive pressures to traditional banks; however, it also urge the banks to innovate in fintech and optimize financial services.

4. Research and development:

(1) R&D Expenses

The research and development expenses in past two years amounted to NT\$ 10,004 thousand in 2021 and NT\$ 9,927 thousand in 2020. Primarily used for commissioned survey and research, printing and binding costs, lecture fees, article fee, and newspaper and magazine subscriptions.

(2) Outcomes of R&D

A. Regularly and irregularly present research reports on the latest domestic and international economic and financial situations.

B. As of the end of 2021, the Bank has proposed and obtained 254 patent applications (141 invention patents, 112 new type patents, and one design patent); there were also 186 patents approved (77 invention patents, 108 new type patents, and one design patent).

C. The Bank has adopted 88 proposals from employees' personal R&Ds in the last two years.

(3) Future R&D plans

Continuously conduct research and analysis on issues related to the Bank's business development, new financial products, fintech, innovation or improvement measures for the business. to reinforce the Bank's competitiveness. Meanwhile, based on domestic and international economic, financial, and industrial issues, analysis report and information are furnished, as the Bank's reference for business expansion, and to enhance the employees' professional knowledge in industry and economics.

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

(1) Short-term business development plans:

A. Foster the foundation of deposit business and adequately adjust deposit business strategy according to the Bank's operating status to build up a deposit structure that has good balance between quality and quantity.

B. Promote SnY digital deposit accounts, by combining with cross-industry channels to build the voice of the brand, and integrate financial service application scenarios, to bundle with the digital account, becoming the main account of customers, and meeting customers' financial needs.

C. Optimize the existing functions and services of SnY through the integrated digital platform and by combining various products of the Group, to provide customers with a fast and one-stop digital application experience. When opening an account with SnY, and apply for preferential interest rates, credit cards and Hua Nan Securities account and set it as a debit account at the same time, to create a well-rounded SnY account.

D. As the laws now permit the data sharing intragroup, to cope with financial holding, an online and offline data exchange and co-selling mechanism is established within the Financial Holding Group as a whole, to provide customers with integral and convenient financial services of the Financial Group, strengthen cross-industry cooperation, and promote the Hua Nan financial ecosystem.

E. Adjust the corporate finance loan structure and increase the amount of SME loans with higher profitability in order to enhance interest and commission income.

F. Reinforce the integration of financial product marketing services through the corporate finance marketing team to provide customers with well-rounded financial service planning and elevate high-end customers' contribution.

- G. Continue to develop new products, promote the foreign exchange and interest rate derivative business to meet the investment needs of customers while considering risks.
 - H. Continuously optimize the digital loan platform; use the scorecard mechanism to differentiate the pricing for different groups, while focusing on the whole batch of personal finance loans, with the the division interest rate measurement indicators, to expand the loan business with high spreads.
 - I. Credit cards are moving forward to three major directions: “product convergence and integration,” “enhancing digital services” and “improving consumption dynamics and product cross-selling,” to simplify and focus the upgrade of bank card rights, while leveraging credit cards as a personal financial product platform, by applying high-reward and cross-selling platforms mechanism, to increase the number of cross-selling products and reinforce the customer stickiness.
 - J. Enhance the corruption-prevention mechanism in the business management, and establish the learning map for classified wealth management incubation. Continue to encourage the clerks to obtained the licenses of Certified Financial Planner (CFP) and Retirement Financial Advisor (RFA), to enhance the compliance of wealth management personnel’s conducts, and shape the ethical culture in the Bank’s wealth management business.
 - K. Expand digital operations, continue to promote and expand digital products, with supplement of the online customer seminar to extend the operating radius of customers, while combining the new “Hua Nan Rich Home” APP to promote cross-selling of wealth management.
 - L. Taking advantage of the Bank’s existing advantages and combining with Rich+ Wealth Cards, we will develop salary-to-enterprise, credit card, and housing loan customers, establish a branch salary-to-enterprise marketing and auxiliary sales model, and increase the scale of exchanges.
 - M. In response to the Trust 2.0 Plan, reshape the all-round trust business, and aggressively promote such businesses as employee benefit trusts, development-shaped real estate investment trusts, aging in place trusts and family inheritance trusts.
 - N. Depending on clienteles of different ages (young adults, adults, and elderly clienteles), marketable products are introduced, and an insurance digital platform is built to improve the quality of insurance services and operational effectiveness.
 - O. Improve the new customer service experience: Improving the precision and fluency of Q&A, and enhancing the recommendation links of financial services or products, to improve the new customer service experience.
 - P. Promote personalized digital service navigation: Combining with the new-generation mobile banking APP and RICH home APP, the exclusive responses are improved and personalized digital service navigation is promoted.
 - Q. Exposure of prioritized new products and services: The reception section on the homepage of the robot customer service actively pushes the latest products or services, so that customers can enjoy incentives early.
- (2) Long-term business development plans:
- A. Continue to push for the operating unit transformation plan. Integrate the digital and physical branch service through the application of FinTech. Optimize the digital service functions of operating units in order to strengthen brand image and improve customer experience.
 - B. Plan standardized business space, improve the sales environment of branches through consistent decoration style and spatial configuration of the operating units of the Bank, and enhance the image and service quality of the Bank.
 - C. Combining with the cross-selling and bundled with financial products of the Bank, and through e-payment operators, e-commerce platforms and cross-industry channels, the cross-industry cooperation and marketing promotion are expanded, to provide customers with differentiated account functions and incentives, while integrating the application scenarios of the financial service ecosystem, to enhance digital brand awareness and customer stickiness, to achieve the dual goals of “multiplying the number of digital customers” and “increasing the number of cross-selling products.”



- D. The Bank continues to adjust the income structure, actively explores the source of service charge income from corporate finance, and increases the proportion of risk-free service charge income.
- E. Continue to develop new products, promote the foreign exchange and interest rate derivative business to meet the investment needs of customers while considering risks.
- F. Catch the sources for reconstruction of dangerous and old building project; via the cross-team collaboration between the subsidiaries, flexible cooperation solutions and construction funds are provided, and realize “one-stop service for urban renewal and reconstruction of dangerous and old buildings,” while supporting the government policies, to promote “Trust 2.0” for developing diversified trust products, focusing on urban renewal and reconstruction of dangerous and old buildings projects, employee benefit trust, and the elder care trust.
- G. Expand digitized operations through the personal finance APP, to connect online insurance purchase and smart wealth management, for increasing the penetration of customers among the bank’s products, while combining the credit card feedback mechanism, to increase cross-selling of digital customers and salary-transfer customers, to improve the overall business performance.
- H. Continue to recruit outperforming wealth management talents both internally and externally, to replenish the manpower and reinforce the wealth management team.
- I. Continuously optimize the customer coverage model, guide the wealth management personnel to actively enhance the customer resource management through various performance indicators, and aggressively activate potential clienteles, to increase business revenues.
- J. Continue to promote and optimize the pilot membership system, expand the high-value clientele, increase the customer stickiness, to improve the overall clientele and asset balance.
- K. Establish a digital cross-selling platform - continue to optimize and promote the Hua Nan Rich family APP ecosystem where the personal financial products and incentives such as credit cards, funds, insurance and loans are fully integrated, for truly building a one-stop financial service, and providing customers with a fully digitalized quality experience.
- L. To meet the customers’ needs in all aspects, the all-round trust business is improved, and the development of the evaluation plan of the competent authority is monitored continuously, to strive for the honor of excellent performance in the Trust 2.0 evaluation for the Bank, and create the brand image for the Bank’s professional trust .
- M. To respond to the new southbound policy, and benefiting from the benefits of demographic in Southeast Asia and the industry chain moving out of mainland China due to the U.S-China trade war, the Bank will actively evaluate the feasibility of applying for operating bases in the new southbound region, to provide local Taiwanese companies with a full range of cross-border services, and expand the Bank’s service scale and presence.
- N. Respond to the digital finance trend, the Bank, by physical means (financial management personnel of each business units) and virtual means (online insurance purchase and mobile insurance purchase), to provide online and offline channel services, to expand the breadth of service clienteles, and continue to deepen the operation of clienteles of each channel. By introducing quality products, the digital channel functions is enhanced to provide customers with complete insurance services for improving customer operating effects.
- O. Establish the e-marketing teams to create the profit and revenues.

(III) Hua Nan Securities

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 purchase, 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, 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	Year	2021		2020	
		Amount	Percentage(%)	Amount	Percentage(%)
Brokerage		6,142,346	91.91%	3,608,040	505.02%
Underwriting		95,718	6.66%	104,386	14.61%
Proprietary business		444,786	1.43%	4,426,857	619.63%
Total		6,682,850	100.00%	714,431	100.00%

Elaboration on changes in contribution of respective major businesses to operating incomes:

- A. Brokerage business: The average daily trading volume for the overall stock market in 2021 was approximately NT\$471.63 billion, 188.65% of the estimated volume. The Company's average market share for 2021 was 3.26%, the budget achievement rate was 100.43%; net brokerage fee income was NT\$4.862 billion, with the achievement rate of 204.53%. The overall brokerage business operating profit and loss was NT\$3.416 billion, and the budget achievement rate was 280.83%.
- B. Underwriting business: The underwriting revenue for 2021 amounted to NT\$177,266 thousand (including the revenue of stock replacement) and the budget achievement rate was 109.02%; of which, the revenue from selling securities was similar to 2020, but greatly exceeding the 2021 budget, and the valued profit/loss of shares increased. Comparatively, in 2020, the spread of COVID-19 pandemic and the warrant incident resulted in the great valued loss of shares for NT\$57,607 thousand in 2020; in 2021, the profit of rebounded share value was NT\$566 thousand. However, the service charge income from the underwriting business was lower than expected, mainly due to the fact that two clients sponsoring fundraising cases fell behind the document submittal schedule, resulting in the delay of the underwriting operation and the lower underwriting fee income than expected. Looking to 2022, the Company will actively strive for other sponsorship and co-organization of underwriting cases, seeking to be helpful to the increase in underwriting revenues and position interests.

- C. Proprietary business: Profits from proprietary securities trading in 2021 totaled NT\$192,833 thousand, comparing to the profit NT\$-23,626 thousand in 2020, the profit achieved the annual budgeted goal and grew from the previous year. The main reason is that Taiwan stock market rose from 14,732 points to closed at 18,218 point in 2021, up 23.6%. Although there were material volatilities throughout the year and the rotations of mainstream stocks, the proprietary operation department was still able to seize the growth momentum of Taiwan stock market, while observing discipline and implementing stop loss, to avoid possible losses caused by large market volatilities, so the performance exceeds the original budgeted target. Looking to 2022, the Company will review the quality of shareholding and operating performance month by month, carefully select companies with promising future industrial prospects, and operate to increase the gains from short-term trading.

tem	2021	2020	2019
Return on asset	4.47%	-7.89%	2.30%
Return on equity	25.61%	-33.44%	7.34%
Capital adequacy	398%	370.74%	351.73%

(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 2021, HNSC will evaluate and plan the following new products and related businesses according to the progress made by the competent authorities in lifting related laws and regulations:

- A. Gressively 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.
- B. 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 operations, an expansion to include government bond futures of Germany, France, and U.K. is under consideration.
- C. Aggressively participate in market making activities covering futures, TAIEX, 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.
- D. The financial management trust business of the Department of Wealth Management was suspended in May last year due to the loss of warrants, which resulted in the net value of the Company being less than NT\$10 billion. The business was allowed to resume in December, and the Bank planed to aggressively plan and promote the following related operational strategies to keep customers coming bank:
 - a. Specific money trust platform improves the breadth and depth of goods available for sale.
 - b. Enhance the professional ability of business personnel to sell insurance commodities in multiple ways.
 - c. Expand the source of customers participating in security lending business, and increase profits through trading strategy optimization.

- E. Enhance sub-brokerage performance through three channels, such as financial holdings, channels and corporate: The Company is at present expert in foreign stocks and ETFs of the Department of Trusts. The Bank will build a sub-brokerage framework of trust platform and introduce customer resources while maximizing the professional skills of wealth management and sub-brokerage personnel of the branches and elevating channel customer performance. The Overseas Commodity Department will build a corporate business team to develop sub-brokerage performance of financial corporate and develop tradable market for general customers (electronic transaction) to meet the demand of customers to purchase overseas wealth investment products at a time and resume the market position of sub-brokerage.
- F. Plan to develop the following related new businesses to expand the Company's operating niche.
 - a. In terms of wealth management business, the Bank will introduce commodities suitable for professional investors and high net worth customers.
 - b. Sub-brokerage for fixed time fixed amount investments, and foreign currency financing.
- G. The Alternative and Project Investment Department has been established. In the future, it will conduct direct investment or introduce professional investment institutions to invest in private equity funds, and underwrite ordinary corporate bonds.

2. 2022 Business Plans

Taiwan stock market faced various disturbances last year. Due to the outbreak of the local pandemic, during the 512 equity market crash, the 10,005-point support was tested again. In the latter half of the year, there were many bearish news including new variants of virus, power restrictions in China, Evergrande debt crisis, concerns of U.S. debt default, and rising inflation, to disturb the market. While foreign investors strongly covered for eight consecutive trading days at the last minute of last year, it still oversold for more than NT\$454 billion for the whole year. It is rare to sell Taiwan equity for two consecutive years. The dealers sold NT\$96.388 billion simultaneously; provided, the investment trusts bought NT\$70.185 billion, showing the situation where the domestic investor suppressed foreign investors. Taiwan stock market hit a new record high of 18,291 points during the last business day last year. Although failing to close higher, TAIEX only closed at 18,218 points, a little regrettable. However, it rose as high as 3,486 points for the full year, up 23.66%, and the market value reached NT\$1 trillion, increased by NT\$11.48 trillion from the last business day of last year, and the average book profit of each investor was NT\$959,600. The TPEx index also hit a new high of 237.71 points for 14 years, and successfully closed higher, marking a perfect end for last year. The broader market also simultaneously recorded six major records last year, including index highs, overall market capitalization, trading value, number of NT\$1,000 shares, revenue and profit for both TWSE and TPEx, and fractional share trading volume.

Looking to this year, the Russia-Ukraine war started on February 24, and is still prolonging now; it is not likely to end soon, and thus become a huge variable to the global economy. As of the high base of last year, plus the gradual withdrawal of the fiscal policies of various countries, countries must rely on their real strengths to possibly resume their normal growth track. On the other hand, the new virus variant, e.g. Omicron and XE, and rising inflations will result in of monetary policy tightening and rising interest rates, except for Japan, Germany and ASEAN countries, the growth rate of countries this year will generally be lower than last year under multiple impacts.

In Taiwan, according to the estimates of the Center for Economic Forecasting, Chung-Hua Institution for Economic Research, with the issuance of the government's quintuple coupons, and the additional incentives of merchants, the private consumption is expected to reverse from the previously sluggish situation (0.09%) to a substantial growth (5.01%), and become the main driver of Taiwan's economic growth this year. Regarding the fixed capital formation, with the high base (14.54%), there are still semiconductors, 5G and private wind power investment as assistance in this year, driving the growth of 2.18%. Exports also maintained a growth rate of 3.26% with the high base (17.08%). Taiwan's economic growth for this year is 4.15%, according to the forecast of Directorate-General of Budget, Accounting and Statistics in last November.

In the equity and foreign exchange markets, as the central banks in the major countries led by the U.S. will gradually tighten monetary policies, the bullish capital market is coming to the end; the new variants of virus such as Omicron are still rapidly spreading around the world, with continuously increasing cases everywhere, the economic recovery may be impacted, and many uncertainties are impacting the global equity and foreign exchange markets. Moreover, Taiwan is caught between the two powers, namely China and the U.S. How to maintain the return of Taiwanese companies, keep the effect of trade transfer orders to exert, for the revival of the long-stagnant economic situation in Taiwan, will be a severe challenge. With various variables, it is unavoidable to witness significant fluctuations in global equity and foreign exchange markets in the coming year. Brokers still need to closely monitor the major variables such as the outbreak of the new virus variants, interest rate hikes, inflation, geopolitical risks, and the downward pressure of Chinese economy in the coming year, and respond cautiously with rigorous control over risks, to maintain profitable and affluent. Generally, the Company's operating guidelines for this year are as below the Company's operating guidelines for this year are as below

- (1) Cultivate and recruit related business talents so as to elevate the standard of overall business workforce of the future.
- (2) Strengthen the channel marketing strategy in Taiwan and improve channel performance.
- (3) Adjust the operating models of branches and develop virtual channels in line with the Financial 3.0 Digital Era.
- (4) Reduce operating costs through channel mergers and relocations, and seek acquisition opportunities to increase income.
- (5) Integrate the internal resources with external resources and develop the investment banking business.
- (6) Integrate related study resources, steadily conduct stock proprietary trading and strictly abide by the stop-loss mechanism.
- (7) Align with the lifting of laws and regulations and continue to promote new types of businesses.
- (8) Promote key businesses such as sub-brokerage and wealth management to increase profit bases.
- (9) Continue to strengthen corporate governance and implement layer responsibility and legal compliance affairs.
- (10) Strengthen digital transformation, save operating costs and improve work efficiency.
- (11) Research and develop alternative and project investment business.

3. Industry overview

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

- (1) The consolidation of the securities industry continues, and the total number of securities firms has decreased 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
2018		129	902	1,031
2019		129	884	1,013
2020		127	875	1,002
2021		127	874	1,001

Source: Website of Taiwan Securities Association

The local securities industry has encountered the unfavorable factors such as the decline in net revenue from commissions, decline in financing interest rate, and international competition. The organizational development strategy of HNSC will head in the direction of financial holdings or strategic alliances. As for the business development strategy, HNSC will move towards new businesses such as wealth management, trusts, and security lending businesses. Thus, HNSC will move beyond its existing role in the securities brokerage businesses 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 76.99% of the total transaction volume by the end of 2021. In terms of mobile trading, it accounted for 69.58% of the overall e-trading performance by the end of 2021. The high-growth figure indicated that HNSC's e-trading system has been well-received and recognized by customers and the market. In the face of the current pneumonia epidemic, Chinese people stayed off the streets.

HNSC provides customers with more convenient digital services, such as online account opening system and electronic trading platform. Those services allow customers to complete home buying via the Mobile APP, which made customers feel truly valued when the epidemic is actively spreading.

According to the statistics of the Taiwan Securities Association for 2021, the trading volume of Taiwanese securities companies' sub-brokerage of US equities has grown significantly. The e-counter so easy application of Hua Nan Securities has launched the "opening a sub-brokerage account online" service, allowing investors to complete the account opening at home, and easily catch up on the boom of investing the U.S. equities

HNSC continues to optimize the Hua Nan e-counter APP to help customers apply for services without visiting the counter. In terms of online account opening, HNSC provides an OPT online account opening password certification service with enhanced security; in terms of bilateral loans, HNSC provides customers with more high-quality interest rates; in terms of fixed time and amount securities trading, HNSC provides customers with nine days a month, unlimited subscription services which helps customers invest with ease.

Actively build the smart financial services, by deepening the "Smart Trading Platform" to launch the mobile profit/loss-stop function helpful to investors to secure profits while locking losses in volatile markets; the brand new lightning strike market-if-touched application service enable investors to catch the trading opportunities. The efficient tools for "smart equity selection," Hua Nan So Precise App, applying the big data analysis "AI guess you like it," to compute based on the characteristics of customer investment behaviors, for recommending personalized products that are suitable/favored by customers. "Intelligent Customer Service" provides 24-hour service and multi-turn interactive scenarios (password unlocking/reissuing/changing, inquiring about salespersons, personal data modification and other services), and engaging in human-machine interacts with users, to create a new customer service experience.

4. Research and development

- (1) Cultivating mobile services:: Continue to optimize the mobile trading platform, provide the best service experience, including Hua Nan e-counter, epassbook, bilateral loans, fixed time and amount securities and Hua Nan loans, and provide a full range of online mobile financial services.
- (2) Creating the smart wealth management services: deepening the smart trading platform (cloud order placing/thunder order placing), smart equity selection (Hua Nan So Precise App) and smart client services. More smart trading and services are developed and launched.
- (3) Coping with the new system imposed by the competent authorities: In conjunction with the competent authority's lifting of laws and regulations and investment trend, optimize our electronic service to meet the needs of investors and reduce operating costs.
- (4) Scenario marketing: Employ Big Data system environment and analysis tools through Financial Holding Group, generate accurate images of customers, assist salespersons in understanding customers, and enhance service quality to achieve precision marketing.

- (5) Integration of online and offline: enhancing the integrated marketing power of the business units and virtual channels, and cultivating the internet advertisement at the same time, with the proper products and services to promote the Company's products or services, for expanding the visibility of Company's products or services.
 - (6) 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.
 - (7) 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.
 - (8) Continuing to improve and enhance the building of the information security safeguard, for the purpose of lowering the operational risks, and upgrading the business continuity ability of the Company.
 - (9) Implement the following system plans for related information systems:
 - A. In conjunction with the planning of the blueprint of the Company and the Bank 3.0 digital financial environment, 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 engagement 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. Overseas sub-brokerage web trading platform design and planning: Build multiple country trading platforms and increase overseas tradable markets. The goal is to provide 18 overseas stock markets and broaden products and services provided to corporate customers.
 - (10) The subsidiary Hua Nan Securities Investment Management conducts in-depth research on the fundamentals and technical or funding aspects of the global financial system, domestic and foreign macroeconomic development, industries, and individual companies to gain insights on investment trends and avoid risky industries. In addition to regular issuance of related investment publications and organization of investment seminars, we also provide related units of HNFHC with information that serve as the basis for investments and references for credit extension.
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 the second profit engine other than the brokerage business.
 - (2) Medium and long-term strategies:
 - A. Introduce external resources and enhance the securities OTC business internally, to increase the brokerage market share and maintain it above 3.2%. Meanwhile, it develops the digital services and talent incubation, to prepare for the branch's OTC business.
 - B. Continue to promote industry-university cooperation, complete generational turnover and strengthen on-the-job training. Combined with new generation of customers, develop online customers to cultivate business opportunities for young groups.

- C. The balance development of brokerage, underwriting, proprietary, financial products and other businesses, combining with internal and external resources of the Group, move towards regional investment banking business.
- D. To gradually increase the Company's net worth to more than NT\$13 billion, restore the business momentum, and expand the operation scale.
- E. Integrate the Group's resources, to continuously promote the overseas securities sub-brokerage business, strengthen the institutional service, while aligning with the pace of regulatory relaxation, to launch the fixed-time, fixed amount foreign securities investment and financing business, strengthen the optimization of the sub-brokerage trading platform, and enhance the market position of sub-brokerage.
- F. Combining with relevant research resources, robustly conduct the proprietary operations of stocks and bonds, while strengthening risk control, and strictly observe the stop-loss (profit) mechanism.
- G. Launch new businesses such as private equity funds, expanding in the green energy and other industries, while coping with the pace of relaxed regulations to promote related new businesses.
- H. Continue to develop strategic trading related to such financial commodities as arbitrage trading, stocks, futures, warrants and ETFs.
- I. Reduce operating costs through channel mergers and relocations, and seek acquisition opportunities to increase income.
- J. Strengthen digital transformation, save operating costs and improve work efficiency.
- K. Research and develop alternative and project investment business.

(IV) South China Insurance

1. Businesses scope:

(1) Main businesses items:

- | | |
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| <ul style="list-style-type: none"> • Fire insurance: <ul style="list-style-type: none"> A. Commercial fire insurance B. Commercial fire comprehensive insurance C. Commercial fire supplement insurance D. Residential fire and earthquake basic insurance E. Residential comprehensive insurance • Water damage insurance <ul style="list-style-type: none"> A. Cargo transportation insurance B. Inland transportation insurance C. Hull insurance D. Fishing boat insurance E. Aviation insurance • Auto insurance: <ul style="list-style-type: none"> A. Automobile bodywork damage insurance | <ul style="list-style-type: none"> B. Automobile liability insurance C. Theft loss coverage D. Compulsory auto (motorcycle) liability insurance • Casualty Insurance: <ul style="list-style-type: none"> A. Construction insurance B. Credit guarantee insurance C. Liability insurance D. Other property insurance • Health & personal injury insurance: <ul style="list-style-type: none"> A. Health insurance B. Personal injury insurance C. Travel comprehensive insurance D. Travel agency liability insurance E. Employer contract compensation Liability insurance |
|--|--|

(2) Business proportion

Proportions of main business items in the past three years:

Unit: Thousand NTD

Item	Year	2021		2020		2019	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Written premium income		11,064,627	93.20%	10,124,217	91.76%	9,073,777	91.85%
Fire insurance		1,516,703	12.78%	1,459,818	13.23%	1,427,551	14.45%
Marine insurance		620,646	5.23%	607,231	5.50%	560,284	5.67%
Auto insurance		6,513,069	54.86%	5,927,008	53.72%	5,358,041	54.23%
Casualty insurance		1,035,624	8.72%	966,950	8.77%	883,668	8.95%
Health & personal injury insurance		1,378,585	11.61%	1,163,210	10.54%	844,233	8.55%
Reinsurance premium income		806,778	6.80%	909,476	8.24%	805,639	8.15%
Total		11,871,405	100.00%	11,033,693	100.00%	9,879,416	100.00%

(3) New products and services under planning

SCIC will continue to develop new products according to the demands of varying markets in 2021 to satisfy consumers' varying requirements and offer them a wide selection of products. The planned new product items are as follows:

Product Name
Eco-Friendly Green Car Insurance
Vehicle Body Damage Insurance Canvas Metal Frame Additional Terms
South China Insurance Personal Information Security Protection Comprehensive Insurance
South China Insurance Group Casualty and Disability Insurance
South China Insurance COVID-19 Health Insurance of Hospitalization Medical Expenses for Migrant Workers
South China Insurance COVID-19 Group Health Insurance of Hospitalization Medical Expenses for Migrant Workers

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. 2022 Business Plans:

- (1) Expand the market share: In order to provide customers with more diverse services, South China Insurance introduced intelligent customer service system and provided interactive platform to improve efficiency in customer service and service quality. Continue to develop insurance brokerage/agency business: Cultivate the business with banks and life insurance channels. Expand the business cooperation opportunities of channel action insurance platform. Make full use of various network platforms to accelerate the development of new products and develop popular product portfolios for the market to grasp market opportunities.
- (2) Enhance high-quality businesses and increase business proportion: Continue to develop high-quality customers and collaboration channels. Provide diverse insurance products for individuals. Deepen channel services, increase sales opportunities and increase underwriting profits.
- (3) Continue to promote mobile services through the use of FinTech: Add multi-service experience for customers and increase corporate exposure through the promotion and broadcast of event information on Facebook and Line@ platform. The eCover website has been comprehensively revamped to optimize the existing insurance process to provide customers with a faster and more convenient online insurance experience.
- (4) Continue to hold employee trainings to strengthen digital talents in science and technology: Provide all kinds of subsidies for training programs and external study and awards for obtaining professional licenses. Improve the welfare system. Aggressively introduce digital financial services and establish mobile digital instruments in line with the structural transformation of the property insurance industry. Stimulate employees' potential and strengthen their competitiveness.

- (5) Stable fund application and increase investment income: Continue to seek investment opportunities in commodities with relatively high expected returns through adjustment of asset allocation to optimize the expected returns and create stable profits.
- (6) Implement legal compliance, risk control, and internal audit mechanisms to enhance corporate governance: Organize various legal compliance trainings, implement continuous reviews of various risk management mechanisms, and enhance audits to implement the compliance, risk management, internal control, and internal audit systems. Enhance data access and network transmission management mechanisms to implement personal data protection and security.
- (7) Optimize the quality of the customer service center and set up smart customer services: Enhance the use of robotics for intelligent customer services. Quickly respond to customer needs and improve service efficiency through continuous cultivation and import of API connection. Cooperate with eCover website for business promotion. Achieve self-service and precise services through active care services that are rendered by customer service personnel, which can also trigger online transaction opportunities to improve trading volume. In addition, intelligent customer service voice broadcast function was added to improve the convenience of use of the service by the elderly and increase friendliness.
- (8) Continue to participate in charity events and fulfill corporate social responsibility: Continue to promote public welfare activities. Uphold the corporate citizens awareness of “caring for the disadvantaged groups and caring for society.” Enhance taking care of employees and strengthen sustainable environmental improvement. Aggressively participate in various social public welfare activities. Promote micro group injury insurance and micro personal injury insurance to provide insurance protection for specific disadvantaged groups. Continue to develop crop-related insurance and expand its coverage.

3. Industry overview:

The written premium income of the entire property insurance market was NT\$206.7 billion in 2021, which was an increase of 10.32% compared to 2020. For SCIC, the written premium income was NT\$11.06 billion in 2021, which was an increase of 9.2% from 2020. The premium income increased NT\$0.94 billion, and the market share was 5.35%.

4. Research and development:

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

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

Product Name
South China Insurance Automobile Theft Loss Coverage Stop-Loss Limits Supplementary Clause
South China Insurance Automobile Natural Disaster Accident Loss Compensation Insurance
South China Insurance Infectious Diseases Exclusion Supplementary Clause
South China Insurance Cyber Loss and Electronic Data Exclusion Supplementary Clause
South China Insurance Drone Liability Insurance - Simple Operations Coverage
South China Insurance Rental Bicycle Liability Insurance
South China Insurance Golfers Comprehensive Insurance
South China Insurance Comprehensive Pet Insurance
South China Insurance Pet-related Medical Expense Insurance
South China Insurance Travel Bubble Comprehensive Insurance
South China Insurance Personal Notifiable Disease Comprehensive Insurance
South China Insurance COVID-19 Vaccination Comprehensive Insurance
South China Insurance Vaccine Protection Comprehensive Insurance
South China Insurance Personal Casualty and Disability 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) Future R&D plans:

In recent years, due to the impact of government policies and the pandemic, the property insurance industry has responded to the rapid changes in the general environment and met the diverse needs of customers with the newly planned products, including: South China Insurance Green Energy and Eco Automobile Insurance, South China Insurance Personal Information Security Protection Comprehensive Insurance, COVID-19 Health Insurance of Hospitalization Medical Expenses for Migrant Workers, and Addendum of South China Insurance Car Body Damage Insurance for Canvas Iron Frame, to enhance the competitiveness via diversified products, while combining with fintech applications, to quickly respond to customers expectation, to provide customers with better service quality.

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

(1) Operating guidelines

- A. Expand business scale of operating units and increase market share.
- B. Adjust business structure and increase the proportion of quality business.
- C. Optimize digital operation function and expand effectiveness of information system.
- D. Continue to advance the professional skills of our personnel and deepen the trainings for entry-level to mid-level supervisors.
- E. Enhance investment performance through asset allocation adjustments.
- F. Implement risk management mechanism to improve corporate governance.
- G. Continue to participate in public welfare activities and fulfill corporate social responsibilities.

(2) Business objectives

The premium income of SCIC in 2021 was NT\$11,871 million, including NT\$11,064 million of written premium income and the re-insurance premium income of NT\$870 million. The average claim ratio of insurance was 61.05%. The 2021 operating income was NT\$9,073 million, covering the net premiums earned of NT\$7,626 million, the net investment profit of NT\$676 million, and other operating income of NT\$771 million. The 2021 operating cost was NT\$6,172 million, covering the net claims incurred of NT\$3,999 million, the net changes of liability reserve of NT\$425million, and the other operating cost of NT\$1,748 million. The operating expense was NT\$1,847million; operating profit was NT\$1,054 million; net non-operating profit was NT\$8 million, and pre-tax profit was NT\$1046 million. After deducting income tax expense, the net after-tax income was NT\$900 million with which the after-tax net income per share was NT\$4.5; return on assets was 3.92%, and return on shareholders' equity was 13.95%. The budget achievement rate was 132.40%.

(3) Important operating policies

A. Business development:

- a. Continue to improve the sales forces, enhance the sales and marketing capabilities of sales staff and the output value per capita, for optimizing the service quality.
- b. Expand distributor businesses such as banking channels and life insurance agency, solidify the existing channels to improve insurance renewal performance, and strive for project cooperation with distributors in existing channels, to increase business sources, expand market share and enhance business capacity.
- c. Continue to improve e-commerce network, optimize member operation, use FaceBook and Line@ to push online insurance purchase, simplify online insurance purchasing process, and provide customers with faster and more convenient online insurance application services.

B. Risk management:

- a. Continue to improve risk control capabilities.
- b. Continuous monitoring and review of the risk control mechanism in a rolling way.
- c. Cope with laws to establish a risk control mechanism.

C. Expense control:

- a. Use air-conditioning systems and fridges with Grade 1 energy label . and other electrical products. Air conditioners should be set in the appropriate temperature range to reduce electricity costs, carbon dioxide emissions and impact to the earth.
- b. Adjust the time to turn on exterior sign lights to cope with different seasons. Use energy-efficient lighting equipment (such as T5 and LED lamps) when adding, replacing and changing exterior signs.

D. Capital management:

- a. The asset risk has been the primary basis for SCIC to measure its external capital utilization and investments. In addition, in response to the risk control integration mechanisms of parent company, SCIC inspects and adjusts the existing risk asset positions within the annual quota. 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.
- b. 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) Hua Nan Investment Trust**1. Businesses scope:****(1) Main business items:**

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

(2) Business proportion (2021)

Asset type		Proportion (%)
Mutual fund	Equity type	65.52
	Fixed income type	28.06
Private placement fund		0.61
Discretionary services		5.57
Service income		1.07
Total		100.00

(3) New financial products and services under planning:

- A. Grasp market investment trends to develop new products, such as providing investors with a complete ESG investment solution.
- B. Connect with retirement wealth management services, and accumulate long-term customer business relationship.
- C. Actively seek international renown index companies, for partnering to launch index funds that are indicative and forward-looking.

2. 2022 Business Plans:

- (1) Enhance and maintain the internal channel relationships, while strengthening the development of external channels.

- (2) Strengthen the market voice, to enhance the Company's brand and product awareness.
- (3) Actively develop new products to increase the scale of the funds.
- (4) Improve infrastructure and improve corporate governance.

3. Industry overview:

- (1) At the end of 2021, the top five investment trust companies were still local investment trust companies, namely Yuanta, Cathay, Capital, Fuh Hwa, Fubon, among other companies. Among the top ten investment trust companies, three are foreign investment trust companies, including Allianz, PineBridge, and Nomura.
- (2) In 2021, among various funds, the domestic equity ETFs increased the most, by about NT\$230.9 billion, followed by domestic equity funds increased by about NT\$140.9 billion. This reflects that the new highs reached in Taiwan equity market the attracted fund inflows; the domestic money market funds decreased the most, for about NT\$169.6 billion.

4. Research and development:

On October 8, 2021, "Hua Nan Real Harvest Fund of Funds" was inceptioned.

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

(1) Short-term and medium-term business development plans:

- A. Improve the quality and quantity of co-marketing channel service, enhance the efficiency and awareness of sales staff on information acquisition, and establish long-term trustworthy partnerships.
- B. Through fund custodian and fund public sales, to develop custodian banking and sales via other external channels.
- C. Increase the scale of non-monetary market funds for better revenue contribution.

(2) Long-term business development plans

- A. Cooperate with the product development process and gradually replace the information system.
- B. In 2021, index fund was used as the stage transformation strategy. After gradually adjusting the company structure, it was in line with the mainstream of ETF market development.

(VI) Hua Nan Venture Capital

1. Businesses scope:

(1) Main businesses items:

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

(2) 2021 Business Proportion:

Item	Percentage(%)
Investment income	93
Management and consulting income	7

2. 2022 Business Plans:

- (1) Observe industry change and adjust investment portfolio: In addition to continuous evaluation and presence of the six core strategic industries that were disclosed by the President and the 5+2 emerging strategic industries, in terms of the industries for investment, the Company will direct attention toward three major directions. It will focus on: (1) artificial intelligence industries related to digital transformation; (2) digital economic industries that help to reduce interpersonal contact; (3) Biotechnology and medical industries related to curing the pandemic.

- (2) 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.
- (3) Encourage Group employees to recommend investment target: Continue the cross connection and cooperation between affiliated companies in the Group to jointly develop high quality investment target.
- (4) For the funds in which the Company participates the operation and management, where suitable underlying assets appear, the Company will jointly evaluate and participate in the investment, to create performance.

3. Industry overview:

Affected by the COVID-19 pandemic in 2020, the global economy declined by 3.2%. In 2021, due to the increasing penetration of vaccination, the global economy gradually rebounded. Based on the forecast of the International Monetary Fund (IMF), the global economy are expected to grow by 6% and 4.9% in 2021 and 2022, respectively. Investment activities have also become active after investors regained confidence in the economic outlook. According to KPMG's report, Venture Capital Pulse, in Q1 2021, the investment amount and the number of cases in the global venture capital industry were approximately US\$126.9 billion and 6,508 cases, the significant increases of 57.05% and 20.12% quarter on quarter, respectively. In Q2 2021, the investment amount and the number cases in the global venture capital industry were approximately US\$157.1 billion and 7,687 cases, up 23.80% and 18.12% quarter on quarter, respectively. Provided, the threat of virus variants stays, and the availability of vaccines varies depending on prosperity of countries, which may bring variables to the holistic recovery. Regarding the invested industries, according to the statistics in KPMG's Venture Capital Pulse, they are diversified, scattered, and related to the pandemic, including industries such as healthcare, e-commerce, logistics, fintech and games.

4. Research and development:

Strengthen the 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-term and short-term business development plans:

- (1) Follow government policies for supporting emerging strategic industries to increase the competitiveness of the country and fulfill corporate responsibilities for giving back to society.
- (2) Observe industry trends, monitor investment opportunities, and implement timely changes to investment strategies. Increase the level of contribution to the Group's profits every year and maximize returns 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) Hua Nan Assets Management Company

1. Business scope

(1) Main businesses items:

A. Invest and disposal of non-performing loans

- 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.

- 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.
- B. Direct investment of court-auction real estate or public bid opening by government authority
- Investment in the real estate auctioned by courts, Administrative Enforcement Agency, or by government agencies (institutions)
 - Through joint construction, participation in urban renewal (including as an implementer), reconstruction of dangerous and old buildings or industrial zone extrusion, the value-added investment in real properties is activated.
 - Serve as the self-owned asset urban renewal implementer or builder and contribute capital.
 - Provide the necessary funds and advanced payment for urban renewal and reconstruction of dangerous and old buildings.
- C. Court-auction bidding agency business.
- D. Undertake other asset management-related businesses not prohibited or restricted by laws.

(2) 2021 Business Proportion:

Item	Percentage(%)
Non-performing loan investment and disposal business	-0.64
Direct real estate investment business	100.53
Consigned management business	0.11

(3) New financial products and services under planning:

- A. The digital marketing has been upgraded from a single brand of “Good Foreclosure Partner” to a brand of “Wealth Pioneer for Real Estate,” providing diversified and comprehensive real estate services, combined with the LINE robot platform, to strengthen content management, for saving marketing costs and strengthen business effectiveness.
- B. Through close cooperation with business units both online and offline, to ensure that the Company’s business and products are consistent from marketing to product process design, to achieve the benefits of substantial contracts converted from marketing.
- C. Build the Company’s fintech platform, optimize the presentation of public website, and promote the digital transformation of the Company.

2. 2022 Business Plan

(1) Non-performing loan (NPL) investment and disposal business

A. Investment strategies

- a. Continue to monitor domestic non-performing loan market releases and growth changes of financial institution land construction financing overdue payments.
- b. Keep interacting with local peer groups, understand their operating status, and seek any cooperation opportunities for existing or new businesses approved by the FSC.

B. Disposal strategies

Accelerate the sales of remaining NPLs and collateral collected.

(2) Real estate direct investment business

A. Investment strategies

The investment strategies are mainly foreclosure investment, value-added investment, and capital injection investment strategies. It is sought, through the flexible applications of diversified strategies, to respond to the evolving investment market, stabilize future annual revenue, and create a investment portfolio with stable growth.

a. The investment target of court-auction

(a) For the selection of target markets, these commercial offices, plant-offices, and plants located in the urban elite areas or industrial clusters with higher incomes are selected as the major investment targets.

(b) The main investment strategy is lease -then-sale. To respond to the policy of the house-land tax in one 2.0, which discourages short-term resale, the Company acquires the target marketable and promising, and increase the value by renovation or dividing into several units, or change usages, for leasing out for several years. The rents collected during the holding stabilize the revenue source of AMC, and such properties will be sold once the profit becomes good.

b. Value-added investment: Participate in court auctions or public auctions by governmental agencies (organizations), seeking to replicate the successful experience of the urban renewal project in Peipi Section, Tucheng District, New Taipei City. By obtaining industrial and commercial real estates needing integration, or at the area with development potential as the first priority, the Company constructs office buildings, multi-functional malls, or plant-office buildings via self-construction, joint-construction, or participation in urban renewal (including as an implementer) and reconstruction of dangerous and old buildings projects, to actively activate assets, and create asset value, to obtain the room for future capital gains.

c. Investment in urban renewal and reconstruction of dangerous and old buildings: to cope with government policies, the reputation of AMC and the one-stop service of “Hua Nan Team for Urban Renewal, Dangerous and Old Buildings,” is continuously enhanced in the urban renewal and reconstruction of dangerous and old buildings, to help the residents needing to rebuild the old buildings for new houses, while improving the appearance of the city and enhance the house safety.

B. Disposal strategies

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:

a. Direct sale: Increase investment evaluation frequency through lowering the bidding price. After winning the bid at a reasonable price (lower than the market price) in the legal auction market, the investments will be repaired, cleaned up, and sold.

b. Lease before sale: Take return on rent as first consideration. Obtain appropriate targets with good marketability and rent out after repairing and clean up.

c. Investment with added value: Aggressively activate assets by adding value through joint construction, dangerous and old building renewal, participating in urban renewal (including acting as the implementer) or changing the application to create asset value, earn rent income and rooms for future capital gain.

(3) Bidding agent for foreclosure of entrusted management business

A. Combining with the Company’s professionals in real estate and legal, quality bidding agent for foreclosure service is provided, to exert the professional ability of real estate management.

B. Combining with the Group’s marketing activities, it provides exclusive financial services as one-stop purchase, to deepen customers’ trust in the integral services of “Hua Nan Financial Holdings Group,” and increases the Group’s income.

(4) Other policy-coping business

A. Digital marketing business

The product marketing planning is conducted based on different key business projects; by integrate the Group's internal and digital marketing channels, the precise marketing strategies are formulated, to improve the disposal of the Company's own assets and business promotion effects.

B. Ruiguang Innovation and Incubation Center

Establish a new type of real estate leasing model to increase rental income; actively partner with the Incubation Center of Taipei University of Technology and Hua Nan Venture Capital, to jointly cultivate new start-ups; it is also sought to collect the innovation technologies of real estate to be introduced to the Company's construction projects via the Incubation Center, to increase the feature values of the Company's real estates.

(5) back office management

A. Implement laws and regulations, and enhance the self-assessment effectiveness.

B. Emphasize to the internal audit and internal control, and add management and control measures.

C. Improve the information security protection and enhance the system performance.

D. Emphasize to talent cultivation and improve welfare measures.

3. Industry overview

In 2022, Taiwan's economic growth was as high as 6.09%, and the market interest rate remained at a historical low. Therefore, with the high economic growth and low borrowing rate, the quality of assets in the lending market was good, and the NPL ratio of banks remained low, far below the the extent of sellable NPLs required by regulations, so there was no packaged NPL for investment. Regarding the foreclosure market, the low default rate of bank loans and the continuous rise in real estate prices resulted in lower changes of foreclosure, the foreclosure cases also reduced. In 2021, the volume of foreclosure cases auctioned by courts declined for the second consecutive year, and with the continual participation of investors, the competition in the foreclosure market became intensified, and the difference between the auctioned amount and the market price narrowed, or even auctioned at the market price, making it more difficult to acquire assets. After the Financial Supervisory Commission has successively amended the "Principles for Operation Program of Financial Holding Companies (Banks) Re-investing in Asset Management Companies," other than the operation of the original business, the Company launched into the business of urban renewal and reconstruction of dangerous and old buildings and advance payment business as a continual expansion of business scope for the AMC, in order to create the blue ocean market again.

4. Research and development

(1) Investment in urban renewal and reconstruction of dangerous and old buildings

Achieve a win-win situation through cross-disciplinary collaboration; continuous participation in the platform of the "cross public AMC task force for promotion urban renewal," or through cooperation with "Taiwan Urban Regeneration & Financial Service Co., Ltd," as well as the one-stop service of "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" co-established with HNCB, to increase opportunities of engagement, and improve the investment scale.

(2) Bidding agent for foreclosure of entrusted management business

Through the "Money into Real Estate" marketing campaign, the Company worked with the Wealth Management Department of HNCB, with the provision of related incentive mechanisms to the wealth management specialist, to enhance the business promotion and strengthen the collaboration between two parties, for exerting the co-marketing synergies and better contributions to the Group

(3) Digital marketing

Upgrade digital marketing from a single brand of "Good Foreclosure Partner" to a brand of "Real Estate Most Money Line", provide diversified real estate business, and strengthen content management in combination with line robot platform, so as to save marketing expenses and enhance the effectiveness of business; Construct the company's financial technology platform, optimize the presentation of external websites, and promote the company's digital transformation.

(4) Ruiguang Innovation and Incubation Center

Organize the "Real Estate Innovation Program" to attract start-ups related to real estate innovation, and establish a mechanism for cooperation with innovative technologies, to find innovative key technologies leading the peers, for adding value to the features of the Company's construction projects. The themes of the projects are mainly categorized as : remote office, reconstruction of dangerous and old buildings, elderly and new living environment, innovative construction methods and technologies, and a platform for matching supply and demand in the real-estate market, seeking related startup teams to participate via events; the goal is to create a real estate innovation ecosystem, to apply innovative technologies for helping the real estate sector to solve problems or provide needs.

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

(1) Short-term plans

- A. Adjust asset structure to create value for assets and generate more profits.
- B. Align with the government policy to accelerate the urban renewal of self-owned assets and reconstruction on dangerous and old buildings.
- C. Step up publicity efforts on the "consigned legal auction bidding business" to expand HNAME's revenue sources.
- D. Organize capital contribution and advanced payments for urban renewal for non-self-owned assets and dangerous building improvement projects to help improve citizens' housing safety and quality.

(2) Long-term plans

Through the development of the following direct real estate investment business, to expand the scale of assets and pursue profit growth; flexibly adopt digital marketing channels to improve the exposures of real estate leasing and sales (Golden Selection House), entrusted bidder agent for foreclosure auction (Good Foreclosure Partner), urban renewal and reconstruction of dangerous and old buildings (Hua Nan Team), and innovation and incubation (Ruiguang Light Work), while integrating and creating the professional brand image of "Wealth Pioneer for Real Estate," to achieve the purpose of marketing and promotion.

- A. Foreclosure investment: Actively acquire real estates with higher rent yields in order to increase rental income, and stabilize revenue and profit sources.
- B. Value added investment: joint construction, participation in urban renewal (including as an implementer), reconstruction of dangerous and old buildings or industrial zone extrusion, the value-added investment in real properties is activated, and create new values for real-estate, for obtaining the future capital gains and increasing revenues.
- C. Investment in urban renewal and reconstruction of dangerous and old buildings:
 - a. Actively cooperate with government policies, forming the "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" by combining affiliates' channels and expertise, to promote urban renewal and reconstruction of dangerous and old buildings business with full force.
 - b. Through collaborations among peers in the financial sector, or referrals from external professionals, the relevant channels in the urban renewal and reconstruction of dangerous and old buildings field are expanded, to link the financial sector and the urban renewal and reconstruction of dangerous and old buildings industry chain, establish a model of investment asset pools for urban renewal and reconstruction of dangerous and old buildings, and enlarge the investment scale of the capital infusion.
- D. Continuous promotion of other policy-aligning business: e.g. Ruiguang Innovation and Incubation Center.



II. The Benefit of Cross-Industry and Cross-Selling in the Group

(I) Hua Nan Financial Holdings

The Group started the cross-selling business since 2002 and set up cross-selling area in suitable operating locations of four subsidiaries (sub-subsidiaries) including Hua Nan Bank, Hua Nan Securities, South China Insurance, and Hua Nan Futures. In combination with physical operating locations and digital platform in financial trading, we integrated online services with offline services, which enabled the stable growth in cross-selling operating volume year on year within the Group and demonstrated the extraordinary energy of cross-selling.

(II) Hua Nan Bank

The achievements-over-the-years in cross-selling between Hua Nan Bank and the financial holding parent company:

Item (Unit: NT\$million)		Year		
		2021	2020	2019
The broker business of Hua Nan Securities	Business volume	1,866,676	892,416	463,931
The business of South China Insurance	Business volume	879	830	814
The mutual fund business of Hua Nan Investment Trust	Fixed income type	10,622	9,165	8,763
	Non-fixed income type	2,970	2,583	1,671

(III) Hua Nan Securities

The Company closely cooperates with affiliate companies pursuant to the policy of financial holding parent company. The achievements-over-the-years of cross-selling is as below:

Item	Property insurance (NT\$ thousand)			New credit card issuance (Number of cards)			Transfer of client deposit balance (NT\$100 million) (Note)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Result	47,234	44,687	42,905	5,632	5,614	5,679	483	370	317

Note: The client deposit balance is the amount by the end of December.

Item	Fixed income type (NT\$10 thousand)			Non-fixed income type (NT\$10 thousand)			Regular fixed time and amount transactions (Number of customers)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Result	622,356	466,440	292,339	70,293	50,344	44,083	2,187	3,141	2,440

Note: One debit transaction is counted as one transaction. 12 transactions are counted as one client. The performance is calculated based on number of clients.

(IV) South China Insurance

1. In 2021, the total premium income of property insurance's co-marketing business was NT\$928,007 thousand, an increase of nearly 52 million from 2020; the mainly contribution came from HNCB, which assisted the Company in promoting property insurance for NT\$879,162 thousand, accounting for approximately 95% of the total co-marketing business. By the type of insurance, the premiums from the commercial insurance accounts for about 70%, and personal insurance contributes 30%.

In 2022, for the commercial insurance, in addition to continuously strengthening the control over insurance renewal, new corporate finance customers are aggressively developed, and as well as the promotion of commercial insurance including commercial fire insurance, engineering insurance, and cargo transportation insurance; moreover, HNCB's personal finance marketing department also planed to handle compound product marketing events in Q3 to assist the Company for its comprehensive residential insurance project, which also performed well. For the personal insurance business, the operation and management department of HNCB organizes the combined product marketing activities to strengthen the promotion of the auto insurance business. In addition, the annual group combined product marketing activities planned by the marketing department of the parent company are also included in the company's personal injury insurance and pandemic prevention policies. The boost to co-selling also helped significantly.

In addition to the Group's investment in the co-marketing property insurance, the Company has also spared no effort in promoting the products from affiliates. Be it the promotion of credit cards, securities brokerage, investment trust funds and other businesses, nice achievements were reached. In the future, the Company will continue to strengthen various co-marketing business promotion, while combining with the Group's integrated marketing team resources to develop business together, and continue to plan related co-marketing incentive plans for better co-marketing performance.

2. Benefits from premiums revenue are summarized below for reference:

Unit: NT\$ thousand

Item	Premium revenue from cross-selling	Premium revenue from South China Insurance	Percentage(%) to 2021 revenue	Percentage(%) to 2020 revenue	Total
Fire insurance	528,264	1,046,132	33.55	32.93	1,574,396
Marine insurance	52,130	565,259	8.44	8.57	617,389
Auto insurance	238,865	6,495,308	3.55	3.74	6,734,173
Casualty insurance	63,733	841,861	7.04	7.16	905,594
A&H	45,015	1,188,059	3.65	3.78	1,233,074
Total	928,007	10,136,619	8.39	8.66	11,064,626

3. Total premium revenue from cross-selling of all affiliates in 2021:

Sales of policy	Types of Insurance	Accumulated until end of December 2021
Hua Nan Commercial Bank	Auto insurance	204,844
	Casualty insurance	58,402
	Personal Accident & Health Insurance	39,289
	Marine insurance	51,566
	Fire insurance	525,061
	Total	879,162
Hua Nan Securities	Auto insurance	32,677
	Casualty insurance	5,285
	Personal Accident & Health Insurance	5,583
	Marine insurance	564
	Fire insurance	3,130
	Total	47,240
Hua Nan Futures	Auto insurance	1,344
	Casualty insurance	46
	Personal Accident & Health Insurance	143
	Marine insurance	-
	Fire insurance	73
	Total	1,606

(V) Hua Nan Investment Trust

Through continuous monthly visits by branches, as well as the operation of community groups, the co-marketing channel sales staff have better efficiency for the information access and understanding of fund products; the trust is accumulated via continuously stable performance.

(VI) Hua Nan Venture Capital

Strengthen horizontal contact and cooperation with subsidiaries of the Group to jointly develop high-quality case sources.

(VII) Hua Nan Assets Management Company

1. The one-stop service model of “Hua Nan Team for Urban Renewal, Dangerous and Old Buildings” jointly established with HNCB, increases project exposure and participation opportunities, while improving the investment scale; since March 2021, it has organized a series of practical courses on the urban renewal and reconstruction of dangerous and old buildings, with the assistance of HNCB in the training of HNCB's dedicated urban renewal and reconstruction of dangerous and old buildings personnel.
2. Through the “Money into Real Estate” marketing campaign, the Company worked with the Wealth Management Department of HNCB, with the provision of related incentive mechanisms to the wealth management specialist, to enhance the business promotion and strengthen the collaboration between two parties, for exerting the co-marketing synergies and better contributions to the Group



III. Market and Business Conditions of the Group

(I) Hua Nan Bank

1. Main area of product sales and services:

(1) Domestic Regions

As of the end of December 2021, the Bank has 186 branches nationwide including 152 branches (81.7%) in the six major metropolitan areas. There are 53 branches in Taipei City (28.5%), which is followed by 35 branches in New Taipei City (18.8%).

(2) Overseas Regions

The Bank's existing overseas presences include: 12 branches in Los Angeles, New York, London, Hong Kong, Singapore, Shenzhen, Shanghai, Fuzhou, Ho Chi Minh City, Macau, Sydney and Manila, one sub-branch in Shenzhen Baoan, and three offices in Hanoi, Yangon and Bangkok. The Company will wait for the opportunity to evaluate the feasibility of setting up new operating bases in areas with business opportunities, such as the new southbound areas, to continuously expand the financial service network of the Bank.

2. Future demand and supply status of the market

(1) Supply side:

- A. In terms of corporate finance, based the statistics of the Financial Supervisory Commission, the difference between domestic bank deposits and loans has reached more than NT\$13 trillion, indicating that domestic funds are excessive, and due to the uncertainty of the COVID-19 pandemic and the competition among peers for loans, the lending interest rate of TWD loans remain at a low level.
- B. For foreign currencies, it is expected that the US Federal Reserve (FED) will start to raise interest rates in 2022, helpful to increase the foreign currency lending rates for higher loan incomes.
- C. Regarding personal finance, due to the impact of the COVID-19 pandemic, the "zero-contact economy" has emerged. The domestic pandemic is relatively under control the international containment. The domestic economy is expected to grow steadily in 2022. The Company will emphasize on the continual optimization of online application process from the perspective of customer experience, to establish diversified digital marketing channels, promote digitized online loans, and increase the share of digital channel customers.
- D. In terms of credit cards, in light of the rapid development and penetration of the habit of credit card payment and mobile payment, the Company plans diversified mobile payment services and incentives, such as consumption, bill payment and tax payment depending on customer's payment scenarios in their lives, providing convenient and preferential payment experience, to further develop mobile payment business opportunities.
- E. For trust business, in light of the needs derived from the aging society, the trust products will be promoted continuously, to build a comprehensive wealth planning to meet the needs of retirement care and wealth inheritance.
- F. Regarding wealth management, the Financial Supervisory Commission proposed a plan to attract investment and recruit talents for building an international wealth management platform. Through the relaxation of regulations and the diversification of financial products, it will gradually establish professional skills for serving high-asset wealth management customers, to cultivate and improve the scale and professionals in high-asset wealth management industry of Taiwan, and enter the field of private wealth management services. The Bank also seized this opportunity to set up a cross-function professional team for high-asset customers with assets more than NT\$100 million in the bank. Based on customer needs such as inheritance, tax saving or investment, the Bank plans relevant asset allocation advices to meet customers' diversified financial management needs, and further improve service quality and satisfaction. The insurance market has been affected by the COVID-19 pandemic. In order to provide uninterrupted services and break through the sales models in the past, information applications are used to promote new types of insurance solicitation approaches (insurance purchasing via video conference or remotely). Also due to the continuously weakening USD and active investment market, the key products are the policies in USD and investment-based policies.

- G. In terms of financial market, in response to the competent authority's strict regulations on the operations of derivative instruments by banks, the Bank will satisfy corporate customer's demand in hedging and use the flexibility of derivative instruments to satisfy customer demands for hedging and funding. In addition, the Bank provides diversified types of low risk investment tools to satisfy the investment needs from customers and control risk.
 - H. In terms of TWD deposits, to respond to the future trend of interest rate hikes by the Central Bank, with tightened funds in the market, the Bank will continue to control and stabilize the source of funds, to meet the needs of the growth of credit business.
 - I. For digital finance, it focuses on the three key points, namely "new generation mobile banking," "Rich+ Mobile Wealth Manager," and "Digital Service Integration Platform" that combines AI, MyData, video conference, OCR and other technologies, to optimize the process and interface of various digital services, providing "simple, convenient, portable and smart" digital financial services for customers.
- (2) Demand side:
- A. In terms of corporate finance, Benefitted by the strong export dynamics of Taiwan, the economy has performed well. Also with the continuing return of Taiwanese companies to invest, the capital demand of corporate is still quite active, and the loan business has grown steadily; In addition, it was expected that some enterprises will take advantage of the low interest environment to borrow medium- and long-term funds, thus increasing the demand for financing. The Bank shall actively cooperate with government policies such as loans for small and medium enterprises, six revitalization programs, ten billion venture capital investment scheme, three major plans for investment in Taiwan, supply chain financing for returning Taiwanese businesses, urban renewal and reconstruction of dangerous and old buildings, and provision of customized loan products. The Bank shall also focus on customer demands and provide suitable loan products to continue to increase the scale of corporate finance.
 - B. In terms of foreign currencies, the Bank shall attract foreign currency deposits based on market interest rates and expand the Bank's funding positions to provide them for use in other business development and increase revenue of the Bank.
 - C. Regarding personal finance, the real-estate market is still in an environment of low interest rates with ample hot money. Despite the impact of the Central Bank' suppressing measures to real estate speculative trading, and COVID-19 pandemic, the domestic real-estate market has not performed poorly in 2021. It is expected that there will be no policy for substantial interest rate hike, the demand of clientele with hard needs of self-owned-home is not likely affected, and the momentum of domestic real estate activities should remain.
 - D. In terms of credit card businesses, FSC statistics showed the amount of credit card transactions has hit new highs successively in recent years, showing that the change in payment habits of Taiwanese drives the vigorous development of credit card based new mobile payment tools. The financial industry should get close to the daily life of customers, and meet all kinds of needs to use credit cards to pay for consumption, bill and tax payment via various mobile payment apps, providing customers with convenient and secure financial ecosystem services.
 - E. Regarding the trust business, to cope with the aging society, people have higher awareness of retirement planning, seeking to build a affluent retirement life through financial planning, to increase social stability.
 - F. For the wealth management, although the global economy is still expected to maintain a growth rate higher than before in 2021, the rising global inflation has resulted in major central banks to successively taper the bond purchases, and even started to raise interest rates. The gradual tightening of funds will lead to increased volatility in the financial market. To respond to the market development trend, the Company will assist customers in allocating anti-inflation investment products, such as high dividend/yield investments, and supplemented with the traditional life insurance policies or interest-floating policies that have stable



value-added policy reserves, with saving nature, for the stable value-addition to the customers' assets. In addition, it is expected that the USD will remain strong, and customers are also advised to convert the TWD into USD dollars in batches when the price declines. In addition, the aging population, the declining birthrate, as well as the reform of labor insurance annuity, result in gaps of pension and long-term care needs. Therefore, the annuity insurance, investment-based insurance, medical insurance and long-term care insurance products are applied to transfer risks at each stage of life. Moreover, in order to meet the asset inheritance needs of the high-asset clientele, the high leverage ratio of death claims in the high-protection life insurance products is applied to help customers to complete the planning of wealth inheritance and saving for tax payment.

- G. NTD deposit businesses are affected by international economic conditions and economic cycles as well as seasonal and temporary factors such as tax season and corporate dividends. In addition, due to high seasonal and temporary factors, such as tax payment season or corporate dividend distributions, the Bank has respectively planned various deposit products that meet customer needs for corporate customers, personal salary-transfer accounts, and digital customers, to meet the deposit needs of different clienteles.
- H. Regarding the digital finance, the penetration of mobile devices and the COVID-19 pandemic have accelerated the speed of digital transformation. Customers are already familiar with online transaction patterns, and they are not likely to return to the counter after the pandemic in the future. With the premises of customer experience and innovative practices, the convenience of digital channels that has no time and region restrictions is leveraged, to solve pain point of customers, and meet customer needs while maintaining customer trust.

3. Business objectives

- (1) Enhance the lending momentum for corporate and personal finance, while obtaining the wealth management service charge income, to solidify the core business profit base.
- (2) Catch the pulse of the financial market and increase investment income with flexible financial operations.
- (3) Enhance various consumer financial product lines, and provide a full range of services.
- (4) Expand the scale of assets in OBU and overseas branches, and cultivate the overseas market and international deployment.
- (5) Accelerate digital transformation, and develop customer-oriented innovative applications.
- (6) Improve the risk control mechanism, to achieve a balance between rewards and risks.
- (7) Cultivate the legal compliance culture, and implement the management, supervision, and internal control mechanism.
- (8) Build a solid information infrastructure to strengthen the information security protection mechanism and improve the digital transformation information services.
- (9) Value the sustainable ESG issues, to achieve sustainable management goals.

4. The favorable and unfavorable factors for future development

- (1) Favorable factors
 - A. The Bank has complete marketing channels, which facilitate business expansion and customer operations.
 - B. The Bank has a long history in Taiwan with high goodwill. The brand image is highly recognized.
 - C. The Bank has a large customer base with high level of adhesiveness, which facilitates the development of wealth management business and the promotion of the Group's cross-selling operation.
 - D. The Bank is a leader in corporate finance and foreign exchange business.
 - E. The Bank has complete product line resources, which can meet customers' needs of one-stop-shop and is conducive to the promotion of the Bank's businesses.

- F. The Bank has a high percentage of current deposits with lower cost of capital, which helps to enhance the competitiveness of the Bank.
 - G. Long-term cultivation of SMEs to build deep relationships, the services may be provided from corporate finance, extending to a full range of services for business owners and their families, which is beneficial to expand new clienteles.
 - H. The Bank has millions of credit cards circulating among its credit card customers, ranked number one in this respect among pan-government-owned financial institutions, which facilitates big data analysis and precision marketing.
 - I. The Bank's legal compliance system and the prevention and control of money laundering and terrorism system have become more complete. The Bank's establishment of additional hierarchical management system for overseas branches will facilitate the reduction of the risk of the Bank's legal compliance.
 - J. The Bank responded to the policies of the Ministry of Finance for connecting the businesses of government-owned financial holding companies and banks, and make effective use of resources to give full play to collective combat effectiveness and strengthen the competitive advantages of government-owned banks.
 - K. The Bank has long-term experience in serving local customers, continued to develop diversified wealth management products and services, and successfully expanded the "business model with dual coverage of corporate and personal finance." The wealth management service charge income ranks high among banks with governmental shares.
- (2) Unfavorable factors
- A. The Bank is a state-owned bank with stable operations. However, the Bank remains relatively conservative in response to changes and innovations in the financial environment.
 - B. Lack of financial consultants in the Bank's wealth management business has led to limited growth.
 - C. The Bank has insufficient creativity in financial products innovation and size of positions of financial operations comparing with private banks.
 - D. The ratio of young customers to total customers is lower. The ratio is unfavorable to the long-term development of banking business.
 - E. Although the Bank has certain levels of profits, its return on assets and return on equity, which represent the level of operating performance, remain lower than international standards.
 - F. The Company has insufficient key talents in IT, big data, and new forms of digital finance.
 - G. The digital financial service environment is changing rapidly. In response to the demand for diverse needs and the requirements for service efficiency, the Bank has insufficient creativity in rapidly supporting business expansion and agile development of information system.
 - H. The Bank's branches are full-function branches. Due to the broad range of services, it is not easy to focus limited resources to suit regional customers' needs and provide differentiated products and services.
 - I. After the efforts of promotion made by the banks with governmental shares for several years, the merchants supporting Taiwan PAY have reached a certain scale; however, the resources invested by the banks with governmental shares are fewer than the investment of e-payment providers, it is not likely to have great room to growth.



(II) Hua Nan Securities

1. Main area of product sales and services

Hua Nan Securities provides all services that a securities company can have, including broker, dealer, underwriter, bond, new financial products, credit trading, etc. The Company's offices are located in Hong Kong and all major cities and counties in Taiwan. The Company provides services to domestic corporate investors, natural persons, and foreign professional investment companies approved by competent authorities.

2. Future demand and supply status of the market

(1) Supply side:

A. The consolidation of the securities industry continues, and the total number of securities firms has decreased 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 increased and decreased 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
2018		129	902	1,031
2019		129	884	1,013
2020		127	875	1,002
2021		127	874	1,001

Source: Website of Taiwan Securities Association

The local securities industry has encountered the unfavorable factors such as the decline in net revenue from commissions, decline in financing interest rate, and international competition. The organizational development strategy of HNSC will head in the direction of financial holdings or strategic alliances. As for the business development strategy, HNSC will move towards new businesses such as wealth management, trusts, and security lending businesses. Thus, HNSC will move beyond its existing role in the securities brokerage businesses in terms of organization, business and products.

B. Booming development of securities firms' network and mobile e-trading

The proportion of e-trading in HNSC has reached 76.99% of the total transaction volume by the end of 2021. In terms of mobile trading, it accounts for 69.58% of the overall e-trading performance by the end of 2021. The high-growth figure indicates that HNSC's e-trading system has been well-received and recognized by customers and the market.

In the face of the current pneumonia epidemic, Chinese people stayed off the streets. HNSC provides customers with more convenient digital services, such as online account opening system and electronic trading platform. Those services allow customers to complete home buying via the Mobile APP, which made customers feel truly valued when the epidemic is actively spreading.

According to the statistics of the Taiwan Securities Association for 2021, the trading volume of Taiwanese securities companies' sub-brokerage of US equities has grown significantly. The e-counter so easy application of Hua Nan Securities has launched the "opening a sub-brokerage account online" service, allowing investors to complete the account opening at home, and easily catch up on the boom of investing the U.S. equities

HNSC continues to optimize the Hua Nan e-counter APP to help customers apply for services without visiting the counter. In terms of online account opening, HNSC provides an OPT online account opening password certification service with enhanced security; For the trading service, new services such as opening a credit account/ limit change/ renewal service, full prepayment and stock credit for load are added, to solve the pain points of customers when visiting the counter or contacting the salesperson. For the two-way lending, it provides customers with better interest rates; for the fixed-time and fixed-amount investment, it provides customers with unlimited subscription service within nine days per month, as a frizzy-free investment service.

Actively build the smart financial services, by deepening the "Smart Trading Platform" to launch the mobile profit/loss-stop function helpful to investors to secure profits while locking losses in volatile markets; the brand new lightning strike market-if-touched application service enable investors to catch the trading opportunities. The efficient tools for "smart equity selection," Hua Nan So Precise App, applying the big data analysis "AI guess you like it," to compute based on the characteristics of customer investment behaviors, for recommending personalized products that are suitable/favored by customers. "Intelligent Customer Service" provides 24-hour service and multi-turn interactive scenarios (password unlocking/reissuing/changing, inquiring about salespersons, personal data modification and other services), and engaging in human-machine interacts with users, to create a new customer service experience.

(2) Demand side:

- A. With the diversification of financial products, investors' expectation in comprehensive securities companies has raised. The types of investment in Taiwan have emerged from stock and bond in the past to various financial derivatives products such as ETF fund, index futures, and call (put) warrants, which demonstrates the market development potential of new investment tools.
- B. Using stock market as a tool of raising fund has been a trend for corporate and institutions. Percentage of foreign investors transaction volume to overall Taiwan stock market transaction volume has increased year on year. Securities companies have played more important roles in the market.
- C. The fast speed of information spreading, increase of people's level of education, and the diversification of investment tools has increased investors' demand in securities related information. The demand in securities companies' service will also continue to increase.
- D. The demand in investing Hong Kong H shares, New York stock market, China A shares through sub-brokerage service has increased and provided business opportunities for securities companies.
- E. The financial products that link ETF products with indexes or commodities in China or foreign markets were introduced one after another and offered investors with more investment choices. Investors have more investment options.
- F. With the loosening of related regulations and proactive expansion of domestic securities companies in wealth management business, domestic and overseas fund started to flow in, and investors' demand toward wealth management services provided by securities companies has become more intense.



3. Business objectives

In response to market competition, the Company will balance the development of all businesses, strive to increase profit, and closely cooperate with affiliate companies in the financial holding group to pursue cost reduction and cross-selling synergy. The Company will also respond to competent authority's open policy to expand business and become a large-scale, professional, global, full-dimension securities company. The main business objectives for this year are summarized below:

- (1) Implement the competent authority's openness policy: Cope with loans with unrestricted usage, securities companies commissioned for handling fixed-time, fixed amount securities trading, and re-entrust fixed-term securities, fixed-time, fixed amount foreign securities investment and financing via sub-brokerage, and digital central depository book assignment to provide diverse services to customers.
- (2) Promote key businesses: Promote key businesses such as OSU, overseas sub-brokerage, issue diverse financial products, and actively develop related corporate customers.
- (3) Continue the merging of branch offices: In response to the trend of digital era and low service charge for brokerages, the Company discussed the merging of channels across Taiwan in order to improve performance and reduce cost.
- (4) Implement risk management mechanism: In dealer business, the Company will combine related research resources and abide by stop-loss and lock-gain mechanism to stably deal, make profit, and reduce risk of loss.
- (5) Enhance key internal control: Improve employee professional knowledge to enhance risk control, raise legal compliance awareness, and professional training as three major controls.

4. The favorable and unfavorable factors for future development

(1) Favorable factors:

- A. New digital services are developed actively, to provide diversified investment channels, optimize the customer service experience; with the impact of the pandemic, and mature mobile devices and the network environment, customers are increasingly receiving electronic transactions well.
- B. HNFHC retains comprehensive resources and uses big data analysis and applications as well as digital precision strategies and marketing to provide customers with services they need.
- C. The Bank responded to the lifting of laws and regulations by competent authorities, the opening of business and the rapid development of FinTech, which facilitated the promotion of electronic transactions.
- D. The popularization of digital devices has led to the expansion of investor groups and continual growth of the market. The Group's integrated cross-selling platform enables cost reduce and cross-selling synergy.
- E. The competent authorities for financial market proactively promoted financial innovations, implemented financial monitoring sandbox, accelerated the upgrade of financial services, and overturned traditional service model.
- F. The government announced the extension of the half-price securities transaction tax for day trading extend 3 more years and promoted foreign stocks and high net worth customer new wealth management program through regular fixed time and amount transactions due to the continuous lifting of laws and regulations. These measures are expected to encourage the inflow of investors and bring up the volume and momentum of Taiwan stock market.
- G. The of continuous trading system was implemented. Due to the "immediate matchmaking and instantaneous transaction" features, high-frequency trading and programmed trading will soon become mainstream trading practices and it would benefit operations by legal entities. It can increase the momentum of funds and help increase the profitability of securities firms.

- H. Securities companies are gradually permitted to engage in new businesses and financial products, which will help increase sources of profits for securities companies.
- I. Through the establishment of the Company's risk management system, we shall deftly control all asset and liability positions, minimize operating risks, balance business development, and achieve stable profits.
- (2) Unfavorable factors:
- A. Keen competition in service charge fees between competitors and the rapid development of digital finance innovation and technology threaten securities companies' competitiveness. Providing digital finance service incurs high cost in system optimization and implementation as well as high employee training cost. These services may weaken the profitability of securities firms.
- B. To effectively increase the efficiency for processing orders after the official implementation of continuous trading, the trading server must be upgraded to attract customers. The upgrades will greatly increase securities companies' information software and hardware procurement and maintenance costs.
- C. Comparing to foreign securities companies, local securities companies in Taiwan are simpler with more legal constraints. This has always been the biggest hindrance in the development for Taiwanese securities companies.
- D. Factors will impact the global stock market. These factors include the COVID-19 epidemic, the endless geopolitics and economic and trade risks, and the trade war and technology war between China and the U.S.
- E. As global debt levels continue to increase, companies' defaults have increased and may lead to economic crises. Companies' operation risks have increased and may be detrimental to the global economic recovery.
- F. The increase of quota for foreign investments and loosening of foreign exchange control deepen the connection of Taiwan stock market with global capital market.
- G. Affected by the rising pressure of global inflation and the pandemic caused by Omicron, the global central banks led by the U.S. will gradually tighten monetary policy and start a cycle of raising interest rates. The 12-year bull market is likely coming to the end, and a significant correction may occurs any minute.

(III) South China Insurance

1. Analysis of the insurance market

According to statistics of insurance company premium revenue from January to December, 2021, by the Non-Life Insurance Association of the Republic of China, the growth rate of concluded property insurance premiums in Taiwan was 10.32%. The growth rate of South China Insurance Company's premium revenue was 9.3% and its market share was 5.35%.

2. Main area of product sales and services in 2021:

Unit: NT\$ thousand

Area	Amount	%
Headquarters	4,219,905	38.14%
Taipei Branch	1,089,949	9.85%
Taoyuan Branch	612,832	5.54%
Hsinchu Branch	357,417	3.23%
Taichung Branch	1,521,537	13.75%
Yuanlin Branch	744,709	6.73%
Tainan Branch	1,017,056	9.19%
Kaohsiung Branch	1,501,222	13.57%
Total	11,064,627	100.00%

Note: Re-insurance revenue is not included.

3. Future demand and supply status of the market:

The future demand and supply for the property insurance market is as below:

- (1) The development of property insurance is closely correlated to the evolution of economic development. According to the data of IHS Markit, with the increased vaccination and the support of fiscal relief policies implemented by various countries, the global economy has been gradually recovering, and the global economy was forecasted to grow by 5.5% in 2021; however, factors like the Omicron virus variant, rising inflation and supply chain bottlenecks disturbed the pace of economic growth in 2022, and the global economic growth is estimated to be 4.2%; with multiple shocks, the growth of various countries in 2022 are generally lower than those in 2021; and advanced economies and emerging market economies will grow by 3.8% and 4.9%, respectively. Under the influence of power tariff measures and real estate market risks, the economic growth of China has also slowed down, with an expected growth rate of 5.5%; while South Korea, Hong Kong, Singapore and Japan are expected to increase by 3.1%, 3.2%, 3.6% and 2.7%, respectively.

For the domestic economic situation, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan forecasted that the economic growth of Taiwan will be 4.15% in 2022. Looking to the future, the pipeline of emerging applied technologies continues, the domestic semiconductor manufacturers with leading position of process are actively expanding their plants, while the domestic and international supply chains continues to increasing investment in Taiwan, with continuously returning Taiwanese companies and continuous expansion of green energy investment, all of which will boost domestic investment momentum; in terms of exports, benefiting from the recovery of the global economy, and successive infrastructure constructions by major countries, the momentum is expected to be retained. However, as the new virus variants spread, some countries impose or increase control measures again, and supply chain bottlenecks continue to disturb, the prudential monitoring to the later development and proper responses are still required.

- (2) Uncertain factors such as the irregular global climate, the continued resurgence of the pandemic and major public safety incidents, have resulted in higher awareness of risks of individual and corporates, and increased the willingness to purchase insurance actively by people. In addition, by coping with the market development, the customized, simplified, and cost-effective products are developed to quickly respond to the needs of consumers. And following the international trend of carbon reduction and zero emission, the green financial products are planned to achieve corporate responsibility.

4. Business objectives:

South China Insurance is the property insurance company that provides all kinds of property insurance and health injury insurance. The Company actively follows government economic policy and insurance regulations, provides sound risk evaluation and insurance planning service to the general public and businesses, protects the safety of houses and corporate operation, enhances operating efficiency through application of funds and risk diversification and in the end protects the right of shareholders and policyholders.

5. The favorable and unfavorable factors for future development:

- (1) Favorable factors for South China Insurance in competition:

- A. Applying the joint marketing platform of the Financial Holding Group and various product series activities of the Group, to jointly develop potential customers, cross-market different products, to enhance business competition and expand business scale.

- B. The product development teams are well-equipped with various talents, to meet the demands of the macro environment and the new trend of insurance development; the customized, simplified, and cost-effective products are developed to provide various customized product projects and diverse DMs, to meet the diversified needs of customers.
 - C. Optimize online insurance purchase and e-commerce performance, and simplify the online insurance purchase process by connecting with third-party platforms, to provide customers with faster and more convenient online insurance purchase services, meeting the needs of online clientele for products; by applying big data analysis, new models are created for practical applications in product marketing and risk prevention, to improve customer service quality.
 - D. The operating team with professions, harmony, and service innovation sets up operating strategy in response to business development need, adjusts and establishes internal control system in response to government regulation change. The team is excellent in overall operation efficacy.
 - E. The “loss prevention team” that provides professional services, will give concrete and feasible loss prevention advices after on-site inspection, to increase customer satisfaction and loyalty, accumulate a long-term stable clientele, and gain customers’ recognition and support.
 - F. Robustly implement various risk control and management, complete the risk management mechanism, and cooperate with the parent company’s risk control system mechanism, to deepen the overall risk management capability for ensuring the achievement of the Company’s business objectives.
 - G. By winning the “9th Taiwan Insurance Excellent Performance,” the Company won four silver awards for the “Excellency in Project Planning for the Insured Services,” “Excellency in Project Planning for the Talent Training,” “Excellency in Project Planning for Product Innovation,” and “Excellency in Public Welfare and Care, respectively, as well as the two major awards in the “Insurance Quality Award,” namely “Best Recommendation” and “Best After-Service.” In addition, for the 22 + 1st “The Best Honor of the Insurance Industry,” the Company won the major award of “Best Contact Office - 2nd Sales Department” and other five awards including “The Best Insurance Professionalism,” “The Best Social Responsibility,” “The Best Product Creativity - Pet Comprehensive Insurance,” “The Best Channel Strategy” and “The Best Professional Adviser - Si-Yuan Tan, VP.” The excellence is widely recognized by the public.
 - H. The stable outlook was granted by the credit rating agency A.M.Best and Taiwan Ratings, reflecting the strong balance sheet, good underwriting performance, unbiased business profile and appropriate enterprise risk management, and strong capital and profitability of South China Insurance
- (2) The unfavorable factors for the property insurance market:
- A. The finance supervision policy and regulation is ever-changing in response to the requirements for legal compliance of money laundering, counter-terrorism, and personnel finance. The policy puts more emphasis on legal compliance and risk management, and imposes more strict requirements on customer personal data protection and controls in internal and external information flow. The supervision of competent authority has become wider and more detail, which increased the cost of business operations and information security maintenance.
 - B. In the face of new interfaces and newly developed channels, SCIC used more manpower to optimize the original system and develop individual operating systems. FinTech and big data analytics are not easy to recruit and retain. The vicious industry competition became intense and caused enormous impact on business flow. The market business opportunity transfer emerged and directly or indirectly affected premium income, capital appropriation and underwriting income.

- C. Climate irregularities and the global emphasis on ESG (Environmental, Social, Governance) concepts, coupled with the promotion of carbon reduction by various countries, make natural disaster risk and sustainable management a threat and challenge that the property insurance industry has to face to. Taiwan's geographical location faces with a high risk of catastrophe, and thus the risk assessment and management become more difficult, resulting in difficulty to control the risk volatility of property insurance operation.
- D. The property insurance industry relies highly on the reinsurance market to diversify risks. With the changes in the economic cycle of the property insurance underwriting market, the Asia-Pacific region where the economy has been impacted by the pandemic, and increased internet usage that increases the demand for protection against cyber-attack risks, the holistic risk assessment are taken by re-insurers, to secure the policy coverage, rates and premium reasonableness.

(IV) Hua Nan Investment Trust

1. Main area of product sales and services

The main products and services for the securities investment trust business in the financial market are corporate or private equity and discretionary investment service, which are mainly provided in Taiwan, and the invested markets are all over the globe.

2. Future demand and supply status of the market

The trend of big investment fund companies become bigger has become increasingly obvious. The market competition has become more intense. Therefore, maintaining robust fund performance and ranking, building a reputation for funds, and building the Company's brand image have become the key to winning customers.

3. Business objectives

- (1) Increase the scale of non-monetary market funds for better revenue contribution.
- (2) Improve the service quality of the Group's co-marketing channels.
- (3) Develop external channels to increase availability and inventory.
- (4) Enhance the performance of the funds; it is required the fund performance to be ranked in the top 1/2 and the top 1/4 to solidify the long-term confidence of customers.
- (5) Improve the corporate governance, to implement legal compliance and risk control.
- (6) Establish a reliable information infrastructure and strengthen information security safeguard.

4. The favorable and unfavorable factors for future development

(1) Favorable factors

The performance of the investment trust fund products has been continuously recognized. Since 2016, it has won the Golden Diamond Award every year. From 2016 to 2020, the winner was the balanced and multi-asset funds. In 2021, the Shiller US CAPE ETF fund of funds won the three-year award for multinational equity portfolio. The Company is the only one among the investment trust company with governmental shares that has won the Golden Diamond Award for six consecutive years.

(2) Unfavorable factors

A. Currently, most of the investment trust funds are monetary funds, it is obviously insufficient in terms of product lines. It needs to actively expand various new types of funds; in the future, the product planning will focus on customer value-centered investment solutions. It is sought to develop the overall strategy with features while connecting to the Financial Holdings from the view of inclusive finance, and win the recognitions of the vast investors.

- B. The scale of any single non-monetary fund of the investment trust is less than NT\$1 billion, not favorable to seeking distribution via the external channels or institutional investment; in addition, at this stage, it is not qualified for the mandatory operation for government funds; it is necessary to actively expand the scale of relevant funds for better future business development.
- C. At this stage, the inventory of investment trust funds mainly relies on the assistance of the Group's channels, and the sales sources are relatively concentrated. In the future, the opportunities for external cooperation will be actively expanded, coupled with co-marketing resources at the same time, to facilitate long-term performance growth.
- D. Most of the information systems in the investment trust are outdated, not favorable to new product development and operation process management; also, the information security risk protection is obviously insufficient. In the future, it is planned to gradually replace or update the systems to establish a more comprehensive operation infrastructure.

(V) Hua Nan Venture Capital

1. Main investment areas and future demand and supply in the market:

The investment area is mainly in domestic market. However, quota for investment in overseas is reserved for flexibility considering industry relation, integration, and marketability.

2. Business objectives:

Take risk spreading as investment strategy, continuously look for investment target with long-term growth and profit potential, and build an investment portfolio with long-term and short-term profit objectives through appropriate industry and region allocation.

3. The favorable and unfavorable factors for future development:

(1) Favorable factors:

- A. The sustainable image of Venture Capital under Financial Holding is easier to win customers' trust.
- B. Through the complete financial service system (including banking, securities, property insurance, etc.) and the good corporate image of Financial Holding Group, HNVC's development of case source and investment evaluation may bring positive benefits.

(2) Unfavorable factors:

- A. There are still variables from the impact of the pandemic, which have a negative impacts on venture capital fundraising and the presentation of invested cases.
- B. Large enterprise groups often seek transformation and breakthroughs by setting up their own venture capital funds, making it difficult for general financial venture capital to participate in their investments.

(VI) Hua Nan Assets Management Company

1. Primary investment area: Taiwan.

2. Future demand and supply status of the market

Affected by low interest rates and rising real estate prices, the quality of bank credit assets is good, and there is almost no asset auction in the NPL market. Looking at the development trend of the real estate market in the future, Taiwan's economic growth and export value in 2021 were not affected by the pandemic, not only setting new highs over the years, but also the overall export industry revenue grew significantly. The expectation of significant economic growth and the rising inflation has driven the demand in the residential real estate market



and the rise in real estate prices. In addition, in recent years, the return of funds from Taiwanese companies and the increasing plant expansions by local manufacturers, have also boosted the demand and price of industrial and commercial real estate overall. Measuring the future economic developments, the U.S. has begun to taper the bond purchases and is preparing to start to raise interest rates. The Central Bank may increase interest rates in response to interest rate changes in major countries. However, the impact of moderate interest rate hikes shall only have limited effect on the real estate market when the corporate earnings grow, and people's incomes increase; in the short- and mid-term, the residential, commercial and industrial real estate shall be supported. As for the foreclosure market, in recent years, the active real estate transactions result in the decrease in the sources of foreclosures. In addition, investors have been investing and the competition becomes fierce consequently. The auction price is close to the market price, making it more difficult to acquire assets. In order to expand investment channels, HNAME not only has deployed in the foreclosure market, but also led its peers in the development of urban renewal and reconstruction of dangerous and old buildings business. The first industrial zone urban renewal project in Taiwan successfully obtained the use permit at the end of 2021, as a brand new model; In the future, it will continue to move towards the renewal and value-added business of real estate. Through the accumulation of experience and the replication of successful cases, the value of assets will be enhanced, and stable rent income and capital gains will be created for more abundant income.

3. Business objectives

- (1) Through the direct investment in real estate, it not only aims to expand the scale of assets and pursue profit growth, but also cultivates professionals in the fields of real estate investment, property management, integration, planning, and development and construction, to facilitate the long-term development of the urban renewal and reconstruction of old and unsafe buildings promoted by the governmental policies; thirdly, the bidding assessment talents may be developed for the NPL tenders and the talents of disposal in the future.
- (2) Continue to work with the peers to request relaxing the conditions for financial institutions to sell NPLs, or allow AMC to help valuable companies to restructure their debts, improve their financial structure for restarting, seeking to create a all-winner situation for companies, employees, creditor banks, up- and downstream vendors, as well as AMC.
- (3) Aligning with government policies, urban renewal or the reconstruction of dangerous and old buildings are actively promoted, seeking to improving the overall living environment and rebuilding safety of living.

4. The favorable and unfavorable factors for future development

(1) Favorable factors

- A. HNAME enjoys abundant operation resources and support from the Group.
- B. HNAME has cultivated professional talents based on the structure of core businesses of international investment banks.
- C. HNAME retains capacity for innovation and competition and it has more experience in urban renewal projects than competitors.
- D. It has been confirmed by the Taiwan Rating with a domestic long-term rating of "twA+" and a domestic short-term rating of "twA-1," and the rating outlook is "stable."

(2) Unfavorable factors

- A. As the asset scale is smaller, its revenue is lower than that of competitors.
- B. The overall foreclosure market demands are active, making foreclosure bidding more severe, affecting the opportunity to bid for suitable assets and the growth of asset scale.

IV. Employee data of the Group

(I) Employee data in recent two years

Year		As of March 31, 2022	2021	2020		
No. of employees	Hua Nan Financial Holdings		82	86	86	
	Hua Nan Bank		7,827	7,930	7,972	
	Hua Nan Securities		1,429	1,423	1,407	
	South China Insurance		1,048	1,040	1,026	
	Hua Nan Investment Trust		55	56	57	
	Hua Nan Venture Capital		10	10	10	
	Hua Nan Assets Management Company		50	52	44	
Average Age	Hua Nan Financial Holdings		44.39	44.05	43.59	
	Hua Nan Bank		42.72	42.64	42.53	
	Hua Nan Securities		45.84	45.77	45.97	
	South China Insurance		39.10	39.20	38.90	
	Hua Nan Investment Trust		46.74	45.91	45.80	
	Hua Nan Venture Capital		47.35	47.10	46.10	
	Hua Nan Assets Management Company		36.78	36.25	38.14	
Average year of services	Hua Nan Financial Holdings		7.27	7.13	6.55	
	Hua Nan Bank		15.96	15.88	15.82	
	Hua Nan Securities		11.07	11.02	10.88	
	South China Insurance		10.50	10.50	10.40	
	Hua Nan Investment Trust		7.49	7.96	7.76	
	Hua Nan Venture Capital		13.16	12.91	11.91	
	Hua Nan Assets Management Company		7.28	7.06	8.16	
Educational distribution ratio (%)	Ph.D.	Hua Nan Financial Holdings		0	0	0
		Hua Nan Bank		0.08	0.08	0.08
		Hua Nan Securities		0.35	0.35	0.35
		South China Insurance		0	0	0
		Hua Nan Investment Trust		0	0	0
		Hua Nan Venture Capital		0	0	0
		Hua Nan Assets Management Company		0	0	0
	Masters	Hua Nan Financial Holdings		41.46	55.00	55.00
		Hua Nan Bank		18.08	17.62	16.73
		Hua Nan Securities		10.64	10.19	9.96
		South China Insurance		6.40	6.70	5.90
		Hua Nan Investment Trust		25.45	28.57	24.56
		Hua Nan Venture Capital		60.00	60.00	60.00
		Hua Nan Assets Management Company		23.08	23.08	20.46
	Bachelors	Hua Nan Financial Holdings		58.54	45.00	45.00
		Hua Nan Bank		77.76	78.10	78.47
		Hua Nan Securities		75.23	75.30	74.06
		South China Insurance		86.60	86.40	86.20
		Hua Nan Investment Trust		72.73	69.65	73.69
		Hua Nan Venture Capital		40.00	40.00	40.00
		Hua Nan Assets Management Company		75.00	75.00	77.27
	Senior High School	Hua Nan Financial Holdings		0	0	0
		Hua Nan Bank		3.85	3.96	4.42
		Hua Nan Securities		12.79	14.17	15.61
		South China Insurance		6.80	6.70	7.70
		Hua Nan Investment Trust		1.82	1.78	1.75
		Hua Nan Venture Capital		0	0	0
		Hua Nan Assets Management Company		0	0	0
	Below Senior High School	Hua Nan Financial Holdings		0	0	0
		Hua Nan Bank		0.24	0.25	0.30
		Hua Nan Securities		0	0	0
		South China Insurance		0.20	0.20	0.20
		Hua Nan Investment Trust		0	0	0
		Hua Nan Venture Capital		0	0	0
		Hua Nan Assets Management Company		1.92	1.92	2.27



Financial Certificates Held	Hua Nan Financial Holdings	ertified Anti-Money Laundering Specialist(CAMS): 49 persons, CAMS-Audit: 1 person, CAMS-FCI: 1 person, Certified Public Accountant: 4 persons, Lawyer: 1 person, FRM: 4 persons, Certified Securities Investment Analyst: 2 person, Certified Internal Auditor (CIA): 2 persons, Property Insurance Broker: 1 person, Personal Insurance Broker: 1 person, Senior Securities Specialist: 14 persons, Securities Specialist: 20 persons, Futures Specialist: 18 persons, Financial Planner: 18 persons, Investment Trust and Consulting Representative: 19 persons, Property Insurance Representative: 38 persons, Personal Insurance Representative: 47 persons, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 18 persons, Investment-Linked Insurance Product Representative: 27 persons, Trust Representative: 42 persons, Bank Internal Controls: 57 persons, Stock Affairs Personnel Professions Test: 2 persons, Basic Bank Lending Personnel: 20 persons, Basic Foreign Exchange Personnel: 17 persons, Asset Securitization: 4 persons, Bond Specialist: 4 persons, Project Specialist: 2 persons, Property Insurance Representative: 4 persons, Digital Finance Knowledge Test: 13 persons, Level B Technician for Accounting: 1 person, Level C Technician for Accounting: 1 person, Structured Products Sales Representative: 11 persons, Proficiency Test for Foreign Exchange Transaction: 1 person, Chartered Business Valuator: 2 persons, Futures Trading Analyst: 1 person, ISO27001 leading auditor 1 person, Futures Trust Fund Sales Institution Sales Representative Test: 5 persons, Anti-Money Laundering and Counter Terrorist Professional Test: 8 persons, Securities firm conduct securities trading margin purchase and short sale business Specialist: 1 person, Ability test of Corporate Governance: 1 persons, Certification Test for Financial Derivatives Sales Personnel: 2 person, Professional risk management test for Financial Personnel: 1 person, Basic Risk Management Test: 2 persons, JAVA Certificate: 1 person, Certified Ethical Hacker (CEH): 2 persons, Certified Hacking Forensic Investigator (CHFI): 2 persons, Certified Information Systems Security Professional(CISSP) : 2 persons, Certified Information Security Manager (CISM) : 1 person, Certified Information Systems Auditor(CISA) : 1 person
	Hua Nan Bank	Bank Internal Control: 7,223 persons, Trust Representative: 6,642 persons, Personal insurance Representative: 6,806 persons, Financial Planner: 2,111 persons, Property insurance Representative: 6,576 persons.
	Hua Nan Securities	Senior Securities Specialist: 431 persons, Securities Specialist: 804, Futures Specialist: 965 persons, Trust Representative: 640 persons, Investment Trust and Consulting Representative: 467 persons, Personal Insurance Representative: 900 persons, Property Insurance Representative: 759 persons, Investment-Linked Insurance Product Representative: 549 persons, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 508 persons, Anti-Money Laundering and Counter Terrorist Professional Test: 155 persons, CAMS: 11 persons.
	South China Insurance	Underwriter Certificate: 131 persons, Claim Settlement Certificate: 92 persons, Property Insurance Representative: 1,000 persons, Assistant Actuary Certificate: 1 person, Actuary Certificate: 2 persons, Senior Securities Specialist: 47 persons, Securities Specialist: 296 persons, Trust Representative: 182 persons, Personal Insurance Representative: 746 persons, Investment-Linked Insurance Product Representative: 335 persons, Financial Planner: 8 persons, Level B Technician for Fire Extinguisher Fire Safety Equipment: 1 person, Level B Technician for Escape System & Fire Safety Equipment: 1 person, Level B Technician for Chemical System & Fire Safety Equipment: 1 person, Level B Technician for Water System & Fire Safety Equipment: 1 person, Level B Technician for Alarm System & Fire Safety Equipment: 1 person, Thermal/Infrared Testing Level I: 1 person, Personal Risk Management Professional: 4 persons, FRM: 1 person, Occupational Safety and Health Business Supervisor: 8 persons, Emergency Personnel: 18 persons, Fire Fighters: 1 person, Industrial Safety Manager: 1 person, Industrial Safety and Health Administrator: 1 person, Property Insurance Agent: 3 persons, Property Insurance Broker: 2 persons, (China) Insurance Assessment Practitioner [Surveyor] Certificate: 2 person, (China) Insurance Agent Certificate: 1 person, (China) Insurance Broker Certificate: 3 persons, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 63 persons, Administration Personnel for Life Insurance: 2 persons, Investment Trust and Consulting Representative: 66 persons, Stock Affairs Personnel: 2 persons, Futures Specialist: 55 persons, Certificate of Insurance Customer Service: 46 persons, ISO27001 Information Security Management Systems Lead Auditor: 2 persons, JAVA Certificate: 11 persons, ACA Dreamweaver CS5:1 person, Microsoft MCTS: 1 person, Microsoft MCITP: 1 person, Level C Computer hardware decoration: 2 persons, ERP Planer: 1 person, MCP: 1 person, MCAD: 1 person, IBM AIX 7 Administration: 1 person, HP HP-UX System Administrator: 1 person, VM ware Certified Professional: 1 person, Level C Computer Software Design: 1 person, Level B Computer Software Application: 1 person, Sophos XG Firewall-Certified Engineer: 1 person, Certified Infoblox Core Engineer v6.10: 1 person, v8.0 TRITON AP-DATA 201 Class: 1 person.
	Hua Nan Investment Trust	Investment Trust and Consulting Representative: 25 persons, Senior Securities Specialist: 24 persons, Trust Representative: 34 persons, Financial Planner: 3 persons, Futures Specialist: 21 persons.
	Hua Nan Venture Capital	Personal Insurance: 1 person, Property Insurance Representative: 1 person, Senior Securities Specialist: 1 person, Financial Planner: 2 persons, Trust Representative: 3 persons, Bank Internal Control: 2 persons, Chartered Business Valuator: 1 person, Intellectual Property Valuator: 1 person, Intellectual Property Valuation Seed Teacher: 1 person, Fifth Training for Patent Analyst Profession Certificate held by Industrial Technology Research Institute: 1 person.
	Hua Nan Assets Management Company	Bank Internal Control: 5 persons, Bank Internal Control and Internal Audit: 4 persons, Trust Representative: 9 persons, Financial Planner: 2 persons, Outsourced Debt Collection Personnel: 12 persons, Investment-Linked Insurance Product Representative: 2 persons, Basic Bank Lending Personnel: 3 persons, Basic Foreign Exchange Personnel: 2 persons, Personal Insurance Representative: 7 persons, Property insurance representative 2 persons, Property Insurance Representative: 1 person, Senior Securities Specialist: 1 person, Securities Specialist: 2 person, Futures Specialist: 1 person, Investment Trust and Consulting Representative: 2 person, Real Estate Valuator: 2 persons, Land Registration Agent: 1 persons, Certified Public Bookkeeper: 2 persons, Real Estate Broker: 4 persons, Real Estate Broker Operator: 10 persons, Certified Anti- Money Laundering Specialist (CAMS): 5 persons, Microsoft Certified Systems Engineer: 1 person, Cisco Certified Network Associate Engineer: 1 person, ISO27001 Lead Auditor: 4 persons, BS10012 Lead Auditor: 2 persons, Taipei Old and Dangerous Reconstruction Promotor: 8 persons, Construction Site Director: 1 person, Class B Occupational Safety and Health Supervisor: 1 persons, Emergency Personnel: 1 person, Architect: 1 person.

(II) Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Department	Name of the Certificate
Finance and Accounting Department	Certified Anti-Money Laundering Specialist (CAMS): 7 persons, Certified Public Accountant: 3 persons, Certified Securities Investment Analyst: 2 persons, Certified Internal Auditor (CIA): 1 person, Senior Securities Specialist: 1 person, Securities Specialist: 3 persons, Futures Specialist: 3 persons, Financial Planner: 3 persons, Investment Trust and Consulting Representative: 2 persons, Property Insurance Representative: 1 person, Personal Insurance Representative: 3 person, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 2 person, Investment-Linked Insurance Product Representative: 2 persons, Trust Representative: 5 persons, Bank Internal Controls: 6 persons, Stock Affairs Personnel Professions Test: 1 person, Basic Bank Lending Personnel: 2 persons, Basic Foreign Exchange Personnel: 1 person, Asset Securitization: 1 person, Debenture Personnel: 2 persons, Digital Finance Knowledge Test: 1 person, Level B Technician for Accounting: 1 person, Level C Technician for Accounting: 1 person, Structured Products Sales Representative: 1 person, Proficiency Test for Foreign Exchange Transaction: 1 person, Certified Business Valuator: 1 person, Futures Trading Analyst: 1 person, Futures Trust Fund Sales Institution Sales Representative Test: 1 person, Anti-Money Laundering and Counter Terrorist Professional Test: 1 person, Basic Proficiency Test for Financial Risk Management: 1 person.
Audit Department	Certified Anti-Money Laundering Specialist (CAMS): 7 persons, Certified Public Accountant: 1 person, Certified Internal Auditor (CIA): 1 person, Property Insurance Broker: 1 person, Personal Insurance Broker: 1 person, Senior Securities Specialist: 3 persons, Securities Specialist: 3 persons, Futures Specialist: 2 persons, Financial Planner: 2 persons, Investment Trust and Consulting Representative: 2 persons, Property Insurance Representative: 6 persons, Personal Insurance Representative: 5 persons, Personal Insurance Representative Selling Non-Investment-Linked Insurance Product in Foreign Currency: 1 person, Investment-Linked Insurance Product Representative: 2 persons, Trust Representative: 3 persons, Bank Internal Controls: 7 persons, Basic Bank Lending Personnel: 3 persons, Basic Foreign Exchange Personnel: 1 person, Asset Securitization: 1 person, Bond Specialist: 1 person, Digital Finance Knowledge Test: 1 person, Futures Trust Fund Sales Institution Sales Representative Test: 1 person, Anti-Money Laundering and Counter Terrorist Professional Test: 2 persons, Securities firm conduct securities trading margin purchase and short sale business Specialist: 1 person, JAVA Certificate: 1 person.

(III) Employee Education and Training:

The Company actively encourages employees to attend training held by external financial institutions during spare time to enhance professional knowledge and improve working efficiency. Employee studying and training status in 2021 is as follows:

1. Employees registered 226 attendances in training courses organized by external institutions in 2021.
2. In addition to general and professional training held by Taiwan Academy of Banking and Finance, the Company also encourages employees to attend training courses held by Securities and Futures Institute, Accounting Research and Development Foundation, Chung-Hua Institution for Economic Research, and other professional training institutions.

(IV) Employee Code of Conduct and Ethics

1. The Company has specified the following service guidelines for employees in the "Employee Work Rules":
 - (1) Employees shall be loyal to their duty and execute the duty according to company rule, management's instruction and regulations.
 - (2) Employees shall keep confidentiality for secrets obtained during business operation or through their positions.
 - (3) Employees may not use his position to benefit himself or cause damage to others.
 - (4) Employees may not accept entertainment, gifts, kickback, or other unjust benefits through their actions in the performance of their duties or actions taken against their duties.
 - (5) Employees may not engage in business, speculative business, or any other profit-seeking behaviors that will affect their duties.
 - (6) Without the approval of the Company, employees may not serve concurrently in other roles outside the Company that affects the performance of their labor contract.
 - (7) Employees of the Company or subsidiaries may not borrow or lend money from each other. Normal usage or rotating savings and credit association that have been reported to the line manager beforehand are not included.
 - (8) Employees may not bring reports, document, emails or letters out of the Company or provide them to outsiders.
 - (9) Employees may not read reports, document, emails or letters that are not related to their own job duties.

- (10) Employees may not bring guns, ammunition, knives, dangerous or forbidden items, or items not related to job into any work place in the Company.
 - (11) Employees shall wear uniforms in accordance with regulations and pay attention to their attire and cleanliness to maintain a presentable style and temperament.
 - (12) Employees shall wear badge during work hours. The badge shall be returned to the Company upon resignation.
 - (13) Employees shall not sexually harass others.
 - (14) Employees are not permitted to evade responsibility for urgent major accidents in an attempt to evade responsibility.
 - (15) Employees shall not use their duties to inform the company or their subsidiaries or relatives about the improper benefits of the Company, family or individual.
 - (16) Employees must not neglect their duties, fail to perform their duties, or violate the internal control system of the Company.
2. In order to enhance employees' understanding of the code of ethics and clearly define employees' rights, obligations, and conduct, the Company established the "Employee Work Rules" and other related rules and guidance as follows:
 - (1) Level of Authority: To clearly define level of authority and job duties of all departments in the Company.
 - (2) Directions of Employee Promotion: Establish a reasonable promotion system to promote talents.
 - (3) Directions of Employee Attendance Management: To clearly define rules for employees' attendance.
 - (4) Directions of Training and Educations: Enhancing the cultivation of professionals and enriching employees' knowledge.
 - (5) Directions of preventing employee sexual harassment: Promoting and maintaining gender equality and dignity. To provide a working environment free of sexual harassment for employees and job seekers.
 3. In order for the Company's employees to understand all Rules for Employee Conduct and Code of Ethics, the Company has established data system for all important rules and directions in company intranet for employees to check at any time.

(V) Working Environment and Employees' Personal Safety Protection Measures

1. Equipment safety:
 - (1) The safety of lifts: For the safety of all personnel that use lifts, the Company engages suppliers to conduct periodic and annual maintenance on all passenger lifts or cargo lifts.
 - (2) Access control: For the safety of all employees, the Company engages external security service companies to protect the access safety. The Company also adopted electronic access control system at all floors to strictly control the access safety and protect the physical safety of all levels of employees.
2. Environmental health and safety: In order to provide employees with good environmental health and safety, the Company engages external cleaning companies to clean the environment twice a day and conduct disinfection from time to time to ensure the health and safety of environment.
3. Fire safety: The Company is fully-equipped with fire safety system including alarm system, fire sprinkler system, and emergency exit system. The Company also periodically conducts examination of fire safety equipment.
4. The employee work environment and safety protective measures are disclosed in corporate social responsibility section of the official website: <https://www.hnfhc.com.tw/HNFHC/>.

V. The Group's corporate responsibility and ethical behavior

The Group engages in all kinds of financial businesses in response to government economic and financial policy, provides refined financial services to corporations and the public, facilitates business, economic development, and the welfare of the public. The Company will work through the core value of HEART (Honesty/Efficiency/Activeness/Responsibility/Teamwork) and devote itself to improving operating performance, protecting customer rights, optimizing shareholders' value, and establishing a healthy, solid, and perpetual financial group.

VI. The number of full-time non-management employees, the average and median salary of full-time non-management employees, and the difference of the three statistics compared to the previous year.

Item	Unit	2021	2020	Annual Variance (%)
Number of Full-time Non-managerial Employees	Person	9,494	9,489	0.05
Total Salary of Full-time Non-managerial Employees	NT\$:thousands	12,646,534	11,368,506	11.24
Average Salary of Full-time Non-managerial Employees	NT\$:thousands	1,332	1,198	11.19
Median Salary of Full-time Non-managerial Employees	NT\$:thousands	1,141	1,036	10.14

Note 1: The calculations above include HNFHC and three subsidiaries: HNCB, HNSC, and SCIC.

Note 2: "Full-time employees who are not in supervisory positions" refer to the number of employees who have been employed for more than six months (Inclusive) in the current year after deducting those who hold supervisory positions (Managerial Officer), employees in overseas branches, and part-time employees.

Note 3: The total salary refers to the employees' salary for the year, including recurring salary (base pay and monthly fixed allowance and bonus), overtime pay and non-recurring salary (non-monthly allowance, year-end bonus, performance bonus, employee compensation, etc.).

VII. The information equipment of the Group

(I) Hua Nan Financial Holdings

The allocation and maintenance of major information system hardware and software, future development or purchase plan, emergency backup and safety protection.

1. The allocation and maintenance of main information system hardware and software

The main hardware of the Group's information system consists of the IBM host, Tandem host, UNIX server, and PC server. The operating systems include IBM/OS, IBM AIX, Unix, and Windows Server. The database systems include IMS DB, DB2, Oracle, Informix, and MS-SQL. They are mainly used in core business system, e-commerce platform, management information system, and data warehouse that support business analysis. All hardware and software systems are maintained by dedicated personnel. Maintenance contracts are signed with vendors to ensure normal system operation.

2. Future development or procurement plans

In response to Group business development strategy and information technology trend, the Group planned four major mid-to-long-term information strategies to provide stable, high potency, and safe information service. Through the combination of finance and technology, the Group develops and creates the niche for business development and enhances overall competitiveness and advantage of the Group.

(1) Providing stable and fast information system services:

In response to multi channel services of digital finance, the Group continues to strengthen information infrastructure to ensure the safety and stability of information system. It has replaced the transaction system and equipment and improved the backup environment. It has expanded system service functions and reduced operating risks to provide customers with high-quality and reliable financial services without any interruption. The Group must improve the stability and speed of the information system from both management and technology aspects.

A. In terms of management: In response to FMC's resilience proposal, financial institutions should ensure business continuity of the information system, strengthen the backup of infrastructure and data, and develop a sound disaster recovery plan to ensure the uninterrupted financial services.

B. In terms of technology: Strengthen the virtualization infrastructure, and import infrastructure that can be rapidly deployed and system that help to integrate the old and new information. Monitor the development of financial institutions that have connected public cloud services. Appropriately import the cloud services to improve the job processing efficiency and system elasticity to help improve business efficiency and reduce cost.

(2) Establishing flexible structure to enable real-time support for business operations:

- A. In the backdrop where digital finance is everywhere, the explosion of transactions brought by various activities, it is necessary to build a system architecture that can quickly and flexibly scale up. The banking information department has developed towards cloud native technology, container, and microservice, for being more agile and flexible in response to business needs, connecting services and data, to provide faster and better services.
- B. To respond to the introduction of new digital services, each company of the Group plan to upgrade and transform their systems towards the goal of “small core with large peripherals.” In order to pursue stable operation of the systems, the core systems will mainly retain key businesses, and other peripheral systems will be transferred to the open platforms easy for development and expansion, to accelerate the pace of system adjustment to respond the rapid business evolutions, for achieving transformation services with digitized channels and intelligent services.
- C. As the Financial Supervisory Commission promotes Open Banking and develops the OpenAPI management platform, the Group’s companies also actively expand API applications, allowing financial services to be connected across different scenarios, providing customers with more diverse services, while expanding the clientele for developing extended business for customer stickiness, and thereby accelerate the digital transformation of financial services, to create a all-winner, mutually beneficial and co-prosperous ecosystem among customers, the financial industry and third-party service providers.
- D. Intelligent Automation (IA) is also a trend that cannot be ignored. Robotic Process Automation (RPA) automates a large number of routine and repetitive tasks. The integration of voice, image recognition and AI could also help resolve processes that involve human judgment and allow machines to truly act autonomously. The Bank and property insurance department have begun to evaluate the introduction of RPA, and were expected to reorganize the operating process and improve or reengineer the process through the introduction process to enhance competitiveness.
- E. The Group shall continue to increase its capacity for big data analytics and continue to develop the application of artificial intelligence and machine learning to explore the value from large amounts of data. In addition to precision marketing, big data analytics can also be applied to financial consulting, risk control, security protection, financial supervision technology and other fields, and then be introduced to artificial intelligence to provide better financial services.

(3) Enhancing information security protection mechanisms:

In response to the rapid development of information and FinTech and the increasing threat to information security, financial institutions shall speed up the development of new products and services in response to the new technology and business competition and monitor the safe financial services environment, which is one of big challenges to different industries. The Group shall comply with the “Financial Information Security Action Program” of the competent authority to achieve development to the following four directions:

A. Strengthen Information Security Supervision

Periodic review the effectiveness of information security and the integrity of information security standards. By virtue of the functions of independent third-party audit and the Group’s information security promotion team, plan outside-in and up-down strategies, and form information security organization culture to implement various information security work.

B. Enhance Information Security Governance

We shall continue to train information security personnel, establish a self-assessment mechanism in reference to the international information security management standards and information security governance maturity, continue to deepen and implement the information security management, and establish a virtuous improvement cycle of PDCA (Plan-Do-Check-Act).

C. Promote Financial Resilience

Financial institutions must take risk thinking and improve the resilience of financial services in the face of severe security attacks. These measures include strengthening the response to information security attacks, disaster recovery, and final preservation of customer property information to make the best preparation for the worst.

D. Implement Joint Security Defense

Continue to strengthen the depth, breadth and real-time of intelligence information collection. The Group shall comply with the F-ISAC, F-CERT and F-SOC operating mechanisms announced by the competent authorities and continue to push up information defense efficiency from three aspects to move forward to a more effective mechanism of active defense. The aspects include intelligent information security and intelligence analysis, systematic information security event response, and real-time information security monitoring.

(4) Grasping technology and cultivating talents:

- A. Talent cultivation has always been a key part of the Group's development. In addition to active recruitment of IT talents, the Group also encourages IT personnel in the Group to enhance their skills. In addition to participation in internal and external training programs, they are also encouraged to obtain related professional licenses.
- B. In June 2021, the FSC also planned a function map of financial information security talents, divided into three major areas, namely supervision and governance, security development, and information security operation and maintenance. It is expected that the financial industry will cultivate the information security talent with plans, and obtain license, to replenish the financial information security team for creating more secure financial services.
- C. In addition to talent selection and cultivation, it is more important to use and retain talents. It is not easy to cultivate information talents. The Group's Information Department shall create a good working environment, tap the potential of information talents, carry out the experience inheritance of personnel, and attach importance to their career development. We are expecting colleagues to grow together with the Company and create a win-win situation.
- D. With the diversified applications of the Open API architecture, middle office architecture design, development and operation integration (DevOps), microservice architecture, Kubernetes or container technology, robotic process automation (RPA), we will continue to monitor the fintech development, continuous cultivate the fintech professionals, and deploy the digitally competitive information services for the Group.

3. Risk management system

(1) The Group's Market Value at Risk (VaR) System

The purpose of the establishment of the system is to evaluate the market risk of all subsidiaries in the Group with consistent standard. The system can calculate risk value, produce market risk analysis report, and control the market risk limit for daily trading positions.

(2) The Group's operation risk loss database

The purpose of the establishment of the system is to collect the Group's internal operation risk loss data. Through the continuous reporting by all members in the Group, all operation risk incidents already happened in the Group can be grasped as a reference for reviewing existing control and improvement, and preparing for advanced evaluation of economic capital in the future.

(3) The Group's related party information system

The purpose of the establishment of the system is to provide personnel of the Company and subsidiaries with fast and easy web interface to maintain, query, and print out stakeholders/substantive related party information required by the Financial Holding Company Act and export the data into subsidiaries' transaction system to control transactions with interested-party and substantive related parties.

(II) Hua Nan Bank

1. The allocation and maintenance of main information system hardware and software

- (1) Core accounting system: Utilizing IBM mainframes that mainly processes the connection operation of deposit, loan, foreign exchange, import and export, overseas wire transfer, and trust fund.
- (2) E-commerce platform system: Utilize IBM Power System host that mainly processes personal mobile banking, corporate mobile banking, and mobile bank.
- (3) Overseas banking system: Utilize Cisco Blade server that mainly processes overseas branches core transactions and anti-money laundering.

- (4) Analysis management system: Utilize Dell and HP host that contains data warehouse, customer relationship management, Basel II calculation, Group Value at Risk, and risk management systems.
- (5) Other important open systems: Utilize IBM Power System, Cisco, and HP host. They include branch terminal centralize system, SWIFT, notes and bills settlement system, trusts system and anti-money laundering system, etc.

2. Future development or procurement plans

- (1) Optimize the core system architecture, and transfer operational systems other than the core operations, namely deposit, deposit, loans, foreign exchange, and accounting (such as the centralized operation of collected bills, collection and payment services, specific monies trusts, ATM systems, and foreign exchange price negotiation systems) to open platforms year by year gradually. Through the highly flexible open platform architecture, business needs may be quickly met.
- (2) Build an external application service system base on the “micro-service architecture” (including a new generation mobile banking, credit card and APP exclusive to personal finance business, SnY APP, online banking and digital service integration platform, etc.), and use the micro-service architecture and container technology featured with independent deployment, flexible expansion, and agile development, to quickly establish the cooperation channels with external parties, and provide financial services with certain and diversified channels.
- (3) API-based shared services, unified system connection interface, a common language and protocol among internal systems is established, and an internal API management platform and shared services are built, to accelerate system development and integration.
- (4) Planning a digital integrated service platform, starting from the needs of customers, and integrating shared infrastructure of financial services including, TWID identification services, video conference, optical character recognition (OCR), push notifications, to optimize the application process and interface of various digital financial services, improve customer experience, and provide customers with one-stop shopping service.
- (5) Conduct the data transformation and optimization, build an ODS data application service platform, integrate real-time data, and improve data service capabilities, for being applied to mobile banking to enhance customer experience as the first priority. In addition, the data warehousing EDW system is upgraded to strengthen the data structure and support business applications.
- (6) Following the project of introducing RPA into the in-house operation process, the Company continues to sort out the existing problems of processes and optimize process activities, to improve operation efficiency and quality through automation and intelligence.
- (7) Expand the performance of the information system
 - A. To cope with system demand from new businesses, the Company continues to build solid information infrastructure and plan purchase and replace virtual servers and storage devices. The Company shall increase the computing capacity and space necessary for projects and future business growth.
 - B. Purchase and plan network equipment for the establishment of new business or new units in order to quickly establish network connection environment for every unit, increase availability rate of network equipment, and protect the overall network environment.
 - C. Replace terminal computers in accordance with business development requirements of each unit to provide a high-quality work environment.
 - D. Aligning with the relocation of the new information building to Tucheng, the data centers and electro-mechanical engineering construction, network architecture design, and relocation planning, network equipment plan and procurement are conducted, to build a new information center infrastructure network, with future scalability, high flexibility and stability, to facilitate the smooth relocation of the information system and rapid provision of services in the future.
- (8) Aligning
 - A. Replacing the firewall equipment in the HQ building and overseas accounting system that will soon lose supports, to ensure the stable operation of the system and prevent information security risks resulted from equipment failure.
 - B. To respond that the core accounting mainframe is changed to an open network (TCP/IP) architecture, firewalls, an intrusion prevention system (IPS) and the network malware protection system (APT) were built to provide a network operating environment and security protection mechanism, enhancing the security of the core accounting mainframe in an open network environment.

(9) Enhance information security

- A. The Bank strengthened legal compliance and passed related international information security standard certification to meet regulatory requirements for information security. The Bank passed the ISO27001 International Information Security Standard certification in August 2012, passed ISO27001:2013 certification in June 2015, and passed the three-year re-certification from July 4 to 6, 2018. The Bank will continue to take the re-certification of ISO27001:2013 to demonstrate its commitment to information security management.
- B. The Bank continues to conduct computer system information security evaluation, engage external professional institutions to conduct information security examination, and identify potential information security threats and weaknesses. The examination items include information structure inspection, network activity inspection, test of network equipment, servers and terminals, website security inspection, safety configuration inspection, compliance inspection, penetration test, and social engineering practice in order to review the Bank's network safety protection ability and potential issues. The result of examination will be used to conduct related control procedures on technical side and management side, improve and upgrade the Bank's ability in network and information system security protection.
- C. Continue to execute SWIFT system customer security program. The scope includes restriction on internet access, key system protection, reduction of attack and weakness, physical security, prevention from hack of log-in information, management of credentials and segregation of duty, detection system abnormal behavior and abnormal transaction, and incident response and information sharing plan in order to enhance the Bank's transaction security in SWIFT system.
- D. Coping with the amendment to Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" by the Financial Supervisory Commission on September 23, 2021, it was added that the banking industry should appoint a deputy general manager or above, or a person with equivalent responsibilities to serve concurrently as the Chief Security Officer. On November 16, 2021, the chairman of the board approved the head of information technology management group to serve as the Chief Information Security Officer, for comprehensively managing information security policy promotion and resource deployment. The appointment was submitted to the board of directors and approved on December 27, 2021.

3. Emergency backup and safety protective measures

- (1) The core accounting mainframe built the same-site and remote backup mechanisms and recovery procedures.
- (2) Onsite and offsite backup mechanisms and recovery procedures are established for the open system servers according to the importance of the businesses.
- (3) Make offsite backup of the data every day. Operate backup switch and data recovery exercise regularly according to the above system recovery procedure to return to normal operations in response to the emergency response caused by software and hardware failures.
- (4) Onsite and offsite backup equipment and backup line are equipped for dedicated network lines and equipment according to the category of business. Exercises are performed regularly.
- (5) The Bankers Association of the Republic of China required all banks to set up monitoring and response mechanism for DDoS attack and conduct DDoS protection exercise every year. The Bank conducts DDoS protection exercise in every October. The exercise is done through actual external attack to go through the DDoS attack monitoring mechanism, personnel response and inform procedure. The capability to defend DDoS attack is reviewed after the exercise in order to strengthen the Bank's information security.
- (6) A multitenancy architecture is adopted for information operation network security to separate external services for customers and internal operations, strengthen the reliability of the Bank's online banking and business system, and ensure the security of connections and online transactions.
- (7) Enhance the Bank's defenses against online attacks and adopt new information security protection equipment with signature-less technology to detect and block malicious software or hacking activities on the Internet which cannot be detected with computer anti-virus software in order to prevent the threats of new forms of online attacks.
- (8) Use the information security for monitoring real-time network usage and communication status and analyze the information security equipment logs to locate suspicious activities and generate automatic alerts to quickly process and prevent information security incidents.



(III) Hua Nan Securities

1. The allocation and maintenance of main information system hardware and software
 - (1) Main information system hardware and main core system are configured in the ChungHwa Telecom IDC Co-location Center. The HPE Nonstop NS7 series host is used. The backup core system is installed in the ChungHwa Telecom IDC Co-location Center. The HPE Nonstop NS2400 series host is used.
 - (2) The main software for securities is jointly developed by the Company and approved software companies. The regular maintenance for main hardware is performed by original suppliers.
2. Future development or procurement plans
 - (1) To cope with the policies of the competent authorities, the “claims receivable for settlement in progress” are included in the extent of loan collateral for funds without usage restriction by securities companies. Sales of equity may be accounted in at the same day of transaction (T+0) Plan the sub-brokerage financing business and the fixed-time, fixed amount of investment in the U.S. equities, and strengthen the functions of the sub-brokerage trading system, to provide customers with diversified and internationalized investment channels
 - (2) Complete and enrich the functions of the electronic order-placement system, providing smart stock selection, smart customer service, and cloud accounting services, to enhance customers’ digital financial experience.
 - (3) Continue to enhance the information security, by introducing information security management and control software, and regularly performing information security health diagnosis.
3. Emergency backup and safety protective measures
 - (1) The Headquarters Server Room is placed on critical Internet connections and high-stability routers are used. Regional centers are provided with high-level and multi-line backup. They are placed in locations with fire protection equipment, access control, temperature and humidity control, electric-power generating equipment and designated management personnel to prevent damage.
 - (2) The core trading system adopts the primary-backup framework. The main core system is configured in the ChungHwa Non Stop NS7 host. The backup core system is configured in the Non Stop NS2400 host of the ChungHwa Telecom IDC Co-location Center. Relevant backup exercises are implemented on a regular basis.
 - (3) IP control equipment has been launched to enhance network security protection. Periodically conduct weakness scanning and engage external professional institutions to conduct social engineering exercises. We also use firewalls and dual-core switches to separate different networks and provide physical isolation for the OA and trading network. These measures ensure clearly rerouting of data, network stability, and fault tolerance to they enhance network operation efficiency. The IDC supplier is engaged to provide flow cleaning services against DDoS attacks and block the attacker’s IP address for network security.
 - (4) The mobile applications (APP) have passed the “Basic Information Security Testing Standards of Mobile Applications by Industrial Development Bureau, MOEA,” and obtained the MAS certificate of compliance by the commissioned execute unit, “Mobile Application Security Alliance.”

(IV) South China Insurance

South China Insurance currently uses the following operating system hardware:

Equipment use	Operating host	On-site backup host	Off-site backup host
Brand	IBM	IBM	IBM
Model number	P730	P730	P730
Operating system	AIX 7.1	AIX 7.1	AIX 7.1
CPU specifications	4228MHz *16 core	4312 MHz * 8 core	4312 MHz * 8 core
Memory	128GB	128GB	128GB
Database	informix 12.1	informix 12.1	informix 12.1
Storage device	EMC VNX5300 3,998GB	EMC VNX5300 1,552GB	IBM V3700 5,438GB

1. South China Insurance currently uses the following software:

- (1) Operating system: Vehicle insurance system, fire insurance system, water insurance system, accident insurance system, health and injury insurance system, financial system, operation digitization system, fund management system, accounting system, decision-making support system, actuarial reserve system, and digital claim system.
- (2) E-commerce system: eCover website (B2C), vehicle insurance B2B system, and customer service system.
- (3) Office automation system: Employee portal website, email system, knowledge management system, E-learning system, general affairs management system and asset management software.
- (4) Information security system: Special access account management system, endpoint personal data breach prevention system, highest access recovery tool software, logging system, source code detection device, server virtual patching system, mobile device protection system, database audit system, file server tracing system, server folder access audit system, external domain name server, remote encrypted connection device, Internet usage behavior management devices, internal/external firewall devices, email audit and email filtering system, and anti-virus software, Anti-tampering webpage system, remote connection recording system, secure file transmission management system, and asset management software.
- (5) Legal compliance: Anti-money laundering system.

2. Future development or procurement plans

- (1) Optimize the property insurance system function and operations process.
- (2) Upgrade the eCover website, to create a friendlier online environment for insurance purchase, and enhance customer experience.
- (3) Introduce RPA process robots, to simplify the operation process and save labor costs.
- (4) Build a mobile insurance purchasing system, to improve operational efficiency and service quality.
- (5) Expand access to mobile insurance purchase interface system, to increase premium income.
- (6) System adjustment and establishment in accordance with “International Accounting Standards Bulletin No. 17.”
- (7) Complete the software and hardware facilities of the remote backup data center, to ensure the stable operation of the backup mechanism.
- (8) Strengthen the functions of Security Operation Center (SOC).

(V) Hua Nan Investment Trust

1. The allocation of main information system hardware and software

- (1) HP professional servers and HP professional storage array storage equipment are adopted for the main hardware equipments. ASUS professional servers and general PC servers are used for other hardware equipments.
- (2) The main software platform is VMware Virtual Host Platform which contains all system hosts. Windows Operating System is used for the OS of all systems. MS SQL server is used for databases. The scope includes the core operating system and electronic transaction platform.
- (3) All software and hardware systems are maintained by designated personnel. Maintenance contracts are signed with the original supplier to ensure the normal operation of all system platforms.

2. Future development or procurement plans

- (1) Continue to conduct the improvement and adjustment of IT system with respective business type.
- (2) Improve IT infrastructure construction and replace existing hardware equipment with new one.
- (3) Implement information security control through ISO27001.
- (4) Purchase information security hardware and software in line with enhanced information security requirements.

3. Information operation security protection and backup procedure

- (1) Enhance virtual host backup mechanism to ensure the storage of the Company’s important data.
- (2) Adopt Chunghwa Telecom’s HiBox service for email which provides mail spam and anti-virus service.
- (3) Periodically conduct system upgrade and system weakness inspection and penetration scanning to strengthen system security.
- (4) Enforce the periodical change of password, require complex password, and restrict password repeat. Set up access control and environment control system (fire protection, temperature and humidity monitoring and control) for server room to protect information security.

- (5) Plan the establishment of the information security monitoring center and continue to conduct information security training to raise employees' information security awareness.

(VI) Hua Nan Venture Capital

1. System hardware allocation for main IT system:
IBM xSeries 3500M4 host, Palo Alto PA-220 firewall, Cisco Ethernet exchanger, and Juniper EX2200 48Port uplink.
2. The allocation and maintenance of main information system software
Operating system: Windows 2012 Server Standard 2 Proc
Firewall: Palo Alto Networks PA-220
Anti-virus: Kaspersky
Application system: Attention Accounting System
Application software: OFFICE 2019, Adobe Acrobat X Pro, and Exchange 2013
3. Future development or procurement plans
The current hardware establishment meets the demand from the Company's operation. With future operation development, the Company will evaluate the purchase of related equipment according to actual need.
4. Emergency backup and safety protective measures
 - (1) As the organization of the Company remains small, there is little demand for data backup. The system backup is done on a weekly basis. IT personnel also burns backup data in CD-ROMs or USBs and place them in different locations as remote backup.
 - (2) Firewalls are used to separate network connections and the Company periodically conducts security scans to achieve security control.
 - (3) Important equipment is placed in areas with access control and management personnel to prevent damage.

(VII) Hua Nan Assets Management Company

1. Major IT system and maintenance
 - (1) Hardware system: The system servers consist mainly of HP DL380 G10 series, IBM X3650 series, INTEL i7 desktop PC, Cisco and HP network equipment (routers and exchangers), Palo Alto next generation firewall, and HP Arcsight Logserver logging and tracing storage equipment, Network load balancer FortiGate 201E.
 - (2) IT system and software allocation:
 - A. Operating system: MS Windows 10, MS Windows 8.1, MS Windows 2012, and Centos7
 - B. Office: MS Office 2016
 - C. Email system: Chunghwa Telecom Hibox email service
 - D. Database: MS SQL 2012
 - E. Anti-virus tool: Trend Office Scan and Kaspersky
 - F. Vulnerability scanning software: Nessus
 - G. Endpoint monitoring software: IP-GUARD
 - H. Main operating systems: Asset management system, Ching Hang Accounting System, vault document management system, email system, web server, human resources system, and Biometric systems and other systems.. All software and hardware systems are maintained by designated personnel. Maintenance contracts are signed with original supplier to ensure the normal operation of all system platforms.
2. Future development and implementation plan of software and hardware
The intranet isolation was completed in 2021, and the servers were isolated from the personal computers in the intranet to improve the security of the server. In addition, to improve work efficiency, 2022 continues to review the various functions of the business system for enhancements, revisions and expansions, to improve the operation process; Windows 2016 will be added to the existing Windows 2012 and SQL2012 version, to enhance the compatibility and security of users. In addition, in 2022, the Company will evaluate and build a VPN with a two-factor authentication mechanism, to build a safe and effective remote working environment.

3. Emergency backup and safety protective measures

- (1) Periodically upgrade system patch and virus code of the anti-virus system to ensure normal system operations.
- (2) Adopting next-generation firewalls to block external network attack and periodically execute system weakness detection to enhance the Company's network safety.
- (3) Periodically backing up system data, establish remote backup mechanism, and periodically conduct data recovery exercise to ensure the usability of backup data.
- (4) Regularly conduct social engineering drills, to enhance employees' vigilance of emails, and preventing network security from being compromised and leaking personal information due to browsing malicious emails.
- (5) Regularly perform official website penetration testing to improve website security and reduce the risk of being hacked.
- (6) IP-GUARD centrally controls information security, the read and write access of movable storage equipment, external communication software usage, and network communication to prevent the leakage of confidential information.
- (7) Using Arcsight Logserver to store necessary usage record, audit trail and evidence to effectively safeguard track of data.
- (8) To fulfill the responsibility for personal data protection and strengthen corporate information security protection, implement BS 10012 personal information management system and ISO 27001 information security management system certification and periodically re-certify to ensure the effective operations of the system.
- (9) In terms of the outsourced SOC services, the real-time security events are grasped through the defense list and early warning notice accumulated by the SOC services to make early defense deployment and reduce internal attack threat to the Company.

VIII. Cyber security management

(I) Cyber security management structure

To implement the information security management system, the Company has set up the group information security promotion task force, subordinated by the information security executing group, emergency handling group, and information security audit group. The main tasks of the information security promotion task force include:

1. Study and review information security management system policies and related regulations, including control measures, handling procedures, risk assessment and countermeasures for risk actions, responsibilities of relevant departments, and determining the scope of information security management systems.
2. Study the information security education and training programs, and promote the relevant regulations and management philosophy of the information security management system.
3. Review the information security management system self-audit results and track the progress of corrective measures.
4. For the introduction of new technologies, assess possible information security risks and implement information security management.
5. Review information security incidents and the handling.

(II) Cyber security policy and concrete management program

1. The Company has prescribed the "Hua Nan Financial Group Information Security Policy" by considering of the Group's business needs, to ensure the confidentiality, integrity, availability and legality of the Group's information assets, and to avoid internal or external intentional or unintentional information security threats.
2. Based on ISO 27001 information security management system, the Company and each subsidiary establish the information security organization implementation, management system implementation, documentation and record management, information asset management and risk assessment, information asset protection, information operator security management, information operation continuity management, information security indicator management, physical security management, and communication security management, as well as other regulations for detailed executions, including server management, internet use, information device account and access management, personal computer and portable devices management, software use management, information operation continuity drill, network firewall management, server scanning, and e-mail management, to conduct the related information security management tasks accordingly.



(III) Resources invested in the cyber security management

1. Each company under the Group has introduced ISO 27001 information security management system and BS10012 personal information protection standards, to enhance the Group's information security protection and personal information protection mechanism
2. Establish same-site and remote backup systems, and remotely stored backup of important data of each system, to ensure data security and maintain highly efficient operation of information services.
3. Firewalls and intrusion detection systems, are installed at the network ports, to reinforce the barriers between the Internet and the Company's intranet, as well as enhance the division and control of each internal network segments of the companies.
4. Build a virus detection and prevention system with real-time update and centralized detection, to provide defense against ransomware and malware.
5. Build various detection systems for systems and network, to detect network attacks timely, and ensure the security of online transactions.
6. Build the equipment keeping tracks of audit with non-repudiation and evidence-based -- log server, which completely collects and saves operating system logs, to ensure the integrity and non-repudiation of the collected logs, to avoid the doubts of compromised and tampered audit tracks by people with intentions.
7. In order to implement the information security and respond to the implementation of the Personal Data Protection Act, the Company monitors and controls the data access of portable storage device (USB) and employee's email sending and receiving, through the data leakage prevention system (DLP) and computer terminal equipment asset management system, to detect suspicious conducts in real time and keep relevant audit tracks, to prevent the risk of confidential and sensitive data leakage, and protect the interests of customers.
8. For the countermeasures to DDoS attacks, each company enters DDoS protection contracts with ISP providers and schedule DDoS protection drills every year.
9. Each of Group company has obtained the membership of "Financial Information Sharing and Analysis Center (F-ISAC)" established by the Financial Supervisory Commission, and fully exploit the information security intelligence analysis and information security information exchange provided by the platform, among other functions, to achieve the effect of early warning and joint defense for the information security.

(IV) During 2021 and up to the annual report publication date, the each company of the Group has not suffered any significant cyber security incidents and no material adverse impact or loss to the Company's business.

IX. Labor Management Relations of the Group

(I) Employee benefits

1. The Company offers labor insurance and National Health Insurance to employees in accordance with laws and regulations.
2. The Company has set up the Employee Welfare Committee to provide employees with all kinds of subsidies, allowances, and activities (festival bonuses, congratulatory payment for marriage and birth, condolence payment for bereavement, training subsidies, subsidies for club activities, etc.)
3. The Company offers employees health checks and group insurance.
4. The Company provides comprehensive employee development plans, on the job training, and subsidies for external training or education.
5. Favorable employee annual leave policy (no salary deduction for personal leave up to 14 days and sick leave up to 30 days per year).
6. The Company provides employee with uniforms.

(II) Retirement plan and implementation

The Company stipulated a sound retirement plan in compliance with laws and regulations such as Labor Standards Act and Labor Pension Act. In compliance with Labor Standards Act, the Company has established Supervisory Committee of Labor Retirement Fund and makes monthly contributions to Retirement Fund at the Bank of Taiwan according to the old retirement system. The Company contributes 6% of monthly salary to employees' respective personal retirement fund in Labor Bureau on monthly basis for employees that apply to the new retirement system.

(III) Labor-management agreements and protective measures for employee rights or legitimate interests

1. To clarify the right and obligations of the employer and employees, the Company and subsidiary companies have established Work Rules based on the characteristics of their respective industries in accordance with the Labor Standards Act.
2. The Company and subsidiary companies have established employee-employer meetings to promote employee-employer relations and foster cooperation.
3. The subsidiary company Hua Nan Commercial Bank and the enterprise union signed a collective bargaining agreement to protect the labor conditions of the employees.

(IV) Four labor disputes incurred in the most recent year until the date of publication of the annual report

1. Hua Nan Commercial Bank (HNCB)

The Nantou County Government conducted a labor inspection on the Bank's Caotun Branch in April 2021, and on June 24, 2021, it issued a ruling Fu-She-Lao-Zi-Zhi No. 1100147412, specifying that the Bank did not verify the payment of extended working hours, violating Article 24 of the Labor Standards Act, and imposed NT\$50,000 fine upon the Bank.

Caotun Branch has conducted an internal promotion on May 4, 2021, and has implemented overtime management measures since May 2021; this deficiency has been improved. To enable each domestic unit of the Bank to fully implement the management regulations regarding overtimes, the Bank has issued a letter to reiterate the Bank's overtime management regulations, and random inspections of overtime management situation at the Bank's units are conducted from time to time, to actively supervise the each unit for caring of overtime situation of employees.

2. Hua Nan Securities

The plaintiff in the Xue lawsuit of Hua Nan Securities, Xue was laid off by the Company on April 10, 2020. Therefore, the plaintiff filed a lawsuit against the Company to confirm the existence of the employment relationship, and requested the Company to pay the plaintiff NT\$98,000 monthly from May, 2020 at the 10th day of each month, until the plaintiff's reinstatement, and from April 11, 2019 until the plaintiff's reinstatement, and contribute NT\$2,748 monthly to the plaintiff's employee pension account at the Bureau of Labor Insurance. On January 15, 2021, the case was settled through mediation in the Civil Labor Court of Taichung District Court, Taiwan, and the Company has paid the settlement fee. (2020 Zhong-Lao-Su-Zhi-No. 9)

X. Material Contracts of the Group

Describe the parties, major content, restrictive clauses, and duration of the existing contracts or contracts expired in past year that have material impact on shareholders' equity.

(I) Hua Nan Bank

Nature of the Contracts	Parties	Duration of the Contracts	Major Content	Limiting provisions
Construction contract	BES Engineering Corporation/Hua Nan Commercial Bank, Ltd.	From November 1, 2018 to December 15, 2021	Tucheng New IT Center Building Construction Project Total amount of the construction contract is NT\$640 million (contracted in 2018) Electrical and mechanical subcontracting project totaled NT\$559.8 million (contracted in 2019). The total amount was NT\$1,199.8 million (including VAT business tax).	The counterparty acts as the prime contractor which shall manage and coordinate the electrical and mechanical subcontracting project in addition to the construction project.



(II) South China Insurance

Nature of the Contracts	Parties	Duration of the Contracts	Major Content	Limiting provisions
Reinsurance contract	Aspen Insurance UK Limited Singapore Branch	2021.01.01~2021.12.31	The counterparty provides reinsurance for South China Insurance for fire insurance and fire additional insurance ratio and surplus reinsurance contract, fire insurance ordinary excess of loss cover reinsurance contract, and accident insurance excess of loss cover reinsurance contract.	None
Reinsurance contract	Central Reinsurance Corporation Central Reinsurance Corporation	2021.01.01-2021.12.31	The counterparty is insured by South China Insurance with fire insurance and fire additional insurance ratio and surplus reinsurance contract, marine cargo surplus reinsurance contract, hull ratio reinsurance contract, car ratio reinsurance percentage reinsurance contract, car insurance percentage reinsurance contract (Hoan Insurance Agency project), voluntary automobile reinsurance contract (luxury car and other excess of loss), construction insurance ratio reinsurance contract, fire insurance ordinary excess of loss cover reinsurance contract, fire insurance and construction insurance excess of loss cover for catastrophe reinsurance contract, marine insurance excess of loss reinsurance contract, accident insurance excess of loss reinsurance contract, and injury insurance excess of loss cover for catastrophe reinsurance contract.	None
Reinsurance contract	Hannover Reinsurance Company Hannover Reinsurance Company	2021.01.01-2021.12.31	The counterparty provides reinsurance for South China Insurance for fire insurance and fire additional insurance ratio and surplus reinsurance contract, construction insurance ratio reinsurance contract, fire insurance ordinary excess of loss cover reinsurance contract, fire insurance and construction insurance excess of loss cover for catastrophe reinsurance contract, and accident insurance excess of loss reinsurance contract.	None
Reinsurance contract	Korean Reinsurance Company (Korean Reinsurance Company)	2021.01.01~2021.12.31	The counterparty provides reinsurance for South China Insurance for fire insurance and fire additional insurance ratio and surplus reinsurance contract, marine cargo insurance excess of loss reinsurance contract, hull insurance percentage reinsurance contract, fire insurance ordinary excess of loss cover reinsurance contract, fire insurance and construction insurance excess cover for catastrophe reinsurance contract, and accident insurance excess of loss reinsurance contract.	None
Reinsurance contract	Munich Reinsurance Company Hong Kong Branch	2021.01.01~2021.12.31	The counterparty provides reinsurance for South China Insurance for marine cargo insurance excess of loss reinsurance contract, car insurance percentage reinsurance contract, construction insurance percentage reinsurance contract.	None
Reinsurance contract	SCOR Reinsurance Company (Asia) Ltd. SCOR Reinsurance Company (Asia) Ltd.	2021.01.01~2021.12.31	The counterparty provides reinsurance for South China Insurance for fire insurance and construction insurance excess cover for catastrophe reinsurance contract.	None
Reinsurance contract	The Toa Reinsurance Company Limited Hong Kong Branch Limited Hong Kong Branch)	2021.01.01~2021.12.31	The counterparty is insured by South China Insurance with fire insurance and fire additional insurance ratio and surplus reinsurance contract, marine cargo surplus reinsurance contract, hull ratio reinsurance contract, car ratio reinsurance percentage reinsurance contract, voluntary automobile reinsurance contract (luxury car and other excess of loss), and fire insurance and construction insurance excess of loss cover for catastrophe reinsurance contract.	None

Note: The important contracts listed above are all reinsurance contracts, and the purpose of signing them is to protect the company's annual underwriting liabilities, which are handled on a calendar-year basis.

X. Key indicators of the Group

	2021	2020	2019	2018	2017
Return on Assets					
Hua Nan Financial Holdings	0.52%	0.30%	0.59%	0.56%	0.47%
Hua Nan Bank	0.46%	0.44%	0.57%	0.56%	0.46%
Hua Nan Securities	4.47%	-8.25%	2.29%	1.13%	1.89%
South China Insurance	3.92%	2.27%	3.43%	3.54%	3.80%
Hua Nan Investment Trust	-0.82%	-15.33%	0.71%	1.54%	1.38%
Hua Nan Venture Capital	1.49%	7.38%	1.51%	0.82%	0.35%
Hua Nan Assets Management Company	6.79%	0.56%	0.55%	0.30%	6.25%
Return on Equity					
Hua Nan Financial Holdings	8.82%	4.58%	8.79%	8.59%	7.43%
Hua Nan Bank	7.08%	6.24%	7.94%	7.92%	6.73%
Hua Nan Securities	25.58%	-33.44%	7.34%	3.67%	6.20%
South China Insurance	13.95%	8.01%	11.95%	12.98%	14.48%
Hua Nan Investment Trust	-1.86%	-30.48%	1.27%	2.85%	2.59%
Hua Nan Venture Capital	1.50%	7.47%	1.53%	0.83%	0.36%
Hua Nan Assets Management Company	25.62%	2.07%	1.83%	0.78%	13.56%
Capital Adequacy Ratio					
Hua Nan Financial Holdings	122.18%	116.44%	115.72%	120.19%	127.69%
Hua Nan Bank	14.16%	13.67%	13.88%	13.75%	14.25%
Hua Nan Securities	398.00%	370.83%	351.73%	453.49%	350.79%
South China Insurance	Above 300%	Above 300%	Above 300%	Above 300%	Above 300%
Non Performing Loan Ratio					
Hua Nan Bank	0.15%	0.15%	0.12%	0.15%	0.34%
NPL Coverage Ratio					
Hua Nan Bank	826.90%	794.77%	1031.65%	853.48%	354.81%

Teamwork





VI Financial Overview

I. Condensed balance sheets and statements of comprehensive income for the past five years

(I) Hua Nan Financial Holdings Co., Ltd. and Subsidiary

1. Condensed consolidated balance sheet- IFRS

Unit: NT\$1,000

Item	Year	2021	2020	2019	2018	2017
CASH AND CASH EQUIVALENTS AND DUE FROM THE CENTRAL BANK AND OTHER BANKS		280,550,526	260,984,059	181,394,715	205,231,095	244,175,122
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		111,925,660	50,884,829	79,832,198	86,705,474	76,061,991
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET		-	-	-	-	149,474,678
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		327,146,365	241,125,406	221,684,061	191,447,673	-
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST, NET		609,544,831	613,905,747	448,789,348	450,489,822	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL		2,449,190	959,220	799,551	489,059	601,507
RECEIVABLES, NET		60,275,356	51,486,371	46,116,677	41,214,028	45,198,320
CURRENT TAX ASSETS		222,141	450,435	356,269	418,349	480,222
DISCOUNTS AND LOANS, NET		1,985,934,147	1,784,641,366	1,670,450,065	1,623,317,849	1,582,344,101
REINSURANCE CONTRACTS ASSETS, NET		5,381,961	5,648,093	4,288,211	4,030,604	4,005,896
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	-	-	380,815,899
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET		360,138	179,552	164,524	110,724	57,128
OTHER FINANCIAL ASSETS, NET		21,025,010	35,667,659	25,170,232	30,407,131	41,634,967
INVESTMENT PROPERTIES, NET		12,117,002	11,411,897	10,999,439	10,922,997	9,837,544
PROPERTY AND EQUIPMENT, NET		32,390,449	31,777,373	31,915,460	32,264,055	32,518,581
RIGHT-OF-USE ASSETS, NET		1,960,405	1,987,287	2,096,128	-	-
INTANGIBLE ASSETS, NET		942,413	933,108	914,006	762,044	565,232
DEFERRED TAX ASSETS		3,571,080	3,432,040	3,353,551	3,496,800	2,646,268
OTHER ASSETS, NET		5,157,244	5,607,796	3,503,792	2,899,159	3,002,294
TOTAL ASSETS		3,460,953,918	3,101,082,238	2,731,828,227	2,684,206,863	2,573,419,750
DEPOSITS FROM THE CENTRAL BANK AND BANKS		121,391,552	120,918,211	117,698,753	132,267,041	84,127,060
DUE TO THE CENTRAL BANK AND BANKS		34,478,600	19,091,190	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		3,427,549	7,475,164	3,050,189	4,803,071	7,975,720
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-	-	4,082
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE		26,305,596	41,957,804	36,570,660	46,323,247	40,797,559
COMMERCIAL PAPER PAYABLE, NET		19,305,630	15,578,122	18,530,988	15,950,469	27,524,893

Item		Year	2021	2020	2019	2018	2017
PAYABLES			44,198,933	40,262,838	37,298,835	43,481,315	43,808,589
CURRENT TAX LIABILITIES			2,517,810	2,617,347	1,252,443	1,677,066	1,080,850
DEPOSITS AND REMITTANCES			2,835,359,989	2,524,483,706	2,224,016,962	2,155,650,451	2,110,962,220
BONDS PAYABLE			67,891,382	60,688,999	60,291,611	58,589,023	53,448,450
PROVISIONS			22,986,431	23,747,147	20,632,462	19,967,657	18,447,562
OTHER FINANCIAL LIABILITIES			59,242,674	40,879,201	12,250,205	15,752,338	9,575,718
LEASE LIABILITIES			1,984,400	1,954,177	2,046,274	-	-
DEFERRED TAX LIABILITIES			6,100,474	6,140,434	6,157,412	6,119,745	6,103,727
OTHER LIABILITIES			15,056,091	5,883,733	3,330,776	9,467,857	5,329,157
TOTAL LIABILITIES	BEFORE DISTRIBUTION		3,260,247,111	2,911,678,073	2,543,127,570	2,510,049,280	2,409,185,587
	AFTER DISTRIBUTION		Note 2	2,915,084,589	2,549,947,956	2,516,340,549	2,414,708,847
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT							
SHARE CAPITAL	BEFORE DISTRIBUTION		131,941,450	128,547,788	121,727,402	115,436,133	110,465,199
	AFTER DISTRIBUTION		Note 2	131,941,450	128,547,788	121,727,402	115,436,133
CAPITAL SURPLUS			17,758,986	17,758,986	17,758,986	17,758,986	17,758,986
RETAINED EARNINGS	BEFORE DISTRIBUTION		44,723,567	33,650,292	39,734,810	37,181,499	35,513,962
	AFTER DISTRIBUTION		Note 2	26,850,114	26,094,038	24,598,961	25,019,768
OTHER EQUITY			6,280,718	9,445,096	9,477,311	3,778,863	494,436
TREASURY STOCK			-	-	-	-	-
NON-CONTROLLING INTERESTS			2,086	2,003	2,148	2,102	1,580
TOTAL EQUITY	BEFORE DISTRIBUTION		200,706,807	189,404,165	188,700,657	174,157,583	164,234,163
	AFTER DISTRIBUTION		Note 2	185,997,649	181,880,271	167,866,314	158,710,903

Note 1: The financial statements for the year ended December 31, 2017, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2018, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2019, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2020, have been audited by CPAs Ting-Sheng Chang and Wen-Ya Hsu from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2021, have been audited by CPAs Yi-Chun Wu and Ting-Sheng Chang from Deloitte & Touche Taiwan with an unqualified opinion.

2. The 2021 earnings distribution is yet to be determined in the 2022 shareholders' meeting.

2. Condensed consolidated statement of comprehensive income - IFRS

Unit: NT\$1,000

Item	Year	2021	2020	2019	2018	2017
INTEREST REVENUE		36,596,622	36,863,125	45,056,216	44,713,719	41,374,024
INTEREST EXPENSE	(	8,596,255)	(12,220,586)	(19,642,639)	(18,153,500)	(14,435,282)
NET INTEREST		28,000,367	24,642,539	25,413,577	26,560,219	26,938,742
TOTAL NET REVENUE OTHER THAN INTEREST		23,072,171	15,321,985	21,290,756	19,442,265	15,281,806
ALLOWANCE FOR DOUBTFUL ACCOUNTS, COMMITMENT, AND GUARANTEES	(	2,749,701)	(2,061,723)	(1,409,146)	(3,533,260)	(4,950,360)
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET		(692,380)	(911,675)	(396,178)	(23,475)	(237,716)
OPERATING EXPENSES	(	28,093,730)	(25,801,321)	(26,202,751)	(25,774,540)	(23,223,104)
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS		19,536,727	11,189,805	18,696,258	16,671,209	13,809,368
INCOME TAX EXPENSE	(	2,330,406)	(2,536,322)	(2,740,890)	(2,049,774)	(1,793,800)
NET PROFIT AFTER TAX FROM CONTINUING OPERATION		17,206,321	8,653,483	15,955,368	14,621,435	12,015,568
NET PROFIT FOR THE YEAR		17,206,321	8,653,483	15,955,368	14,621,435	12,015,568
OTHER COMPREHENSIVE INCOME (NET AFTER TAX)	(	2,497,076)	(1,129,275)	4,879,056	(1,398,581)	599,718
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,709,245	7,524,208	20,834,424	13,222,854	12,615,286
NET PROFIT ATTRIBUTABLE TO OWNER OF THE PARENT		17,206,199	8,653,353	15,955,270	14,621,319	12,015,482
NET PROFIT ATTRIBUTABLE TO NONCONTROLLING INTERESTS		122	130	98	116	86
COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNER OF THE PARENT		14,709,075	7,524,039	20,834,297	13,222,708	12,615,200
COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		170	169	127	146	86
EARNINGS PER SHARE		1.30	0.67	1.31	1.27	1.09

Note 1: The financial statements for the year ended December 31, 2017, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2018, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

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The financial statements for the year ended December 31, 2020, have been audited by CPAs Ting-Sheng Chang and Wen-Ya Hsu from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2021, have been audited by CPAs Yi-Chun Wu and Ting-Sheng Chang from Deloitte & Touche Taiwan with an unqualified opinion.

(II) Hua Nan Financial Holdings Co., Ltd.

1. Condensed balance sheet- IFRS

Unit: NT\$1,000

Item		Year	2021	2020	2019	2018	2017
CASH AND CASH EQUIVALENTS			404,115	285,517	300,089	422,127	275,722
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			1,237,466	836,957	761,454	874,254	-
RECEIVABLES, NET			135,839	135,837	321,981	329,475	329,453
CURRENT TAX ASSETS			2,187,086	1,930,416	494,240	1,086,735	425,151
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET			231,243,218	219,575,026	219,581,779	204,742,800	194,972,401
OTHER FINANCIAL ASSETS, NET			-	-	-	-	681,431
PROPERTY AND EQUIPMENT, NET			12,148	24,328	36,679	47,224	58,867
RIGHT-OF-USE ASSETS, NET			126,838	175,728	64,816	-	-
INTANGIBLE ASSETS, NET			6,632	7,626	612	1,277	1,673
DEFERRED TAX ASSETS			2,808	2,808	2,808	2,808	2,808
OTHER ASSETS, NET			200	-	-	-	-
TOTAL ASSETS			235,356,350	222,974,243	221,564,458	207,506,700	196,747,506
COMMERCIAL PAPER PAYABLE, NET			13,092,214	12,894,905	13,686,553	13,885,360	20,987,156
PAYABLES			2,430,090	1,762,313	1,840,505	1,613,780	1,329,938
CURRENT TAX LIABILITIES			1,951,598	1,694,584	331,493	922,734	263,838
BONDS PAYABLE			16,991,382	16,988,999	16,891,611	16,889,023	9,898,450
PROVISIONS			58,242	55,260	50,254	40,042	35,261
LEASE LIABILITIES			127,426	175,740	65,253	-	-
OTHER LIABILITIES			677	280	280	280	280
TOTAL LIABILITIES	BEFORE DISTRIBUTION		34,651,629	33,572,081	32,865,949	33,351,219	32,514,923
	AFTER DISTRIBUTION	Note 2		36,978,597	39,686,335	39,642,488	38,038,183
SHARE CAPITAL	BEFORE DISTRIBUTION		131,941,450	128,547,788	121,727,402	115,436,133	110,465,199
	AFTER DISTRIBUTION	Note 2		131,941,450	128,547,788	121,727,402	115,436,133
CAPITAL SURPLUS			17,758,986	17,758,986	17,758,986	17,758,986	17,758,986
RETAINED EARNINGS	BEFORE DISTRIBUTION		44,723,567	33,650,292	39,734,810	37,181,499	35,513,962
	AFTER DISTRIBUTION	Note 2		26,850,114	26,094,038	24,598,961	25,019,768
OTHER EQUITY			6,280,718	9,445,096	9,477,311	3,778,863	494,436
TOTAL EQUITY	BEFORE DISTRIBUTION		200,704,721	189,402,162	188,698,509	174,155,481	164,232,583
	AFTER DISTRIBUTION	Note 2		185,995,646	181,878,123	167,864,212	158,709,323

Note 1: The financial statements for the year ended December 31, 2017, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2018, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

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The financial statements for the year ended December 31, 2021, have been audited by CPAs Yi-Chun Wu and Ting-Sheng Chang from Deloitte & Touche Taiwan with an unqualified opinion.

2. The 2021 earnings distribution is yet to be determined in the 2022 shareholders' meeting.

2. Condensed statement of comprehensive income - IFRS

Unit: NT\$1,000

Item	Year	2021	2020	2019	2018	2017
REVENUES						
INTEREST REVENUE		2,026	5,201	6,877	6,408	7,247
INTEREST EXPENSE	(	232,043)	(266,328)	(316,037)	(307,912)	(213,184)
SHARE OF PROFIT(LOSS) OF SUBSIDIARIES AND ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD		17,977,023	9,318,703	16,802,143	15,433,564	12,662,017
OTHER NON INTEREST NET REVENUE		32,583	57,001	51,413	51,827	47,164
OPERATING EXPENSES						
EMPLOYEE BENEFITS	(	397,661)	(271,862)	(360,335)	(337,058)	(274,490)
DEPRECIATION AND AMORTIZATION	(	73,904)	(73,237)	(73,336)	(13,401)	(3,163)
OTHER BUSINESS AND ADMINISTRATIVE EXPENSES	(	101,825)	(116,241)	(155,455)	(212,109)	(210,109)
NET PROFIT BEFORE INCOME TAX		17,206,199	8,653,237	15,955,270	14,621,319	12,015,482
INCOME TAX PROFIT		-	116	-	-	-
NET PROFIT FOR THE YEAR		17,206,199	8,653,353	15,955,270	14,621,319	12,015,482
OTHER COMPREHENSIVE INCOME (NET AFTER TAX)	(	2,497,124)	(1,129,314)	4,879,027	(1,398,611)	599,718
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,709,075	7,524,039	20,834,297	13,222,708	12,615,200
EARNINGS PER SHARE		1.30	0.67	1.31	1.27	1.09

Note 1: The financial statements for the year ended December 31, 2017, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2018, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2019, have been audited by CPAs Ting-Sheng Chang and Kuan-Chung Lai from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2020, have been audited by CPAs Ting-Sheng Chang and Wen-Ya Hsu from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2021, have been audited by CPAs Yi-Chun Wu and Ting-Sheng Chang from Deloitte & Touche Taiwan with an unqualified opinion.

II. Financial analysis for the past five years

(I) Financial analysis

Financial Analysis

Item		Year	2021	2020	2019	2018	2017
Operating efficiency	Total asset turnover (times)		0.01	0.01	0.02	0.02	0.02
	Loan to deposit ratio of HNCB		70.65	71.42	75.97	76.18	75.80
	NPL ratio of HNCB		0.15	0.15	0.12	0.15	0.34
	Revenue per employee (in NT\$1,000)		4,737	3,716	4,444	4,437	4,183
	Profit per employee (in NT\$1,000)		1,596	805	1,518	1,410	1,190
Profitability	Return on assets (%)		0.52	0.30	0.59	0.56	0.47
	Return on equity (%)		8.82	4.58	8.79	8.59	7.43
	Net profit margin (%)		33.69	21.65	34.16	31.78	28.46
	Earnings (Losses) per share (New Taiwan Dollars)		1.30	0.67	1.31	1.27	1.09
Financial structure (%)	Debt to assets ratio		94.20	93.89	93.09	93.51	93.62
	Debt to equity ratio		1,624.38	1,537.28	1,347.70	1,441.25	1,466.92
	Double leverage ratio of HNFHC		115.83	116.37	116.77	118.07	119.13
Leverage	Operating leverage ratio		90.18	83.66	89.71	92.96	92.37
	Financial leverage ratio of HNFHC		144.00	209.21	205.06	208.89	204.53
Growth rate (%)	Asset growth rate		11.60	13.52	1.77	4.31	1.08
	Profit growth rate		74.59	(40.15)	12.15	20.72	(13.93)
Cash flow (%)	Cash flow ratio	Note 3		28.49	Note 3	Note 3	9.64
	Cash flow adequacy ratio		90.22	Note 3	Note 3	85.79	193.12
	Cash flow satisfaction ratio	Note 3		1,881.47	Note 3	Note 3	4,289.24
Business scale (%)	Market share of assets		5.33	5.17	5.00	5.34	5.45
	Market share of equity		4.14	4.19	4.64	5.15	4.79
	Market share of deposits of HNCB		6.25	5.99	5.82	5.91	5.95
	Market share of loans of HNCB		6.00	5.82	5.83	5.95	6.09
Capital adequacy	Capital adequacy ratio of each subsidiary calculated According to its own industry regulations(%)						
	Hua nan commercial bank		14.16	13.67	13.88	13.75	14.25
	Hua nan securities		398.00	370.83	351.73	453.49	350.79
	South china insurance co., Ltd.		Over 300%	Over 300%	Over 300%	Over 300%	Over 300%
	Eligible capital of each subsidiary						
	Hua nan commercial bank		262,511,345	242,963,349	221,008,574	213,507,676	209,321,593
	Hua nan securities		10,557,024	8,569,198	9,273,025	8,499,094	9,084,201
	South china insurance co., Ltd.		6,820,959	6,318,274	5,933,472	5,051,923	5,025,353
	Hua nan venture capital		1,713,242	1,687,593	1,566,274	1,542,482	1,811,060
	Other subsidiaries		1,759,120	1,465,989	1,599,889	1,602,054	1,671,471
	Group's net eligible capital		235,718,446	229,802,839	205,452,860	195,097,803	185,369,889
	Statutory capital requirements of each subsidiary						
	Hua nan commercial bank		194,611,494	186,643,413	167,163,909	153,365,357	135,846,850
	Hua nan securities		3,978,774	3,466,182	3,954,638	2,811,258	3,884,495
	South china insurance co., Ltd.		3,427,408	2,664,376	2,119,862	1,874,670	1,850,842
	Hua Nan Venture Capital		863,014	849,327	797,665	775,920	909,865
	Other subsidiaries		2,948,283	2,567,442	2,317,705	2,243,033	1,605,676
	Group's total statutory capital requirement		207,341,464	197,363,590	177,538,709	162,317,233	145,167,479
	Group capital adequacy ratio		122.18	116.44%	115.72%	120.19	127.69

The aggregate amount or percentage of credit extension, endorsement or other transactions conducted by all subsidiaries of the financial holding company to the same person, same concerned party, or same affiliate that are subject to disclosure under Article 46 of The Financial Holding Company Act

Reasons for changes in financial ratios for the most recent two years: (Analysis is not required if changes are within 20%.)

1. The increase in the average income of employees was mainly due to the increase in net income in 2021 compared to 2020.
2. The increase in the average profit of employees is mainly due to the increase in the net profit after tax in 2021 compared to 2020.
3. The increase in return on assets was mainly due to the increase in after-tax net profit in 2021 compared to 2020.
4. The increase in the rate of return on equity was mainly due to the increase in the net profit after tax in 2021 compared to 2020.
5. The increase in net profit rate was mainly due to the increase in the net profit after tax in 2021 compared to 2020.
6. The increase in earnings per share was mainly due to the increase in net profit after tax in 2021 compared to 2020.
7. The decrease in financial leverage was mainly due to the increase in pre-tax net profit in 2021 compared to 2020.



Note 1: The Company was founded on December 19, 2001. The financial information above has been audited or reviewed by the CPAs.

Note 2: The calculation formulas are described as follows:

1. Operating efficiency

- (1) Total asset turnover ratio = Net income / Total assets.
- (2) Loan-to-deposit ratio of HNCB = Total loans / Total deposits of HNCB.
- (3) Non-performing loan ratio of HNCB = Total non-performing loans / Total loans of HNCB.
- (4) Revenue per employee = Net income / Total number of employees.
- (5) Profit per employee = Net profit after tax / Total number of employees.

2. Profitability

- (1) Return on assets = Profit after tax / Average total assets.
- (2) Return on equity = Profit after tax / Average total equity.
- (3) Net profit margin = Profit after tax / net income.
- (4) Earnings per share = (Net profit after tax - Dividends on preferred shares) / Weighted average number of shares issued.

3. Financial structure

- (1) Debt-to-assets ratio = Total liabilities / Total assets.
- (2) Debt-to-equity ratio = Total liabilities / net shareholders' equity
- (3) Double leverage ratio of HNFHC = Equity investment made according to Paragraph 2, Article 36 and Article 37 of the Financial Holding Company Act / Equity

4. Leverage level:

- (1) Operating leverage = (Net income - Variable costs and expenses) / Profit before tax.
- (2) Financial leverage of HNFHC = (Profit before tax + Interest expenses) / Profit before tax.

5. Growth rate

- (1) Growth rate of assets = (Current total assets - Last year's total assets) / Last year's total assets.
- (2) Profit growth rate = (Current profit before tax - Last year's profit before tax) / Last year's profit before tax.

6. Cash flow ratio

- (1) Cash flow ratio = Net cash flow from operating activities / (Bank and inter-bank borrowings and overdrafts + Commercial papers payable + Financial liabilities with changes in fair value recognized in profit or loss + Note and bond liabilities with repurchase agreement + Payables due within one year).
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities / (Capital expenditures + Cash dividends) for the most recent five years.
- (3) Cash flow satisfaction ratio = Net cash flow from operating activities / Net cash flow from investing activities.

7. Business scale

- (1) Market share of assets = Total assets of HNFHC / Total assets of all listed financial holding companies.
- (2) Market share of equity = Equity of HNFHC / Total equity of all listed financial holding companies.
- (3) Market share of deposits of HNCB = Total deposits of HNCB / Total deposits of all financial institutions engaging in deposits and loans business.
- (4) Market share of loans of HNCB = Total loans of HNCB / Total loans of all financial institutions engaging in deposits and loans business.

8. Capital adequacy

- (1) Net eligible capital of Hua Nan Group = Eligible capital of HNFHC + (Shareholding percentage of HNFHC x Eligible capital of each subsidiary) - Deductions according to regulations.
- (2) Group's total statutory capital requirement = Statutory capital requirement of HNFHC + (Shareholding percentage of HNFHC x Statutory capital requirement of each subsidiary).
- (3) Capital adequacy ratio of Hua Nan Group = Net eligible capital of Hua Nan Group / Total statutory capital requirement of Hua Nan Group.

Note 3: Net cash flow from operating activities is outflow or net cash flow from operating activities in the last five years is outflow, so it will not be disclosed.

Attachment 1

HUA NAN FINANCIAL HOLDINGS CO., LTD.

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

DECEMBER 31, 2021

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 489,852,992	263.37
National Treasury Agency	79,731,252	42.87
Taiwan Power Company	56,403,283	30.33
Federal Government of the United States	53,848,455	28.95
CPC Corporation, Taiwan	24,566,444	13.21
Tainan City Government	19,600,000	10.54
Taiwan High Speed Rail Corp.	18,507,611	9.95
New Taipei City Government	15,000,000	8.06
Grand Industrial Limited Company of Baofeng	14,620,000	7.86
Taiwan Semiconductor Manufacturing Co., Ltd.	14,295,750	7.69
Kaohsiung City Government	10,741,045	5.77
Government National Mortgage Association	10,265,310	5.52
First Financial Holdings Co., Ltd.	8,985,226	4.83
Cathy Real Estate Development Co., Ltd.	8,640,000	4.65
EVA Airways Corporation	8,612,679	4.63
Far Eastern Department Stores Co., Ltd.	8,000,000	4.30
Highwealth Construction corp.	7,458,749	4.01
China Airlines Corp.	7,317,238	3.93
Taiwan Railways Administration, MOTC	6,919,839	3.72
Kingston Technology International	6,913,750	3.72
Huaku Development Co., Ltd.	6,861,046	3.69
China Development Financial Holding Corporation	5,989,096	3.22
Nanzong Construction Developments, Co., Ltd.	5,905,467	3.18
Taiwan Cement Corp.	5,706,105	3.07
Fubon Financial Holding Co., Ltd. with same affiliate	5,534,707	2.98
Hotai Finance Co., Ltd.	5,494,726	2.95
Cathay Financial Holding Co., Ltd.	5,382,597	2.89
Chailase Finance	5,354,986	2.88
Wistron Corporation	5,172,467	2.78
Inventec Corp.	5,003,250	2.69
HSBC Bank (Taiwan) Co., Ltd.	4,950,480	2.66
Nankang Rubber Tire Corp., Ltd.	4,917,418	2.64
Evergreen Marine Corp. (Taiwan) Ltd.	4,697,509	2.53
FINA FINANCE & TRADING CO., LTD.	4,622,841	2.49
Walsin Lihwa Corporation	4,477,989	2.41
Formosa Ha Tinh Steel Corporation	4,287,963	2.31
FORMOSA HA TINH (CAYMAN) LIMITED	4,286,525	2.30
Pao Hung Construction Co., Ltd.	4,080,000	2.19
Taiwan Stock Exchange	4,010,152	2.16
Mayfull Corp.	4,001,000	2.15
Shinkong-synthetic Fibers Corporation	3,956,971	2.13
Synnex Technology International Corporation	3,904,545	2.10
Westpac Banking Corporation	3,877,454	2.08
Compal Electronics, Inc.	3,871,700	2.08
Chunghwa Telecom Co., Ltd.	3,821,926	2.05
WIN Semiconductors Corp.	3,816,100	2.05
SHEN MAO TECHNOLOGY INC.	3,801,090	2.04
Unimicron Technology Corp.	3,776,628	2.03
Far Eastern Construction Co., Ltd.	3,771,967	2.03
Powertech Technology Inc.	3,736,194	2.01
Yulon Finance Corporation	3,717,397	2.00
Federal Corporation	3,713,650	2.00
Taiwan Glass Ind. Corp.	3,650,000	1.96
FORMOSA HEAVY INDUSTRIES CORPORATION	3,601,437	1.94
GLORIA MATERIAL TECHNOLOGY CORP.	3,600,709	1.94
Yang Ming Marine Transport Corporation	3,507,134	1.89
Lien Jade Construction Co., Ltd.	3,500,000	1.88
Tong Hwei Enterprise Co., Ltd.	3,447,531	1.85
IBF Securities Co., Ltd.	3,399,754	1.83
CTCI Corporation	3,374,054	1.81
Chinese Television System Corporation	3,245,712	1.75
Taiwan Mobile Co., Ltd.	3,236,764	1.74
Commonwealth Bank of Australia	3,218,942	1.73
BANQUE FED CRED MUTUEL	3,203,859	1.72
Hon Hai Precision Industry Co., Ltd.	3,192,145	1.72
Ezplace Co., Ltd.	3,099,663	1.67
National Australia Bank Limited	3,004,315	1.62
2. With the same related person		
Mr. Shih with same related parties	18,510,165	9.95
Mr. Miao with same related parties	18,507,714	9.95
Mr. Tsai with same related parties	12,926,717	6.95
Mr. Lin with same related parties	11,112,583	5.97
Mr. Tsai with same related parties	8,685,000	4.67
Mr. Pan with same related parties	8,646,313	4.65
Mr. Zhang with same related parties	6,031,815	3.24
Mr. Tsai with same related parties	5,796,219	3.12
Mr. Tsai with same related parties	5,793,597	3.11
Mr. Tang with same related parties	5,610,924	3.02
Mr. Jhuo with same related parties	5,006,277	2.69
Mr. Zhan with same related parties	4,979,418	2.68
Mr. Liu with same related parties	4,641,330	2.50
Mr. Wu with same related parties	4,488,849	2.41
Mr. Lan with same related parties	4,028,243	2.17

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
Mr. Wang with same related parties	3,930,457	2.11
Mr. Chen with same related parties	3,885,376	2.09
Mr. Chen with same related parties	3,846,272	2.07
Mr. Du with same related parties	3,324,821	1.79
Mr. Deng with same related parties	3,295,709	1.77
Mr. Huang with same related parties	3,230,952	1.74
3. With the same affiliate		
Taiwan Semiconductor Manufacturing Co., Ltd. with same affiliate	16,937,338	9.11
CHAILASE HOLDING COMPANY LIMITED with same affiliate	15,370,770	8.26
Nankang Rubber Tire Corp., Ltd. with same affiliate	14,602,004	7.85
Eva Airways Corp. with same affiliate	11,183,998	6.01
Yulon General Motors Ltd. with same affiliate	11,085,107	5.96
China Development Financial Holding Corporation with same affiliate	10,347,972	5.56
Highwealth Construction Corp. with same affiliate	9,486,107	5.10
Taiwan Cement Corp. with same affiliate	9,436,580	5.07
First Financial Holding Co., Ltd. with same affiliate	9,162,788	4.93
Far Eastern New Century Corp. with same affiliate	9,141,359	4.91
Cathy Real Estate Development Co., Ltd. with same affiliate	8,990,535	4.83
Yuantai Financial Holding Co., Ltd. with same affiliate	8,780,694	4.72
FORMOSA HA TINH (CAYMAN) LIMITED with same affiliate	8,574,488	4.61
Far Eastern Department Stores Co., Ltd. with same affiliate	8,350,496	4.49
China Airlines Corp. with same affiliate	8,166,614	4.39
Chung Hsing Land Development Co., Ltd. with same affiliate	7,448,905	4.00
Walsin Lihwa Corporation with same affiliate	7,268,408	3.91
Huaku Development with same affiliate	7,046,416	3.79
Fubon Financial Holding Co., Ltd. with same affiliate	6,997,317	3.76
HSBC Holdings PLC with same affiliate	6,543,578	3.52
CHOW TAI FOOK ENTERPRISES LIMITED with same affiliate	6,034,881	3.24
Synnex Technology International Corp. with same affiliate	5,963,845	3.21
Hotai Finance Corporation with same affiliate	5,856,476	3.15
Shinkong-Synthetic Fibers Corporation with same affiliate	5,762,514	3.10
AU Options Corp. with same affiliate	5,674,363	3.05
MACQUARIE BANK LTD with same affiliate	5,646,183	3.04
WPG Holdings Limited with same affiliate	5,637,895	3.03
Cathay Financial Holding Co., Ltd. with same affiliate	5,513,746	2.96
Inventec Corp. with same affiliate	5,497,762	2.96
Wistron Corporation with same affiliate	5,272,927	2.83
China Steel Corp. with same affiliate	4,959,374	2.67
Tong Hwei Enterprise Co., Ltd. with same affiliate	4,806,618	2.58
Powertech Technology Inc. with same affiliate	4,536,194	2.44
Wistron Corporation with same affiliate	4,445,413	2.39
Formosa Chemicals & Fibre Corp. with same affiliate	4,429,225	2.38
Compal Electronics, Inc. with same affiliate	4,380,805	2.36
YFY Inc. with same affiliate	4,359,600	2.34
NAN YA PLASTICS CORPORATION with same affiliate	4,261,127	2.29
Fong Yi Construction Co., Ltd.	4,249,010	2.28
CHENG LOONG CORPORATION with same affiliate	4,241,758	2.28
Taiwan Glass Ind. Corp. with same affiliate	4,235,733	2.28
Asia Cement Corp. with same affiliate	4,191,542	2.25
Farglory Construction Corp. with same affiliate	4,164,385	2.24
Win Semiconductors Corporation with same affiliate	4,134,132	2.22
Yieh Phui Enterprise Co., Ltd. with same affiliate	3,979,744	2.14
CHIA SHENG HSING Enterprise Co., Ltd. with same affiliate	3,800,000	2.04
Yangming Marine Transport Corp. with same affiliate	3,743,385	2.01
Federal Corp. with same affiliate	3,716,359	2.00
Linde Lienhwa Industrial Gases Co., Ltd. with same affiliate	3,707,855	1.99
China Times Inc. with same affiliate	3,699,545	1.99
Taiwan Mobile Co., Ltd with same affiliate	3,646,764	1.96
Continental Engineering Corporation with same affiliate	3,616,659	1.94
Wisdom Marine Lines Co., Limited with same affiliate	3,551,482	1.91
CTCI Corporation with same affiliate	3,479,192	1.87
ASE Technology Holding Co., Ltd. with same affiliate	3,432,857	1.85
IBF Financial Holdings Co., Ltd. with same affiliate	3,399,754	1.83
Shinhan Bank Co., Ltd. with same affiliate	3,317,215	1.78
Chang Chun Petrochemical Co. with same affiliate	3,292,293	1.77
Pan German Universal Motors Ltd. with same affiliate	3,286,146	1.77
Jpmorgan Chase with same affiliate	3,177,699	1.71
KB Kookmin Bank with same affiliate	3,139,243	1.69
Mega Financial Holding Company Ltd. with same affiliate	3,052,828	1.64
JIH SUN International Leasing & Finance Co., Ltd. with same affiliate	3,026,579	1.63
Quanta Computer Inc. with same affiliate	3,012,321	1.62

Attachment 2

HUA NAN FINANCIAL HOLDINGS CO., LTD.

Declaration of the Total Amount of Credit Extension, Endorsement, or Other Transactions Made by HNFHC to/with the Same Person, Same Concerned Party, or Same Affiliate

December 31, 2020

Unit: NT\$1,000; %

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 504,090,440	277.16%
National Treasury Agency	67,360,351	37.04%
Taiwan Power Company	49,338,115	27.13%
Federal Government of the United States	32,914,481	18.10%
Taiwan High Speed Rail Corporation	19,579,048	10.76%
Grand industrial Limited Company of Baofeng	14,045,000	7.72%
CPC Corporation, Taiwan	13,065,578	7.18%
EVA Airways Corporation	10,441,700	5.74%
New Taipei City Government	10,000,000	5.50%
China Airlines Corp.	9,209,008	5.06%
Far Eastern Department Stores Co., Ltd.	8,001,920	4.40%
First Financial Holdings Co., Ltd.	7,752,458	4.26%
Cathy Real Estate Development Co., Ltd.	7,150,000	3.93%
Fubon Financial Holding Co., Ltd.	6,716,706	3.69%
Evergreen Marine Corp. (Taiwan) Ltd.	6,442,794	3.54%
Quanta Computer Inc.	6,334,612	3.48%
Taiwan Semiconductor Manufacturing Co., Ltd.	5,648,837	3.11%
HSBC Bank (Taiwan) Co., Ltd.	5,619,613	3.09%
Yang Ming Marine Transport Corporation	5,546,889	3.05%
Nanzong Construction Developments, Co., Ltd.	5,405,467	2.97%
Formosa Ha Tinh (Cayman) Limited	5,170,400	2.84%
Inventec Corp.	5,036,119	2.77%
Walsin Lihwa Corporation	4,696,749	2.58%
AU Optronics Corp.	4,661,120	2.56%
Taiwan Cement Corp.	4,580,027	2.52%
Yageo Corporation	4,543,070	2.50%
Huaku Development Co., Ltd.	4,285,936	2.36%
Taiwan Stock Exchange Corporation	4,264,089	2.34%
Taiwan Mobile Co.	4,238,810	2.33%
Nankang Rubber Tire Corp., Ltd.	4,229,909	2.33%
Bao'e Construction Co., Ltd.	4,080,000	2.24%
Mayfull Corp.	4,001,000	2.20%
Wistron Corp.	3,989,951	2.19%
Chailase Finance	3,849,823	2.12%
Taiwan Railways Administration, MOTC	3,804,652	2.09%
Shenmao Construction Development Co., Ltd.	3,801,090	2.09%
Kaohsiung City Government	3,794,937	2.09%
Federal Corporation	3,565,413	1.96%
Highwealth Construction Corp	3,561,859	1.96%
Taiwan Glass Ind. Corp.	3,550,000	1.95%
Unimicron Technology Corporation	3,549,117	1.95%
Government National Mortgage Association	3,504,899	1.93%
Great Building Construction Corporation	3,500,000	1.92%
Hon Hai Precision Industry Co., Ltd.	3,496,847	1.92%
Synnex Technology International Corporation	3,429,361	1.89%
Yunlin County Government	3,423,499	1.88%
Far Eastern Construction. Co., Ltd.	3,346,000	1.84%
Chinese Television System Corporation	3,155,649	1.74%
Da-Li Development Co Ltd	3,090,000	1.70%
WIN Semiconductors Corp.	3,080,500	1.69%
Kindom Development Co., Ltd.	3,074,306	1.69%
Chunghwa Telecom Co., Ltd.	3,017,055	1.66%
Powertech Technology Inc.	3,012,622	1.66%
Digitimes Inc.	3,009,602	1.65%
Finance Bureau Kaohsiung City Government	3,000,000	1.65%
2. With the same concerned party		
Tsai and the same concerned party thereof	15,164,385	8.34%
Lin and the same concerned party thereof	9,880,376	5.43%
Ko and the same concerned party thereof	9,811,604	5.39%
Miao and the same concerned party thereof	7,611,373	4.18%
Tsai and the same concerned party thereof	7,295,000	4.01%
Pan and the same concerned party thereof	7,156,680	3.93%
Tang and the same concerned party thereof	6,725,134	3.70%
Wang and the same concerned party thereof	5,299,128	2.91%
Cho and the same concerned party thereof	5,040,628	2.77%
Chang and the same concerned party thereof	4,765,705	2.62%
Lan and the same concerned party thereof	4,494,320	2.47%
Zhan and the same concerned party thereof	4,291,909	2.36%

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
Lin and the same concerned party thereof	3,961,336	2.18%
Wu and the same concerned party thereof	3,961,031	2.18%
Lin and the same concerned party thereof	3,924,100	2.16%
Tu and the same concerned party thereof	3,610,946	1.99%
Lee and the same concerned party thereof	3,524,848	1.94%
Chiu and the same concerned party thereof	3,204,269	1.76%
Chen and the same concerned party thereof	3,142,443	1.73%
Teng and the same concerned party thereof	3,030,098	1.67%
3. With the same affiliate		
Eva Airways Corp. and its same affiliate	13,615,521	7.49%
Nankang Rubber Tire Corp., Ltd. and its same affiliate	13,063,185	7.18%
Evergreen Marine Corp. (Taiwan) Ltd. and its same affiliate	9,701,047	5.33%
Yulon Motor and its same affiliate	9,486,230	5.22%
China Airlines Corp. and its same affiliate	9,342,884	5.14%
Chailase Holding Company Limited and its same affiliate	8,980,719	4.94%
Walsin Lihwa Corporation and its same affiliate	8,304,821	4.57%
Far Eastern Department Stores Co., Ltd. and its same affiliate	8,114,508	4.46%
Zhong Shing Development Co., Ltd. and its same affiliate	7,997,733	4.40%
First Financial Holdings Co., Ltd. and its same affiliate	7,966,476	4.38%
Taiwan Cement Corp. and its same affiliate	7,848,760	4.32%
Fubon Financial Holding Co., Ltd. and its same affiliate	7,524,198	4.14%
Quanta Computer Inc. and its same affiliate	7,514,812	4.13%
AU Optronics Corp. and its same affiliate	6,931,615	3.81%
Formosa Ha Tinh (Cayman) Limited and its same affiliate	6,604,345	3.63%
China Steel Corporation and its same affiliate	6,181,502	3.40%
Highwealth Construction Corp and its same affiliate	6,117,179	3.36%
Yang Ming Marine Transport Corporation and its same affiliate	5,955,694	3.27%
Far Eastern New Century Corp. and its same affiliate	5,747,668	3.16%
Taiwan Semiconductor Manufacturing Co., Ltd. and its same affiliate	5,708,589	3.14%
China Development Financial Holding Co., Ltd. and its same affiliate	5,598,405	3.08%
Inventec Corp. and its same affiliate	5,553,460	3.05%
Lien Hwa Industrial Holdings Corp. and its same affiliate	5,154,209	2.83%
Taiwan Glass Ind. Corp. and its same affiliate	4,861,587	2.67%
Formosa Chemicals & Fibre Corp. and its same affiliate	4,690,999	2.58%
Synnex Technology International Corporation and its same affiliate	4,683,361	2.57%
YFY Inc. and its same affiliate	4,665,746	2.57%
Yageo Corporation and its same affiliate	4,630,390	2.55%
Asia Cement Corp. and its same affiliate	4,622,448	2.54%
Huaku Development Co., Ltd. and its same affiliate	4,475,277	2.46%
Shinkong Synthetic Fibers Corporation and its same affiliate	4,424,385	2.43%
Hui Hang Investment and its same affiliate	4,210,942	2.32%
Wistron Corp. and its same affiliate	4,090,526	2.25%
Lin Yuan Investment Co., Ltd. and its same affiliate	4,051,000	2.23%
Everwiner Enterprise Co., Ltd. and its same affiliate	3,962,972	2.18%
Continental Engineering Corporation and its same affiliate	3,894,014	2.14%
Blue Agave Dutch Aviation B.V. and its same affiliate	3,826,589	2.10%
Hotai Finance Corporation	3,753,965	2.06%
China Times Inc. and its same affiliate	3,690,281	2.03%
JPMorgan Chase & Co and its same affiliate	3,671,171	2.02%
Federal Corporation and its same affiliate	3,571,593	1.96%
Pan German Universal Motors Ltd. and its same affiliate	3,570,946	1.96%
ASE Technology Holding Co., Ltd. and its same affiliate	3,503,073	1.93%
Powertech Technology Inc. and its same affiliate	3,429,142	1.89%
WIN Semiconductors Corp. and the same affiliate	3,403,650	1.87%
Farglory Construction Corp. and its same affiliate	3,288,049	1.81%
Cheng Loong Corp. and its same affiliate	3,173,344	1.74%
Tong Hwei Enterprise Co., Ltd. and its same affiliate	3,041,389	1.67%
Yieh Phui Enterprise Co., Ltd. and its same affiliate	3,010,615	1.66%

Attachment 3

HUA NAN FINANCIAL HOLDINGS CO., LTD.

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

DECEMBER 31, 2019

Unit: NT\$1,000; %

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 339,534,381	202.27
National Treasury Agency	59,241,024	35.29
Taiwan Power Company	57,311,824	34.14
Taiwan High Speed Rail Corp.	21,220,480	12.64
Federal Government of the United States	21,015,253	12.52
CPC Corporation, Taiwan	14,452,037	8.61
Grand industrial Limited Company of Baofeng	14,285,000	8.51
EVA Airways Corporation	10,471,888	6.24
New Taipei City Government	10,000,000	5.96
Taiwan Semiconductor Manufacturing Co., Ltd.	8,844,951	5.27
Far Eastern Department Stores Co., Ltd.	8,399,918	5.00
First Financial Holdings Co., Ltd.	8,355,119	4.98
Taiwan Railways Administration, MOTC	7,785,122	4.64
Formosa Ha Tinh (Cayman) Limited	7,497,500	4.47
China Airlines Corp.	6,550,763	3.90
Evergreen Marine Corp. (Taiwan) Ltd.	6,311,032	3.76
HSBC Bank (Taiwan) Co., Ltd.	6,039,520	3.60
Fubon Financial Holding Co., Ltd.	5,968,066	3.56
Cathy Real Estate Development Co., Ltd.	5,900,000	3.51
Quanta Computer Inc.	5,093,265	3.03
CTBC Bank Co., Ltd.	4,898,436	2.92
Cathy Financial Holding Co., Ltd.	4,815,524	2.87
Yunlin County Government	4,662,404	2.78
Walsin Lihwa Corporation	4,576,942	2.73
Formosa Chemicals & Fibre Corp.	4,557,668	2.72
Formosa Plastics Corporation	4,542,604	2.71
Nanzong Construction Developments, Co., Ltd.	4,387,467	2.61
Bao'e Construction Co., Ltd.	4,380,000	2.61
Yang Ming Marine Transport Corporation	4,315,299	2.57
Cheng Shin Rubber Industry Co.	4,254,523	2.53
Taiwan Stock Exchange Corporation	4,191,903	2.50
Asia Cement Corp.	4,074,150	2.43
Taiwan Cement Corp.	4,007,605	2.39
Mayfull Corp.	4,001,000	2.38
Hon Hai Precision Industry Co., Ltd.	3,997,492	2.38
Taiwan Cooperative Financial Holding Co., Ltd.	3,994,865	2.38
Wan Pao Development Co., Ltd.	3,951,850	2.35
AU Optronics Corp.	3,910,050	2.33
China Steel Corporation	3,894,875	2.32
Inventec Corp.	3,662,769	2.18
Capital Securities Corporation	3,621,856	2.16
Nankang Rubber Tire Corp., Ltd.	3,588,825	2.14
Huaku Development Co., Ltd.	3,503,780	2.09
Synnex Technology International Corporation	3,469,275	2.07
Federal Corporation	3,407,369	2.03
Wistron Corp.	3,342,337	1.99
Kindom Development Co., Ltd.	3,323,331	1.98
WESTPAC Banking Corporation	3,310,973	1.97
Far Eastern New Century Corp.	3,305,150	1.97
Digitimes Inc.	3,276,940	1.95
Lin Yuan Investment Co., Ltd.	3,271,050	1.95
Changhua County Government	3,250,000	1.94
Chailase Finance	3,230,970	1.92
JPMorgan Chase Bank N.A.	3,077,031	1.83
Royal Bank of Canada	3,067,574	1.83
Powertech Technology Inc.	3,065,968	1.83
Chang Hwa Commercial Bank, Ltd.	3,060,012	1.82
Chinese Television System Corporation	3,055,586	1.82
Commonwealth Bank of Australia	3,036,388	1.81
Formosa Ha Tinh Steel Corporation	3,031,619	1.81
2. With the same related person		
Mr. Tsai with same related parties	11,267,285	6.71
Mr. Lin with same related parties	8,174,292	4.87
Mr. Miao with same related parties	7,950,577	4.74
Mr. Lin with same related parties	7,535,900	4.49
Mr. Lee with same related parties	7,494,071	4.46
Mr. Ke with same related parties	7,040,301	4.19
Mr. Tsai with same related parties	6,175,000	3.68
Mr. Tang with same related parties	5,977,707	3.56
Mr. Pan with same related parties	5,907,039	3.52
Mr. Wang with same related parties	5,445,089	3.24
Mr. Tsai with same related parties	5,090,524	3.03
Mr. Chang with same related parties	4,460,341	2.66
Mr. Zhuo with same related parties	3,668,737	2.19
Mr. Zhan with same related parties	3,650,825	2.17
Mr. Wu with same related parties	3,540,471	2.11
Mr. Huang with same related parties	3,472,488	2.07
Mr. Zhuo with same related parties	3,439,303	2.05
Mr. Lan with same related parties	3,255,989	1.94
Mr. Chiu with same related parties	3,117,064	1.86

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
3. With the same affiliate		
Eva Airways Corp. with same affiliate	13,844,116	8.25
Far Eastern New Century Corp. with same affiliate	12,098,688	7.21
Yulon General Motors Ltd. with same affiliate	12,046,917	7.18
China Steel Corp. with same affiliate	11,294,213	6.73
Nankang Rubber Tire Corp., Ltd. with same affiliate	11,276,187	6.72
Formosa Ha Tinh (Cayman) Limited with same affiliate	10,529,119	6.27
Evergreen Marine Corp. (Taiwan) Ltd.	10,063,363	5.99
Far Eastern Department Stores Co., Ltd. with same affiliate	9,199,918	5.48
Taiwan Semiconductor Manufacturing Company Limited with same affiliate	9,006,014	5.37
Asia Cement Corp. with same affiliate	8,684,319	5.17
HSBC Holdings	8,533,679	5.08
First Financial Holding Co., Ltd. with same affiliate	8,509,088	5.07
Walsin Lihwa Corporation with same affiliate	7,953,804	4.74
Taiwan Cement Corp. with same affiliate	7,696,832	4.59
Lin Yuan Investment Co., Ltd. with same affiliate	7,653,100	4.56
Formosa Chemicals & Fibre Corp. with same affiliate	7,326,818	4.36
Zhong Shing Development Co., Ltd. with same affiliate	7,176,397	4.28
Chailase Holding Company Limited with same affiliate	7,125,326	4.24
Fubon Financial Holding Co., Ltd. with same affiliate	6,571,412	3.91
Yuanta Financial Holding Co., Limited with same affiliate	6,523,398	3.89
YFY Inc. with same affiliate	6,230,635	3.71
Quanta Computer Inc. with same affiliate	5,719,538	3.41
CTBC Financial Holding Co., Ltd. with same affiliate	5,464,599	3.26
Cathay Financial Holding Co., Ltd. with same affiliate	5,420,399	3.23
MitAC Information Technology Corp.	5,135,769	3.06
Taiwan Cooperative Financial Holding Co., Ltd. with same affiliate	4,909,292	2.92
Hui Hang Investment with same affiliate	4,868,937	2.90
ASE Technology Holding Co., Ltd. with same affiliate	4,825,795	2.87
Ruentex Development Co., Ltd. with same affiliate	4,825,188	2.87
YangMing Marine Transport Corp. with same affiliate	4,723,572	2.81
Formosa Plastics Corp. with same affiliate	4,586,033	2.73
Cheng Shin Rubber Company with same affiliate	4,548,425	2.71
Bao'e Construction Co., Ltd. with same affiliate	4,380,000	2.61
AU Options Corp.	4,376,642	2.61
Taiwan Glass Ind. Corp. with same affiliate	4,368,781	2.60
Continental Engineering Corporation with same affiliate	4,336,952	2.58
Inventec Corp.	4,240,804	2.53
Synnex Technology International Corp.	4,119,125	2.45
China Development Financial Holding Co., Ltd. with same affiliate	4,049,836	2.41
Reliance Industries Limited with same affiliate	4,047,002	2.41
Highaim Technology Inc. with same affiliate	4,017,235	2.39
Lien Hwa Industrial Holdings Corp.	3,802,685	2.27
Hotai Finance Corporation	3,695,314	2.20
Mega Financial Holding Co., Ltd. with same affiliate	3,687,861	2.20
Everwiner Enterprise Co., Ltd. with same affiliate	3,648,450	2.17
Farglory Construction Corp. with same affiliate	3,599,199	2.14
Blue Agave Dutch Aviation Bv with same affiliate	3,592,621	2.14
China Times Inc. with same affiliate	3,560,501	2.12
Huaku Development with same affiliate	3,512,794	2.09
Wells Fargo & Co with same affiliate	3,423,001	2.04
Federal Corp. with same affiliate	3,416,720	2.04
Powertech Technology Inc. with same affiliate	3,375,921	2.01
Ta-Yuan Cogeneration Company Ltd. with same affiliate	3,107,873	1.85
JP Morgan Chase & Co with same affiliate	3,095,257	1.84



Attachment 4

HUA NAN FINANCIAL HOLDINGS CO., LTD.

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

DECEMBER 31, 2018

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 307,970	194.05
National Treasury Agency	74,807	47.13
Taiwan Power Company	43,596	27.47
Taiwan High Speed Rail Corp.	20,803	13.11
USA	16,726	10.54
Grand industrial Limited Company of Baofeng	14,525	9.15
CPC Corporation, Taiwan	12,175	7.67
New Taipei City Government	10,000	6.30
Far Eastern Department Stores Co., Ltd.	8,200	5.17
EVA Airways Corporation	8,022	5.05
China Airlines Corp.	7,861	4.95
Evergreen Marine Corp. (Taiwan) Ltd.	7,396	4.66
Kingston Technology International	7,069	4.45
First Financial Holding Co., Ltd.	6,981	4.40
Taiwan Railways Administration, MOTC	6,864	4.32
China Steel Corporation	6,349	4.00
Formosa Plastics Corporation	6,317	3.98
Wan Pao Development Co., Ltd.	6,244	3.93
CTBC Bank Co., Ltd.	6,016	3.79
Pintung County Government	5,195	3.27
Mega financial Holding Co., Ltd.	5,178	3.26
Walsin Lihwa Corporation	5,152	3.25
First Commercial Bank Co., Ltd.	5,016	3.16
Cathy Financial Holding Co., Ltd.	4,958	3.12
Formosa Ha Tinh (Cayman) Limited	4,918	3.10
Inventec Corp.	4,643	2.93
Lin Yuan Investment Co., Ltd.	4,466	2.81
Far Eastern New Century Corp.	4,430	2.79
Nanya Plastics Corporation	4,377	2.76
Credit Agricole Corporate & Investment Bank	4,351	2.74
Changhua County Government	4,333	2.73
Fubon Financial Holding Co., Ltd.	4,313	2.72
Cheng Shin Rubber Industry Co.	4,218	2.66
HSBC Bank (Taiwan) Co., Ltd.	4,061	2.56
Taiwan Semiconductor Manufacturing Co., Ltd.	4,051	2.55
Mayfull Corp.	3,960	2.49
Quanta Computer Inc.	3,831	2.41
Compal Electronics, Inc.	3,819	2.41
Cathy Real Estate Development Co., Ltd.	3,800	2.39
Huaku Development Co., Ltd.	3,780	2.38
Formosa Group (Cayman) Limited	3,688	2.32
Nankang Rubber Tire Corp., Ltd.	3,645	2.30
Asia Cement Corp.	3,616	2.28
Kingston Technology Corporation	3,615	2.28
Yunlin County Government	3,578	2.25
Yuanta Commercial Bank	3,500	2.21
Digitimes Inc.	3,455	2.18
Yuanta Securities Corp.	3,415	2.15
Taiwan Glass Ind. Corp.	3,400	2.14
Hon Hai Precision Industry Co., Ltd.	3,392	2.14
Federal Corporation	3,346	2.11
Yang Ming Marine Transport Corporation	3,271	2.06
Formosa Chemicals & Fibre Corp.	3,265	2.06
Government National Mortgage Association	3,163	1.99
Industrial And Commercial Bank Of China	3,057	1.93
Wistron Corp.	3,037	1.91
JPMorgan Chase Bank, N.A.	3,018	1.90
2. With the same related person		
Mr. Lee with same related parties	14,525	9.15
Mr. Lin with same related parties	11,247	7.09
Mr. Wang with same related parties	9,149	5.76
Mr. Tsai with same related parties	8,099	5.10
Mr. Chen with same related parties	7,074	4.46
Mr. Lee with same related parties	6,620	4.17
Mr. Miao with same related parties	6,356	4.00
Mr. Lin with same related parties	6,322	3.98
Mr. Tsai with same related parties	5,218	3.29
Mr. Zhuo with same related parties	4,661	2.94
Mr. Tang with same related parties	4,324	2.72
Mr. Lin with same related parties	4,043	2.55
Mr. Lan with same related parties	4,017	2.53
Mr. Pan with same related parties	3,807	2.40
Mr. Xu with same related parties	3,785	2.38
Mr. Zhan with same related parties	3,707	2.34
Mr. Yang with same related parties	3,019	1.90

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
3. With the same affiliate		
Grand industrial Limited Company of Baofeng with same affiliate	14,525	9.15
Yulon General Motors Ltd. with same affiliate	13,802	8.70
Far Eastern New Century Corp. with same affiliate	13,160	8.29
China Steel Corp. with same affiliate	13,091	8.25
First Financial Holding Co., Ltd. with same affiliate	12,422	7.83
Eva Airways Corp. with same affiliate	11,709	7.38
Lin Yuan Investment Co., Ltd. with same affiliate	11,366	7.16
Evergreen Marine Corp. (Taiwan) Ltd.	11,277	7.11
Kingston Technology Corporation with same affiliate	10,684	6.73
Yuanta Financial Holding Co., Limited with same affiliate	10,339	6.51
Far Eastern Department Stores Co., Ltd. with same affiliate	9,623	6.06
Nankang Rubber Tire Corp., Ltd. with same affiliate	8,984	5.66
Asia Cement Corp. with same affiliate	8,441	5.32
Zhong Shing Development Co., Ltd. with same affiliate	8,214	5.18
Walsin Lihwa Corporation with same affiliate	7,912	4.99
China Airlines Corp. with same affiliate	7,861	4.95
Mega Financial Holding Co., Ltd. with same affiliate	6,756	4.26
Formosa Plastics Corp. with same affiliate	6,493	4.09
YFY Inc. with same affiliate	6,485	4.09
HSBC Holding PLC with same affiliate	6,440	4.06
Cathy Financial Holding Co., Ltd. with same affiliate	6,163	3.88
CTBC Financial Holding Co., Ltd. with same affiliate	6,033	3.80
Taiwan Cement Corp. with same affiliate	5,961	3.76
Formosa Chemicals & Fibre Corp. with same affiliate	5,900	3.72
Continental Engineering Corporation with same affiliate	5,444	3.43
Chailase Finance with same affiliate	5,388	3.39
Taiwan Glass Ind. Corp. with same affiliate	5,188	3.27
Inventec Corp.	5,177	3.26
Nanya Plastics Corp. with same affiliate	5,089	3.21
ASE Technology Holding Co., Ltd. with same affiliate	4,805	3.03
Kuotu Motor Co., Ltd. with same affiliate	4,792	3.02
Fubon Financial Holding Co., Ltd. with same affiliate	4,739	2.99
Cheng Shin Rubber Company with same affiliate	4,519	2.85
Taiwan Cooperative Financial Holding Co., Ltd. with same affiliate	4,338	2.73
Hui Hang Investment with same affiliate	4,198	2.65
Quanta Computer Inc. with same affiliate	4,108	2.59
Tatung Co., Ltd. with same affiliate	4,043	2.55
YangMing Marine Transport Corp. with same affiliate	4,011	2.53
China Development Financial Holding Co., Ltd. with same affiliate	4,002	2.52
Mayfull Corp. with same affiliate	3,960	2.49
Compal Electronics with same affiliate	3,937	2.48
Huaku Development with same affiliate	3,790	2.39
Farglory Construction Corp. with same affiliate	3,754	2.37
Industrial And Commercial Bank of China with same affiliate	3,633	2.29
Wisdom Marine Lines with same affiliate	3,533	2.23
Wistron Corp. with same affiliate	3,528	2.22
Everwiner Enterprise Co., Ltd. with same affiliate	3,419	2.15
Chang Chun Petrochemical Co., Ltd. with same affiliate	3,412	2.15
China Times Inc. with same affiliate	3,357	2.11
Federal Corp. with same affiliate	3,352	2.11
Capital Securities Corp. with same affiliate	3,327	2.10
JP Morgan Chase & Co with same affiliate	3,220	2.03
Ocean Plastics Co., Ltd. with same affiliate	3,119	1.97
Citigroup Inc. with same affiliate	3,060	1.93
Reliance Industries Limited with same affiliate	3,019	1.90
Yieh Phui Enterprise Co., Ltd. with same affiliate	3,009	1.90

Attachment 5

HUA NAN FINANCIAL HOLDINGS CO., LTD.

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

DECEMBER 31, 2017

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 272,744	166.07
National Treasury Agency	76,327	46.47
Taiwan Power Company	29,733	18.10
Taiwan High Speed Rail Corp.	21,120	12.86
Grand industrial Limited Company of Baofeng	14,774	9.00
EVA Airways Corporation	14,535	8.85
USA	12,088	7.36
EVA Airways Corporation	11,304	6.88
New Taipei City Government	10,000	6.09
China Airlines Corp.	8,568	5.22
Far Eastern Department Stores Co., Ltd.	7,206	4.39
Evergreen Marine Corp. (Taiwan) Ltd.	7,032	4.28
Taichung City Government	6,850	4.17
First Financial Holdings Co., Ltd.	6,756	4.11
Cathy Real Estate Development Co., Ltd.	5,689	3.46
Wan Pao Development Co., Ltd.	5,528	3.37
Changhua County Government	5,417	3.30
CTBC Bank Co., Ltd.	5,134	3.13
Micron Technology, Inc.	5,000	3.04
China Steel Corporation	4,895	2.98
Formosa Ha Tinh (Cayman) Limited	4,749	2.89
Lin Yuan Investment Co., Ltd.	4,595	2.80
Pintung County Government	4,535	2.76
Formosa Chemicals & Fibre Corp.	4,533	2.76
Taiwan Railways Administration, MOTC	4,479	2.73
Cheng Shin Rubber Industry Co.	4,255	2.59
Capital Securities Corp.	4,200	2.56
Nanya Plastics Corporation	4,026	2.45
Taiwan Glass Ind. Corp.	4,003	2.44
Mayfull Corp.	3,933	2.39
Compal Electronics	3,918	2.39
Far Eastern New Century Corp.	3,893	2.37
Yunlin County Government	3,888	2.37
Nankang Rubber Tire Corp., Ltd.	3,737	2.28
Momo.com Inc.	3,674	2.24
Formosa Plastics Corporation	3,650	2.22
Quanta Computer Inc.	3,620	2.20
Formosa Group (Cayman) Limited	3,562	2.17
Federal Corporation	3,483	2.12
TCC International Holdings Limited	3,143	1.91
Yang Ming Marine Transport Corporation	3,093	1.88
2. With the same related person		
Mr. Wang with same related parties	7,355	4.48
Mr. Chen with same related parties	6,852	4.17
Mr. Pan with same related parties	5,697	3.47
Mr. Chi with same related parties	5,643	3.44
Mr. Zhan with same related parties	3,799	2.31
Mr. Jiao with same related parties	3,590	2.19
Mr. Lin with same related parties	3,509	2.14
Mr. Shao with same related parties	3,327	2.03
Mr. Lee with same related parties	3,217	1.96
3. With the same affiliate		
Eva Airways Corp. with same affiliate	22,838	13.91
Grand industrial Limited Company of Baofeng with same affiliate	15,598	9.50
Far Eastern New Century Corp. with same affiliate	12,639	7.70
China Steel Corp. with same affiliate	12,293	7.49
Lin Yuan Investment Co., Ltd. with same affiliate	10,297	6.27
Yulon General Motors Ltd. with same affiliate	10,190	6.20
China Airlines Corp. with same affiliate	8,568	5.22
First Financial Holding Co., Ltd. with same affiliate	8,172	4.98
Formosa Chemicals & Fibre Corp. with same affiliate	7,769	4.73
Asia Cement Corp. with same affiliate	7,711	4.70
Far Eastern Department Stores Co., Ltd. with same affiliate	7,357	4.48
Nankang Rubber Tire Corp., Ltd. with same affiliate	6,758	4.11
Taiwan Glass Ind. Corp. with same affiliate	5,678	3.46
KGI Securities Co., Ltd. with same affiliate	4,809	2.93
Momo.com Inc. with same affiliate	4,631	2.82
Cheng Shin Rubber Company with same affiliate	4,546	2.77
Nanya Plastics Corp. with same affiliate	4,497	2.74
Continental Engineering Corporation with same affiliate	4,308	2.62
Compal Electronics with same affiliate	4,078	2.48
Formosa Plastics Corp. with same affiliate	4,012	2.44
Farglory Construction Corp. with same affiliate	3,826	2.33
YangMing Marine Transport Corp. with same affiliate	3,757	2.29
China Times Inc. with same affiliate	3,672	2.24
Tatung Co., Ltd. with same affiliate	3,628	2.21
Taiwan Cement Corp. with same affiliate	3,622	2.21
Quanta Computer Inc. with same affiliate	3,621	2.20
Taiwan Cooperative Financial Holding Co Ltd with same affiliate	3,588	2.18
Synnex Technology Intl with same affiliate	3,309	2.01
Walsin Lihwa Corp. with same affiliate	3,296	2.01
Lee Chang Yung Chemical Industry Corp with same affiliate	3,217	1.96
Chang Chun Petrochemical Co., Ltd. with same affiliate	3,063	1.87
Zhong Shing Development Co., Ltd. with same affiliate	3,035	1.85
Inventec Corp.	3,015	1.84
Yuanta Financial Holding Co., Limited with same affiliate	3,001	1.83



III. Audit Committee Report for the past year's financial report

Hua Nan Financial Holdings Co., Ltd.

Audit Committee's Audit Report

The Company's Board of Directors prepared and submitted the 2021 business report and financial statements. The financial statements have been audited by Yi-Chun Wu, CPA, and Ting-Sheng Chang, CPA, of Deloitte Taiwan. The statements and reports prepared and submitted by the Board of Directors have been audited by the Audit Committee and no inconsistencies have been found. The Committee has prepared an Audit Report following unanimous agreement in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

HUA NAN FINANCIAL HOLDINGS CO., LTD.

2022 Shareholders' Meeting

HUA NAN FINANCIAL HOLDINGS CO., LTD.

WU, KUEI-SUN, Convener of the Audit Committee

March 14, 2022

Hua Nan Financial Holdings Co., Ltd.

Audit Committee's Audit Report

The 2021 earnings distribution proposal prepared and submitted by the Board of Directors have been audited by the Audit Committee and no inconsistencies have been found. The Committee has prepared an Audit Report following unanimous agreement in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

HUA NAN FINANCIAL HOLDINGS CO., LTD.

2022 Shareholders' Meeting

HUA NAN FINANCIAL HOLDINGS CO., LTD.

WU, KUEI-SUN, Convener of the Audit Committee

April 25, 2022

IV The past year's financial report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The company and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HUA NAN FINANCIAL HOLDINGS CO., LTD.

March 14, 2022



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Hua Nan Financial Holdings Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hua Nan Financial Holdings Co., Ltd. (the Company) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Companies, the guidelines issued by the authority, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those regulations and standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Impairment Loss of Discounts and Loans

As detailed in Note 5 to the consolidated financial statements, the Company and its subsidiaries' management assess the impairment loss of discounts and loans based on the assumptions about the probability of default and the loss given default. The Company and its subsidiaries uses judgment in timely amending these assumptions and in adjusting the inputs to the impairment evaluation, based on the Company and its subsidiaries' historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Amending and adjusting key assumptions and inputs used are critical judgments and estimates and complied with the relevant laws and regulations. Therefore, the impairment loss of discounts and loans is identified as a key audit matter.

Please refer to Note 4 to the consolidated financial statements for the accounting policies related to impairment evaluation on discounts and loans, Note 5 for critical accounting judgments and key sources of estimation uncertainty, significant assumptions and input values used refer to Note 52 and Note 14 for related presentation and disclosure.

Our audit procedures performed in respect of the above key audit matter include understanding the methodology, key assumptions and parameter settings used by the management to measure the financial asset impairment model in accordance with International Financial Reporting Standard No.9. Assessing whether it is appropriate to reflect the actual situation of discounts and loans and whether the key assumptions and inputs used are reasonable and consistent with the calculation of expected credit losses. Obtain the information related to the evaluation of such financial assets by the management, test the completeness of the related information, and then select samples from the cases of discounts and loans to verify the accuracy of the calculation. In addition, confirm the classification and the provision of allowance for impairment loss complied with the relevant laws and regulations.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Companies, the guidelines issued by the authority, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Wu and Dien-Sheng Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 46)	\$ 42,752,408	1	\$ 37,562,976	1
DUE FROM THE CENTRAL BANK CALL LOANS TO AND OTHER BANKS (Notes 6, 7, 46 and 48)	237,798,118	7	223,421,083	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 46)	111,925,660	3	50,884,829	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9, 11 and 48)	327,146,365	10	241,125,406	8
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST, NET (Notes 4, 5, 10, 11 and 48)	609,544,831	18	613,905,747	20
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	2,449,190	-	959,220	-
RECEIVABLES, NET (Notes 4, 5, 13 and 46)	60,275,356	2	51,486,371	2
CURRENT TAX ASSETS (Notes 4, 44 and 46)	222,141	-	450,435	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 46)	1,985,934,147	57	1,784,641,366	58
REINSURANCE CONTRACTS ASSETS, NET	5,381,961	-	5,648,093	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	360,138	-	179,552	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 5, 16 and 46)	21,025,010	1	35,667,659	1
INVESTMENT PROPERTIES, NET (Notes 4, 19 and 48)	12,117,002	-	11,411,897	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 17, 46 and 48)	32,390,449	1	31,777,373	1
RIGHT-OF-USE ASSETS (Notes 3, 4, 18 and 46)	1,960,405	-	1,987,287	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	942,413	-	933,108	-
DEFERRED TAX ASSETS (Notes 4 and 44)	3,571,080	-	3,432,040	-
OTHER ASSETS, NET (Notes 4, 21, 46 and 48)	5,157,244	-	5,607,796	-
TOTAL	\$ 3,460,953,918	100	\$ 3,101,082,238	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 22 and 46)	\$ 121,391,552	3	\$ 120,918,211	4
FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS (Notes 23 and 49)	34,478,600	1	19,091,190	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	3,427,549	-	7,475,164	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10 and 25)	26,305,596	1	41,957,804	1
COMMERCIAL PAPER PAYABLE, NET (Notes 24 and 47)	19,305,630	1	15,578,122	1
PAYABLES (Note 26)	44,198,933	1	40,262,838	1
CURRENT TAX LIABILITIES (Notes 4, 44 and 46)	2,517,810	-	2,617,347	-
DEPOSITS AND REMITTANCES (Notes 27 and 46)	2,835,359,989	82	2,524,483,706	82
BONDS PAYABLE (Notes 28 and 47)	67,891,382	2	60,688,999	2
OTHER BORROWINGS (Notes 29 and 47)	2,340,340	-	1,490,500	-
PROVISIONS (Notes 4, 30 and 31)	22,986,431	1	23,747,147	1
OTHER FINANCIAL LIABILITIES (Notes 32 and 46)	56,902,334	2	39,388,701	1
LEASE LIABILITIES (Notes 3, 4, 18, 46 and 47)	1,984,400	-	1,954,177	-
DEFERRED TAX LIABILITIES (Notes 4 and 44)	6,100,474	-	6,140,434	-
OTHER LIABILITIES (Notes 4, 33 and 46)	15,056,091	-	5,883,733	-
Total liabilities	3,260,247,111	94	2,911,678,073	94
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT (Notes 4 and 34)				
Share capital				
Ordinary shares	131,941,450	4	128,547,788	4
Capital surplus	17,758,986	1	17,758,986	1
Retained earnings				
Legal reserve	18,593,434	-	17,837,809	1
Special reserve	6,471,594	-	6,471,594	-
Unappropriated earnings	19,658,539	1	9,340,889	-
Total retained earnings	44,723,567	1	33,650,292	1
Other equity				
Exchange differences on translating the financial statements of foreign operations	(3,691,240)	-	(3,060,523)	-
Gain on equity instruments at fair value through other comprehensive income	12,337,960	-	9,785,036	-
Gain or loss on in debt instruments at fair value through other comprehensive income	(2,676,360)	-	2,531,748	-
Reclassified other comprehensive income on application of overlay approach	310,358	-	188,835	-
Total other equity	6,280,718	-	9,445,096	-
Total equity attributable to owner of the parent	200,704,721	6	189,402,162	6
NON-CONTROLLING INTERESTS	2,086	-	2,003	-
Total equity	200,706,807	6	189,404,165	6
TOTAL	\$ 3,460,953,918	100	\$ 3,101,082,238	100

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 35 and 46)	\$ 36,596,622	72	\$ 36,863,125	92	(1)
INTEREST EXPENSES (Notes 4, 35 and 46)	(8,596,255)	(17)	(12,220,586)	(30)	(30)
NET INTEREST	28,000,367	55	24,642,539	62	14
NET REVENUES OTHER THAN INTEREST					
Commission and fee revenues, net (Notes 4, 36 and 46)	12,282,907	24	9,339,079	23	32
Income from insurance premiums, net (Notes 4 and 37)	3,827,698	7	3,516,581	9	9
Loss on financial assets and liabilities at fair value through profit or loss, net (Notes 4, 8, 38 and 46)	(2,185,118)	(4)	(11,757,397)	(29)	(81)
Gain on investment properties, net (Note 19)	536,797	1	506,672	1	6
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 39)	3,683,984	7	3,389,629	8	9
Gain on derecognition of financial assets at amortized cost (Notes 4 and 10)	8,374	-	7,311	-	15
Foreign exchange gain, net (Notes 4 and 40)	4,699,693	9	9,949,796	25	(53)
Impairment (loss) reversal gain on assets (Notes 4 and 11)	(20,287)	-	35,325	-	(157)
Share of associates accounted for using the equity method (Notes 4 and 15)	12,420	-	8,667	-	43
Loss on overlay approach (Notes 4, 8 and 11)	(120,744)	-	(48,971)	-	147
Other non-interest income, net (Notes 4 and 46)	346,447	1	375,293	1	(8)
Total net revenues other than interest	23,072,171	45	15,321,985	38	51
TOTAL NET REVENUE	\$ 51,072,538	100	\$ 39,964,524	100	28
ALLOWANCE FOR DOUBTFUL ACCOUNTS, COMMITMENT, AND GUARANTEES (Notes 4, 13 and 14)	(2,749,701)	(6)	(2,061,723)	(5)	33
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET (Notes 4 and 30)	(692,380)	(1)	(911,675)	(2)	(24)
OPERATING EXPENSES (Notes 31, 41, 42, 43 and 46)					
Employee benefits	(18,443,265)	(36)	(16,493,790)	(41)	12
Depreciation and amortization	(2,127,717)	(4)	(2,185,685)	(6)	(3)
Others	(7,522,748)	(15)	(7,121,846)	(18)	6
Total operating expenses	(28,093,730)	(55)	(25,801,321)	(65)	9
NET PROFIT BEFORE INCOME TAX	19,536,727	38	11,189,805	28	75
INCOME TAX EXPENSE (Notes 4 and 44)	(2,330,406)	(4)	(2,536,322)	(6)	(8)
NET PROFIT FOR THE YEAR	17,206,321	34	8,653,483	22	99
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 8, 34 and 44)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(188,415)	-	(356,586)	(1)	(47)
Gain or loss on investments in equity instruments at fair value through other comprehensive income	3,371,393	6	(318,235)	(1)	1,159
Income tax relating to items that will not be reclassified subsequently to profit or loss	37,248	-	70,981	-	(48)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	\$(630,717)	(1)	\$(1,756,289)	(4)	(64)
Gain or loss on investments in debt instruments at fair value through other comprehensive income	(5,242,674)	(10)	1,195,438	3	(539)
Gain on other comprehensive income reclassified by overlay approach	120,744	-	48,971	-	147
Income tax relating to items that may be reclassified subsequently to profit or loss	35,345	-	(13,555)	-	361
Other comprehensive loss for the year	(2,497,076)	(5)	(1,129,275)	(3)	121
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 14,709,245	29	\$ 7,524,208	19	95
NET PROFIT ATTRIBUTABLE TO:					
Owner of the parent	\$ 17,206,199	34	\$ 8,653,353	22	99
Non-controlling interests	122	-	130	-	(6)
	\$ 17,206,321	34	\$ 8,653,483	22	99
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owner of the parent	\$ 14,709,075	29	\$ 7,524,039	19	95
Non-controlling interests	170	-	169	-	1
	\$ 14,709,245	29	\$ 7,524,208	19	95
EARNINGS PER SHARE (Note 45)					
Basic and diluted	\$ 1.30		\$ 0.66		

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Share Capital	Capital Surplus					Retained Earnings	
	Capital Stock	Share Premium	Treasury Stock	Donated Assets	Others	Total	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2020	\$ 121,727,402	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 16,322,174	\$ 6,471,594
Appropriation of 2019 earnings								
Legal reserve	-	-	-	-	-	-	1,515,635	-
Cash dividends	-	-	-	-	-	-	-	-
Stock dividends	6,820,386	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	128,547,788	17,702,376	52,349	2,936	1,325	17,758,986	17,837,809	6,471,594
Appropriation of 2020 earnings								
Legal reserve	-	-	-	-	-	-	755,625	-
Cash dividends	-	-	-	-	-	-	-	-
Stock dividends	3,393,662	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 131,941,450	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 18,593,434	\$ 6,471,594

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



(In Thousands of New Taiwan Dollars)

Retained Earnings		Other Equity				Non-controlling Interests	Total Equity
Unappropriated Income	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Gain or loss on Investment in Equity Instruments at Fair Value Through Other Comprehensive Income	Gain or Loss on Investment in Debt Instruments at Fair Value Through Other Comprehensive Income	Gain or Loss on Other Comprehensive Income Reclassified by Overlay Approach		
\$ 16,941,042	\$ 39,734,810	\$ (1,304,234)	\$ 9,291,816	\$ 1,351,567	\$ 138,162	\$ 2,148	\$ 188,700,657
(1,515,635)	-	-	-	-	-	-	-
(6,820,386)	(6,820,386)	-	-	-	-	-	(6,820,386)
(6,820,386)	(6,820,386)	-	-	-	-	-	-
-	-	-	-	-	-	(69)	(69)
-	-	-	-	-	-	(245)	(245)
8,653,353	8,653,353	-	-	-	-	130	8,653,483
(285,601)	(285,601)	(1,756,289)	(318,278)	1,180,181	50,673	39	(1,129,275)
8,367,752	8,367,752	(1,756,289)	(318,278)	1,180,181	50,673	169	7,524,208
(811,498)	(811,498)	-	811,498	-	-	-	-
9,340,889	33,650,292	(3,060,523)	9,785,036	2,531,748	188,835	2,003	189,404,165
(755,625)	-	-	-	-	-	-	-
(3,406,516)	(3,406,516)	-	-	-	-	-	(3,406,516)
(3,393,662)	(3,393,662)	-	-	-	-	-	-
-	-	-	-	-	-	(87)	(87)
17,206,199	17,206,199	-	-	-	-	122	17,206,321
(151,168)	(151,168)	(630,717)	3,371,346	(5,208,108)	121,523	48	(2,497,076)
17,055,031	17,055,031	(630,717)	3,371,346	(5,208,108)	121,523	170	14,709,245
818,422	818,422	-	(818,422)	-	-	-	-
\$ 19,658,539	\$ 44,723,567	\$ (3,691,240)	\$ 12,337,960	\$ (2,676,360)	\$ 310,358	\$ 2,086	\$ 200,706,807

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 19,536,727	\$ 11,189,805
Adjustments for:		
Depreciation expenses	1,793,826	1,866,466
Amortization expenses	333,891	319,219
Allowance for doubtful accounts, commitments, and guarantees	2,749,701	2,061,723
Interest expenses	8,596,255	12,220,586
Gain on disposal of financial assets at amortized cost	(8,374)	(7,311)
Interest income	(36,596,622)	(36,863,125)
Dividend income	(2,302,667)	(1,794,989)
Change in provisions for insurance liabilities, net	692,380	911,675
Share of profit of associates accounted for using the equity method	(12,420)	(8,667)
Loss on profit reclassified by overlay approach	120,744	48,971
Loss (gain) on disposal of property and equipment	624	(62)
Gain on disposal of investment properties	(188,213)	(147,680)
Impairment reversal gain on financial assets	(30,298)	(35,417)
Impairment loss on non-financial assets	50,585	92
Gain on change in leasing contracts	(4,173)	(177)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(27,435,233)	(6,546,064)
(Increase) decrease in financial assets at fair value through profit or loss	(61,188,487)	28,745,294
Increase in financial assets at fair value through other comprehensive income	(87,898,683)	(18,476,457)
Decrease (increase) in investments in debt instruments at amortized cost	4,291,073	(165,105,966)
Increase in receivables	(8,519,455)	(6,939,279)
Increase in discounts and loans	(204,986,054)	(114,917,912)
Increase in assets under reinsurance contracts	(359,928)	(213,097)
Decrease (increase) in other financial assets	14,708,813	(10,512,365)
Increase in deposits from the Central Bank and other banks	473,341	3,219,458
(Decrease) increase in financial liabilities at fair value through profit or loss	(4,047,467)	4,425,121
(Decrease) increase in securities sold under repurchase agreements	(15,652,208)	5,420,889
Increase in payables	11,848,664	4,381,388
Increase in deposits and remittances	310,876,283	300,466,744
Increase in provisions	34,666	2,797
Increase in other financial liabilities	17,513,633	28,584,669
Increase in other liabilities	1,902,787	2,542,542
Cash (used in) generated from operations	(53,706,289)	44,838,871
Interest received	36,403,690	38,160,044
Dividend received	2,278,819	1,788,410
Interest paid	(8,797,103)	(13,438,148)
Income tax paid	(2,776,745)	(1,463,790)
Net cash (used in) generated from operating activities	(26,597,628)	69,885,387
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(179,191)	(8,780)
Proceeds from capital reduction of investments accounted for using equity method	4,470	-
Acquisition of property and equipment	(1,004,066)	(1,005,168)
Proceeds from disposal of property and equipment	250	419
Acquisition of intangible assets	(297,796)	(293,505)
Acquisition of investment properties	(2,205,573)	(1,572,606)
Proceeds from disposal of investments properties	1,035,795	1,292,233
Decrease (increase) in other assets	371,484	(2,127,004)
Net cash used in investing activities	(2,274,627)	(3,714,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,122,340	(140,000)
Increase in funds borrowed from Central Bank and other banks	15,387,410	19,091,190
Increase (decrease) in commercial paper payables	3,731,467	(2,961,544)
Proceeds from issuance of corporate bonds	-	7,500,000
Repayments of corporate bonds	-	(4,900,000)
Proceeds from issuance bank debentures	13,000,000	6,000,000
Repayments of bank debentures	(5,800,000)	(8,200,000)
(Decrease) increase in long-term borrowings	(272,500)	172,500
Repayment of the principal portion of lease liabilities	(715,904)	(696,765)
Increase in other liabilities	397	-
Dividends paid to owners of the Company	(3,396,434)	(6,806,523)
Cash dividends paid to non-controlling interests	(87)	(69)
Changes in non-controlling interests	-	(245)
Net cash generated from financing activities	23,056,689	9,058,544
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(564,095)	(2,025,706)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,379,661)	73,203,814
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	174,436,057	101,232,243
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 168,056,396	\$ 174,436,057

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

	December 31	
	2021	2020
Cash and cash equivalents in consolidated balance sheets	\$ 42,752,408	\$ 37,562,976
Due from the Central Bank and other banks that meet the definition of cash and cash equivalents in IAS 7	122,854,798	135,913,861
Securities purchased under resell agreements that meet the definition of cash and cash equivalents in IAS 7	2,449,190	959,220
Cash and cash equivalents in consolidated statements of cash flows	\$ 168,056,396	\$ 174,436,057

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL

Hua Nan Financial Holdings Co., Ltd. (HNFHC or the Company) was established by Hua Nan Commercial Bank Ltd. (HNCB) and EnTrust Securities Co., Ltd. ("EnTrust") through a share swap on December 19, 2001. After share swap, HNCB and EnTrust became HNFHC's wholly owned subsidiaries. EnTrust was renamed Hua Nan Securities Co., Ltd. (HNSC) in June 2003.

On August 15, 2003, South China Insurance Co., Ltd. (SCIC) and EnTrust Investment Trust Corporation became wholly owned subsidiaries of HNFHC through a share swap. EnTrust Investment Trust Corporation changed its name to Hua Nan Investment Trust Corporation (HNIT) on June 2003.

HNFHC manages and invests in authorized domestic and overseas financial institutions.

Hua Nan Commercial Bank, Ltd. ("HNCB") was established on March 1, 1947 through the restructuring of the Hua Nan Bank, which was founded in 1919. HNCB engages in (a) all commercial banking operations allowed by the Banking Act; (b) offshore banking business; (c) overseas branch operations authorized by the respective foreign governments; and (d) other operations as authorized by the central competent authorities.

HNCB maintains its head office in Taipei. As of December 31, 2021, HNCB had Banking, Financial Trading, International Banking and Trust Departments as well as 186 domestic branches and representative offices, an offshore banking unit (OBU), 12 overseas branches (located in Los Angeles, New York, Hong Kong, Singapore, London, Ho Chi Minh City, Sydney, Shenzhen, Shanghai, Fuzhou, Macao and Manila, respectively), 1 overseas sub branch (Baoan in Shenzhen) and 3 overseas representative offices (Hanoi, Vietnam, Yangon, Myanmar and Bangkok, Thailand).

The operations of HNCB's Trust Department are (1) trust business planning, managing and operating and (2) custody of nondiscretionary trust funds in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Act and the Trust Enterprise Act.

Hua Nan Securities Co., Ltd. (HNSC) was incorporated on June 17, 1988 in conformity with related regulations. HNSC's main business operations are (a) to accept orders to trade securities at centralized securities exchange market; (b) to trade securities for itself at centralized securities exchange market; (c) to underwrite securities; (d) to accept orders to trade securities at HNSC's business locations; (e) to trade securities for itself at HNSC's business location; (f) to act as a transfer agent for securities; (g) to engage in margin loan and securities financing for securities; (h) to engage in securities-related auxiliary futures trading services; (i) to accept orders to buy and sell foreign securities; (j) to engage in securities-related futures services; (k) to engage in other securities-related businesses approved by the governing authorities.

South China Insurance Co., Ltd. (SCIC) was incorporated on May 1, 1963. SCIC is mainly engaged in property insurance services including automobile insurance, fire insurance, casualty insurance, liability insurance, and reinsurance of the preceding insurance businesses. SCIC has a head office in Taipei, 8 branches and 31 service centers in main cities in Taiwan.

Hua Nan Investment Trust Corporation (HNIT) was registered on September 29, 1992. HNIT is mainly engaged in issuing beneficiary certificates to raise investment trust funds and making securities investments using these funds. HNIT was authorized by the governing authorities to be engaged in the operation of discretionary investment services in September 2001.

Hua Nan Venture Capital Co., Ltd. (HNVC) was registered on January 28, 2004 under the "Company Act" and "Regulations for Scope and Guidance to Venture Capital Business". HNVC is mainly engaged in venture capital investments business, investment consulting business, and manage consulting business. HNVC invested business including domestic and overseas technology companies, other domestic and overseas venture capital companies, and other companies allowed by the related regulations.

Hua Nan Asset Management Co., Ltd. (HNAMEC) was invested by HNFHC and was established on May 10, 2005. HNAMEC is mainly engaged in properties purchase, properties leasing and purchase, evaluation, auction and management service of monetary creditor's rights of financial institutions.

Hua Nan International Leasing Co., Ltd. (HNILC) was established on July 13, 2012. HNILC is mainly engaged in financing and leasing.

Hua Nan International Leasing Corporation (HNILC Shenzhen) was established on October 25, 2012. HNILC Shenzhen is mainly engaged in financing and leasing.

Hua Nan Futures Co., Ltd. (HNFC) was established on April 30, 1994 based on Company Act, Futures Trading Act and other related regulations. On July 25, 1994 HNFC received the authorized license from Securities and Futures Bureau of MOF and is mainly engaged in futures broker business and futures consulting business. On May 20, 2009, HNFC received the approval of operating future management and the authorized license.

Hua Nan Investment Management Co., Ltd. (HNIM) was established on September 27, 1993 based on Company Act and other related regulations. HNIM is mainly engaged in security investment consulting business.

Hua Nan Holdings Corp. was established in British Virgin Island on March 17, 1997. The outstanding shares are 100,000 and are all held by HNSC. It is mainly engaged in holding company business.

Hua Nan Asset Management Corp. was established in Cayman Island on February 29, 2000 and was a wholly owned subsidiary of Hua Nan Holdings Corp. It was mainly engaged in consulting business. It notified the Company agreeing on the matter of its dissolution on July 13, 2017. And completed the cancellation on March 7, 2018.

Hua Nan Securities (HK) Limited was established in Hong Kong, and was a wholly owned subsidiary of Hua Nan Holdings Corp. It is mainly engaged in security business.

The functional currency of the Company is New Taiwan dollars, and the consolidated financial statements are presented in New Taiwan dollars.

As of December 31, 2021 and 2020, the Company and its subsidiaries had 10,782 and 10,756 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on March 14, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC.

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company and its subsidiaries' accounting policies.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries' financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

IFRS 17 "Insurance Contract"

IFRS 17 sets out the accounting standards for insurance contract that will supersede IFRS 4 "Insurance Contract". The main description are as followed:

Level of aggregation of insurance contracts

The Company and its subsidiaries shall identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The Company and its subsidiaries shall divide a portfolio of insurance contracts issued into a minimum of:

- 1) A group of contracts that are onerous at initial recognition, if any;
- 2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- 3) A group of the remaining contracts in the portfolio, if any

The Company and its subsidiaries shall not include contracts issued more than one year apart in the same group. The Company and its subsidiaries shall apply the recognition and measurement requirements of IFRS 17 to the Company and its subsidiaries of contracts issued.

Recognition

The Company and its subsidiaries shall recognise a group of insurance contracts it issues from the earliest of the following:

- 1) The beginning of the coverage period of the Company and its subsidiaries of contracts;
- 2) The date when the first payment from a policyholder in the Company and its subsidiaries becomes due; and
- 3) For a group of onerous contracts, when the Company and its subsidiaries becomes onerous

Measurement on initial recognition

On initial recognition, the Company and its subsidiaries shall measure a group of insurance contracts at the total of the fulfilment cash flows and contractual service margin. The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows and a risk adjustment for non-financial risk. Contractual service margin is a component of the asset or liability for the Company and its subsidiaries of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future. The Company and its subsidiaries shall measure the contractual service margin on initial recognition of a group of insurance contracts at an amount that, unless onerous contracts applies, results in no income or expenses arising from a) the initial recognition of an amount for the fulfilment cash flows, measured by applying paragraphs; b) the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows applying; and c) any cash flows arising from the contracts in the Company and its subsidiaries at that date.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Liability for remaining coverage comprise the fulfilment cash flows related to future service allocated to the Company and its subsidiaries at that date and the contractual service margin of the Company and its subsidiaries at that date. The liability for incurred claims, comprise the fulfilment cash flows related to past service allocated to the Company and its subsidiaries at that date. Impairment loss should be recognize immediately if contracts portfolio become onerous contracts during subsequents measurement.

Onerous contracts

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Company and its subsidiaries shall recognise a loss in profit or loss for the net outflow for the Company and its subsidiaries of onerous contracts, resulting in the carrying amount of the liability for the Company and its subsidiaries being equal to the fulfilment cash flows and the contractual service margin of the Company and its subsidiaries being zero. Contractual service margin remain zero, and no insurance contract revenue will be recognized before the recognized onerous amount is reversed.



Premium allocation approach

The Company and its subsidiaries may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the Company and its subsidiaries:

- 1) The entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the Company and its subsidiaries that would not differ materially from the one that would be produced applying the requirements; or
- 2) Coverage period of each contract in the Company and its subsidiaries is one year or less.

The criterion a) is not met if at the inception of the Company and its subsidiaries the Company and its subsidiaries expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred.

Using the premium allocation approach, the Company and its subsidiaries shall measure the liability for remaining coverage as the carrying amount of the liability on initial recognition minus any insurance acquisition cash flows at that date.

At the end of each subsequent reporting period, the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, plus insurance acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features does not include a transfer of significant insurance risk. IFRS 17 applies to investment contract with discretionary participation features and insurance contract if issuer also issues insurance contract.

Modification and derecognition

If the terms of an insurance contract are modified and certain conditions are satisfied, the Company and its subsidiaries shall derecognise the original contract and recognise the modified contract as a new contract. The Company and its subsidiaries shall derecognise the insurance contract when contract is extinguished or its substance is being modified.

Transition rules

The Company and its subsidiaries shall provide apply retrospective approach, and apply modified retrospective approach or the fair value approach if retrospective approach is inapplicable.

Modified retrospective approach achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. Fair value approach should be applied if reasonable and supportable information are unavailable.

To apply the fair value approach, the Company and its subsidiaries shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- 1) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- 2) The Group chose the accounting policy from options permitted by the standards;
- 3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- 4) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- 5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries’ financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Insurance Companies, and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Current/Non-current Assets and Liabilities

Since the length of the operating cycle in the banking industry could not be reasonably identified, accounts included in the Company and its subsidiaries’ financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Except for the matter stated in the preceding paragraph, cash and cash equivalents or assets to be realized within 12

months after the reporting period are classified as current. Liabilities to be liquidated or settled within 12 months and liabilities for which the Company and its subsidiaries do not have an unconditional right to defer settlement for at least 12 months after the reporting period, are classified as current (even if an agreement to refinance; or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. All other assets and liabilities are classified as non-current.

The consolidated financial statements, however, do not show the classification of current or non-current assets/liabilities because the banking industry accounts are the major parts of the consolidated accounts.

Principles for Preparing Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of its subsidiaries to bring its accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

The consolidated entities, nature and percentage of ownership is shown in Table 5.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Non-monetary items measured at fair value are recognized at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e. not retranslated).

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the retranslation of nonmonetary assets (such as equity instruments) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising on the retranslation of nonmonetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its subsidiaries are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the end of the reporting period, and income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. The resulting currency translation differences are recognized in other comprehensive income.

Cash and Cash Equivalents

Cash and Cash equivalents include cash on hand, demand deposits, time deposits within three months that can be readily terminated without the deduction of principal, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents in consolidated balance sheets, and those amounts of due from the Central Bank and other banks and securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows", etc.

Investment in Associates

An associate is the Company and its subsidiaries over which the Company and its subsidiaries have significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company and its subsidiaries uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Company and its subsidiaries also recognize the changes in the Company and its subsidiaries' share of equity of associates.

The entire carrying amount (including goodwill) of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized would not allocate to any assets (including goodwill) which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Trade date basis means that when financial assets are purchased or sold, the delivery date was within the period prescribed by regulation or market practice.

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such a financial asset is mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income and debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria.

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; domestic bonds - at prices quoted by the Taiwan GreTai Securities Market; overseas bonds - at prices quoted by the Bloomberg, the Refinitiv or the counterparty in transactions and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and discounts and loans, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.



Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

A financial asset is credit impaired when one or more of the following events have occurred:

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at fair value through other comprehensive income

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Company and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is permitted if the equity investment is not held for trading or if it is not contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company and its subsidiaries' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment

b. Impairment of financial assets

The Company and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost (including receivables), investments in debt instruments that are measured at fair value through other comprehensive income.

The Company and its subsidiaries always recognize lifetime expected credit losses (i.e. ECLs) for receivables that are not related to credit. For all other financial instruments, the Company and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument

The Company and its subsidiaries recognize an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” (the “Regulations”), HNCB evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. After evaluating the pledge value of certain credit assets on which there is loss, HNCB evaluate the possibility of recovering assets.

Based on the above Regulations, the minimum allowance for impairment losses and provision for losses on guarantees for the normal assets, assets that require special mentioned, assets that are substandard, assets with doubtful collectability, and assets on which there is loss should be 1%, 2%, 10%, 50% and 100% of outstanding, respectively. In order to enhance banks’ endurance to real estate mortgage and the exposed risk in main land China, FSC issued Rule No. 10300329440 and Rule No. 10410001840. Rule No. 10300329440 states that loss reserve and guarantee liability provisions of loans related to housing and repairing and construction, must be at least 1.5%. Rule No. 10410001840 states that loss reserve and guarantee liability provisions of first category financial assets (including short-term trade financing) must be at least 1.5%.

HNCB recognized allowance for loans and receivables in accordance with “Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past - Due/Non-performing Loans” and the test of impairment for financial assets. The larger amounts will be set as the standard of recognizing the allowance for doubtful accounts.

HNCB wrote off bad loans based on the possibilities of recovering overdue receivables as well as Non-performing loans and the values of collateral after the revaluation was approved by the board of directors.

c. Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

a. Measurement and recognition

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:



Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- 1) The main purpose is to repurchase in a short term;
- 2) The financial liabilities recognized initially are part of the identified financial instruments combined for management and were held for short-term profit; or
- 3) Derivative financial instruments (except for financial guarantee contracts and derivative financial instruments designated for hedge).

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if the recognition results in more relevant information and if:

- 1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed in accordance with the Company and its subsidiaries' documented risk management or investment strategy and is evaluated on a fair value basis and information about the Company and its subsidiaries is provided internally on that basis.

Furthermore, the contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at fair value through profit or loss.

Overlay Approach

While adopting IFRS 9 at the beginning of 2018, SCIC adopted IFRS 4 “Insurance Contracts” to recognize profit and loss of designated financial assets.

Overdue Loans

Under “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, nonperforming loans should be reclassified as overdue loans within performing period of 6 months. However the Nonperforming loans paid by installments after negotiation are exempted from the aforementioned rules.

Overdue loans transferred from loans should be recorded under discounts and loans. For other loans transferred from accounts other than loans, such as guarantees, acceptances, receivables factoring and credit card receivables should be recorded under other financial assets.

Margin Loans and Stock Loans

Margin loans pertain to the provision of funds to customers for them to buy securities. Margin loans receivable represents the amount given to customers. The securities bought by customers are used to secure these loans and are recorded through memo entries as “collateral securities.” The collateral securities are returned when the loans are repaid.

The refinancing of margin loans with securities finance companies is recorded as “refinancing borrowings,” which are collateralized by securities bought by customers.

The collateral securities are disposed of by HNSC when their market values fall below a pre-agreed level and the customer fails to maintain this level. If the proceeds of the disposal of collateral security cannot cover the balance of the loan and the customer cannot timely settle the deficiency, then the balance of the margin loan is reclassified under “overdue receivables.” If a collateral security cannot be sold in the open market, the balance of the loan is reclassified under “other receivables” or “overdue receivables.”

Stock loans are securities lent to customers for short sales. The deposits received from customers on securities lent out are credited to “deposits on short sale.” The securities sold short are recorded as “stock loans” using memo entries. The proceeds of the sales of securities lent to customers less any dealer’s commission, financing charges and securities exchange tax are recorded under “short sales proceeds payable.” When the customers return the stock certificates to HNSC, HNSC gives back to customers the deposits received and the proceeds of the sales of securities.

The margins deposited by securities firms to securities finance companies are recorded as “loan from refinanced margin.” The refinancing securities delivered to HNSC are recorded as “refinancing stock collaterals” using memo entries. A portion of the proceeds of the short-sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral and recorded as “refinancing deposits receivable.”

Bills and Bonds Sold or Purchased under Repurchase or Resale Agreement

Bonds and bills purchased under resale agreements refer to the actual payment made to the counterparty in transactions involving the purchase of securities, subject to an agreement by the purchaser to resell the securities. Such transaction is treated as margin trading. Bonds and bills sold under repurchase agreements refer to the actual receipts from the counterparty in transactions involving the sale of bonds and bills, subject to an agreement by the seller to repurchase the securities.

In the resale transaction of bonds purchased under resell agreements, the proceeds of bonds sold, listed as liability account “Bonds purchased under resell agreement - short trading” are included in financial liabilities at fair value through profit or loss and evaluated at fair value at the end of the period. The fair values refer to the bond reference prices in OTC as of the balance sheet date, and unrealized valuation gains or losses are presented as “Gains (losses) on valuation of borrowed securities and bonds under resale agreements”. The costs to resell and purchase are calculated by the average method, and the gains or losses on sale are presented as “Gains (losses) on covering of borrowed securities and bonds under resale agreements”.



Securities Business Money Lending, Money Lending - Any Use Unrestricted and Securities Lending

The securities lending business and money lending-purpose unrestricted business and securities lending of Hua Nan Securities Co., Ltd. pertains to the provision of funds, which are recognized as securities loan receivable two business days after the funds are given to customers and receivable of securities business money lending-any use; an allowance for bad debt is estimated at the end of the period on the basis of the collectability of the loan receivable. The collaterals obtained from securities lending are recorded through memo entries as “collateral securities.” The collateral securities are returned when the loans are repaid. Revenue from customers’ payments is recognized as securities lending commissions and fees.

The collateral securities obtained through securities lending are recorded through memo entries as “collateral securities.” Cash collaterals are recorded as “securities lending refundable deposits.” Deposits for securities borrowed from TSE are recorded as “securities borrowing margin.” For the issuance demand of the put warrants and the hedging demand of options, guaranteed price deposits borrowed from securities holders of underlying securities or paid in markets are recorded as “borrowed securities collateral receivable” and the deposits are recorded as “securities borrowing margin.”

Securities lending refundable deposits (or securities borrowing margin) will be repaid (or collected) on the return of borrowed securities. Securities lending income and service fees received for securities lending business are recognized as securities lending income (included in other no-interest income.)

Customers’ Margin Accounts and Futures Traders’ Equity

Hua Nan Futures Co., Ltd. engages in futures brokerage and receive margin deposits from customers as required under existing regulations.

The proceeds are deposited in a bank and presented as customers’ margin accounts and futures traders’ equity. Gains or losses from daily marking to market of the carrying amounts of the contracts and related commission are charged to the customers’ margin accounts and futures traders’ equity. Futures traders’ equity accounts cannot offset each other except when they are of the same kind and belong to someone. The debit balance of futures traders’ equity, which results from losses on futures transactions in excess of the margin deposited, is recorded as accounts receivable - futures margin deposits.

Securities Brokerage Accounts

These accounts pertain to open brokerage transactions. Under the related Regulations. These transactions are recorded as: Accounts receivable, net, accounts payable, other assets and other liabilities.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

For a transfer of classification from investment properties to property and equipment, the deemed cost of an item of property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is carrying amount value at the end of owner-occupation.

Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-Use Assets and Intangible Assets

At the end of each reporting period, the Company and its subsidiaries review the carrying amounts of its property and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation. Otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss (less amortization or depreciation) been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Collaterals Assumed

Collaterals assumed are recorded at cost. Impairment losses shall be recognized in profit or loss by the difference between the original cost and the fair value evaluated on the balance sheet date.

Payment Collected for Warrant Exercise and Share Subscription

HNSC's payment received for exercising warrants and share subscriptions, both on the clients' behalf, are presented as "other assets".

Payment Collected for Cash Dividends

HNSC collects cash dividends on behalf of its clients. Collections and payments are presented as other assets - others.

Reinsurance

SCIC arrange the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, SCIC cannot reuse to fulfill their obligations to insure even if the reinsurer refuses to fulfill its obligation.

Reinsurance premiums ceded is recognized based on reinsurance. It must synchronize with reinsurance premiums assumed according to the cut-off of reporting day. For those statements which have not been received by the insured, reinsurance premiums ceded it estimated in a reasonable and systematic way. The related income (such as: Reinsurance commissions and etc.) are recognized in the same period without being deferred.

Reinsurance reserve assets include unearned premium reserve, provision for reinsurance ceded and liability reserve ceded. SCIC classify the above mentioned reinsurance assets in accordance with the rules of "Regulations Governing the Provision of Various Reserves" and "Notice for Recognition of Liability Reserve on the Balance Sheet for Ceded Insurance over 1 year for Life Insurance Business". They are the privileges of reinsurer.

SCIC evaluates whether the privileges of reinsured is impaired or non-collectable on a regular basis, such as reinsurance reserve assets, claims and payment receivable from reinsurers and due from reinsurers and ceding companies. When objective evidence indicates that such incident happened after the initial recognition will possibly lead to SCIC being unable to collect all receivables on the contract, and the impact of the receivables from reinsured can be measured reliably with regard to the aforementioned events. The accumulated impairment shall be recognized in the context that the receivables do not exceed reinsurance reserve assets at book value. The allowance for bad debts shall be recognized when claims and payment receivable from reinsurers and due from reinsurers and ceding companies are non-collectable.

Insurance Liabilities

The insurance liabilities in SCIC's insurance contracts are regulated by "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations for the Setting Aside and Management of the Reserves for Compulsory Automobile Liability Insurance", "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance" and "Regulations Governing the Setting Aside of Nuclear Energy Reserve". The provision bases of insurance liabilities are as follows:

a. Unearned premium reserve

Unearned premium reserves are calculated on the basis of the retention of loss for each issuance policy. The reserve recognized in prior years is reversed to income when the related insurance policy expires. The unearned premium reserve should be determined by the insurance actuary and should be explained clearly on the submitted form to the authorized institution.

b. Separate loss reserve

A separate loss reserve for each type of insurance shall be calculated by the insurance actuary. Such calculation shall be based on past claims adjustment experience and expenses.

c. Special reserve

Special reserves include "Special Catastrophe Reserve" and "Special Risk-Volatility Reserve". The after-tax net value of increased provision each year shall be listed as the special reserves under stockholder's equity. The above amount to be written off or recovered shall be written off or recovered under liability reserves. If such liabilities reserves are insufficient for write-offs or recovered, the deficiency less income tax shall be written off or recovered with special reserves under stockholder's equity.

On January 1, 2011, the amount recorded in the account of special claim reserve under liabilities shall be recorded in the account of special reserve under head office accounts after deducting income tax and the amount specified by the competent authority for monitoring purposes.

Under Rule No. 10102515061 issued by FSC, since SCIC still has not recognized enough catastrophe reserves such as commercial earthquake insurance and typhoon and flood insurance, SCIC would not reclassified such special reserves from retained earnings to special surplus.

For the years ended in December 31, 2021 and 2020, SCIC is complied with “commercial earthquake insurance and typhoon and flood insurance”, “Directions for Strengthening the Residential Earthquake Insurance Co-Insurance Pool Members’ Reserves” and “Regulations of Reserve for Non-life Insurers Operating the Nuclear Insurance”. Were SCIC not to apply the rule, the net profit of SCIC were to decrease \$8,865 and the earnings per share were \$4.45 and \$2.36 for the years ended December 31, 2021 and 2020, respectively. The special reserve of SCIC were to decrease \$1,215,649 and \$1,226,730 and equity were to increase \$972,519 and \$981,384 as of December 31, 2021 and 2020, respectively.

1) Special catastrophe reserve

For each type of insurance, a special catastrophe reserve shall be set aside at the reserve ratio prescribed by the competent authority.

Upon the occurrence of a catastrophic event, the actual retained losses in excess of \$30 million and all property insurance risks totaling claims payable excess of \$2 billion may be withdrawn from the special catastrophe reserve.

A special catastrophe reserve that has been set aside for more than 15 years may be retired in the manner prescribed by the competent authority, and the amount treated as income.

2) Special risk-volatility reserve

For each type of insurance, when actual losses minus the balance of the special catastrophe reserve for that type of insurance after deduction of payouts from the reserve is lower than expected losses, a non-life insurance enterprise shall set aside the difference in the special risk-volatility reserve.

For each type of insurance, when the balance of actual losses minus the balance of the special catastrophe reserve for that type of insurance after deduction of payouts from the reserve is greater than expected losses, that portion of actual losses in excess of expected losses may be withdrawn from the special risk-volatility reserve previously set aside. If the special risk-volatility reserve for a particular type of insurance is insufficient to cover (losses in excess of expected losses), the losses may be withdrawn from the special risk-volatility reserve previously set aside for another type of insurance. The insurance type of the reserve thus drawn upon, and the amount of the withdrawal, shall be reported to the competent authority for recordation.

For each type of insurance, when cumulative provisions for the special risk-volatility reserve exceed 60 percent of the amount of retained earned premiums for the current year, that portion in excess shall be retired and treated as income.

d. Reserve for insufficient premium

Non-life insurance companies should evaluate the claim payments and expense which will be incurred in the future and compare the fore-mentioned expenditures to the premium based on insurance policy without expiration or the accepting risk which is not terminative. If the expenditures are lower than the premium, non-life insurance companies should provide the differences as the premium deficiency reserve.

Liability Adequacy Test

According to the “Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants” from the Actuarial Institute of ROC, SCIC will estimate the cash flows from insurance contracts in the day of balance sheet announcement. If the result shows that the carrying value which is recognized as insurance liabilities (deduct the intangible assets) is insufficient, we will recognize this shortage as current expense.



Provisions

The Company and its subsidiaries recognized provisions when the Company and its subsidiaries have a present obligation arising from past events (legal or constructive obligation) and the amounts of obligation can be estimated reliably and can be settled.

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company and its subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Employee benefit - employees' preferential deposits

HNCB have granted a preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is considered employee benefits.

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Bank", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on the guidelines announced by authority.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for probable deductible temporary differences and tax credit of investment that taxable profits will be available against those deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its subsidiaries expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The Company, HNFHC, and HNFHC's subsidiaries chose to adopt the linked-tax system income tax returns filling. Under Interpretation 2003-240 issued by Accounting Research and Development Foundation (ARDF), the linked-tax system requires a reasonable and systematic method for tax allocation. The tax allocation is recorded as receivables or payables.

Recognition of Revenues and Expenses

Except for financial assets and liabilities at fair value through profit or loss, all interest revenue and expense arising from financial instruments accruing interest are calculated at the effective interest rate according to rules, and are recognized in interest revenue and expense in comprehensive income statements.

When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to nonperforming loan accounts, and the accrual of interest revenue is ceased. Interest revenue will be recognized when the interest of the nonperforming loan is collected. According to the regulations issued by Ministry of Finance, if the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue and recognized as revenue when collected.

Commission fee revenue are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loan syndication fees are recognized as revenue when the syndication has been completed. If fee revenue and expense are related to provide service on loans, fee revenue are either recognized over the period that service is performed or as an adjustment to the effective interest rate on the loans and receivables, mainly depend on their materiality.

The premiums income derived from underwriting business is recognized when claims of direct coverage are recognized based on claims (including claim expenses) applied and paid of the period; income and expenses derived from assumed and ceded reinsurance business are recorded on the date on which the bills are received, and reinsurance premium revenues of account in transit is estimated using a reasonable and systematic method at settlement. The associated expenses such as commissions, agency cost, service charges and reinsurance commission expenses are recognized accordingly and are not deferred.

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period, and has been provided based on each type of insurance.

Unearned premium reserve of Compulsory Automobile Liability Insurance is provided in accordance with the "Regulations for the Setting Aside and Management of the Reserves for Compulsory Automobile Liability Insurance".

Unearned premium reserve of Residential Earthquake Insurance is provided in accordance with the "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance".

Unearned premium reserve of Nuclear Energy Insurance is provided in accordance with the "Regulations Governing the Setting Aside of Nuclear Energy Reserve".

The unearned premium reserve should be determined by the insurance actuary and should be explained clearly on the submitted form to the authorized institution. After the approval, it should not be changed without submitting further application. The methodology for providing premium deficiency reserve is decided by actuaries and reported to the Authority.

According to the “Value-added and Non-value-added Business Tax Act” and “Stamp Tax Act”, the insurance revenue are recognized on accrual basis.

The reinsurance claims of assumed reinsurance business are recorded on the date on which the bills are received, and reinsurance premium expenses of account in transit is estimated using a reasonable and systematic method at settlement which is recognized as net change in claims reserve.

The claims incurred but not reported of underwriting business and assumed reinsurance business are provided based on claim experience and expenses of various insurance types and are calculated with methods based on actuarial principles which are recognized as net change in claims reserve incurred but not reported.

According to ceded reinsurance contract for the claim settlement recoverable from reinsurance business, paid claims (including claim expenses) are recognized as claims recoverable from reinsurers; claims reported but not paid and claims incurred but not reported (including claim expenses) are recognized as net change in claims reserve.

Claims reserve of Compulsory Automobile Liability Insurance is provided in accordance with the “Regulations for the Setting Aside and Management of the Reserves for Compulsory Automobile Liability Insurance”.

Claims reserve of Residential Earthquake Insurance is provided in accordance with the “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

Claims reserve of Nuclear Energy Insurance is provided in accordance with the “Regulations Governing the Setting Aside of Nuclear Energy Reserve”.

Residuals Taken Over and Subrogation Right

Residuals taken over of SCIC at direct underwriting business claim procedure recognize at fair value measured. The right to claim subject matter insured according to law, will recognize when situation of claim is definite (future economic benefit obtained is probable) and the amount could measure reliably.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

If a change in the scope of the lease, or the consideration of a lease, that was no part of the original terms and conditions of the lease takes place, and both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract, the Company shall account for a lease modification as a separate lease. For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The Group shall account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease, and shall make a corresponding adjustment to the right-of-use asset for all other lease modification.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

Contingencies

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably. A contingent liability is not recognized but disclosed in certain circumstances.

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and its subsidiaries. A contingent asset is not recognized but disclosed only when the economic benefit probably.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of discounts and loans

The provision for impairment of discounts and loan is based on assumptions about the probability of default and the loss given default. The Company and its subsidiaries use judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company and its subsidiaries' past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 52. When the actual future cash flows are less than expected, a material impairment loss may arise. In addition, due to the uncertainty of the subsequent development of COVID-19 and the impact of financial market fluctuations on the credit risk of discounts and loans, the estimation of the probability of default is subject to greater uncertainty.

Claiming liabilities arising from insurance contracts

The estimation of the final claiming liabilities of insurance contracts is based on the insurance type according to its historical claim experience and expenses, and the compensation reserve is calculated in accordance with actuarial principles. On the balance sheet date, its outstanding claims reserve is sufficient to cover all final claims losses and expenses from events that have occurred on that day, but the reserve is based on estimates, so there is no guarantee that its final liabilities will not exceed or be less than the estimated amount.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 13,507,306	\$ 14,040,781
Cash in banks	2,357,703	2,011,690
Due from other banks	25,296,204	20,081,579
Notes and checks for clearing	1,564,740	1,404,934
Cash equivalents	<u>28,990</u>	<u>23,992</u>
	42,754,943	37,562,976
Allowance for impairment loss	(<u>2,535</u>)	-
	<u>\$ 42,752,408</u>	<u>\$ 37,562,976</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ -	\$ -
Provision	2,519	-
Foreign exchange gains and losses	16	-
Balance, end of the year	<u>\$ 2,535</u>	<u>\$ -</u>

Cash and cash equivalents are assessed for impairment using historical experiences and forward-looking factors. As of December 31, 2020, the Group considered its credit loss evaluation to have no impairment loss on a 12-month expected credit loss basis, respectively.

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS CALL LOANS TO OTHER BANKS

	For the Year Ended December 31	
	2021	2020
Call loans to banks	\$ 100,627,753	\$ 73,520,122
Reserve - checking accounts	37,458,016	73,123,054
Reserve - demand accounts	78,586,583	68,778,256
Reserve - foreign-currency deposit	682,595	523,713
Deposits of overseas branches with foreign Central Banks	379,679	411,587
Due from the Central Bank	62,973	60,430
Interbank settlement funds	<u>20,000,519</u>	<u>7,004,786</u>
	237,798,118	223,421,948
Allowance for impairment loss	<u>-</u>	<u>(865)</u>
	<u>\$ 237,798,118</u>	<u>\$ 223,421,083</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 865	\$ -
(Reversal) provision	(864)	852
Foreign exchange gains and losses	(1)	13
Balance, end of the year	<u>\$ -</u>	<u>\$ 865</u>

The reserve - checking accounts are not interest bearing and may be withdrawn anytime. In accordance with relevant regulations, the Company maintains certain amount of deposit in. The reserve - demand accounts at a prescribed percentage of the daily average of the Company's deposits. The reserve is subject to withdrawal restrictions and adjusted monthly. The reserve - demand accounts yields interest at a rate announced by Central Bank. Foreign-currency deposit maintains a certain amount of deposit in the reserve - foreign-currency deposits, which is not interest bearing and may be withdrawn anytime.

Refer to Note 48 for information on December 31, 2021 and 2020 relating to due from Central Bank and call loans to other banks pledged as security.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2021	2020
Financial assets mandatorily classified as at fair value through profit or loss		
Investments in bill	\$ 93,237,209	\$ 39,275,400
Listed shares	4,985,487	4,006,228
Treasury bills	4,492,744	-
Government bonds	3,542,050	499,904
Beneficiary certificates	1,355,108	1,149,694
Currency swap	1,263,923	1,766,884
Unlisted shares	1,160,109	1,133,605
Equity investments	530,099	524,252
Interest swap	443,848	149,336
Corporate bonds	277,747	611,295
Options	277,592	348,162
Operating securities - dealing	192,673	901,509
Operating securities - underwriting	100,725	44,176
Forward	62,508	146,536
Margin deposits - future	3,838	2,611
Bank debentures	-	284,737
Cross currency swap	-	40,500
	<u>\$ 111,925,660</u>	<u>\$ 50,884,829</u>
Held-for-trading financial liabilities		
Currency swap	\$ 2,687,027	\$ 6,799,794
Interest swap	430,484	135,203
Options	283,550	356,559
Forward	25,878	123,355
Cross currency swap	-	59,719
Others	610	534
	<u>\$ 3,427,549</u>	<u>\$ 7,475,164</u>

SCIC also adopted IFRS 4 “Insurance Contracts” to recognize profit and loss of designated financial assets. The financial assets designated to overlay approach are as follow:

	For the Year Ended December 31	
	2021	2020
Financial assets at fair value through profit or loss		
Listed shares	\$ 4,767,642	\$ 3,950,819
Unlisted shares	91,581	88,798
Beneficiary certificates	<u>1,347,219</u>	<u>1,143,643</u>
	<u>\$ 6,206,442</u>	<u>\$ 5,183,260</u>

The reclassification amount between profit and loss and other comprehensive income of financial assets designated to overlay approach are as follow:

	For the Year Ended December 31	
	2021	2020
Gain recognized in profit and loss on initial application of IFRS 9	\$ 585,302	\$ 556,615
Less: Gain recognized in profit and loss if IAS 39 was applied	(464,558)	(507,644)
Gain on overlay approach	\$ 120,744	\$ 48,971

The amounts of financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020 decreased from \$739,947 to \$619,203, and decreased from \$297,309 to \$248,338, respectively, due to the adjustments of overlay approach.

The Company and its subsidiaries entered into derivative contracts to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company and its subsidiaries is to minimize risks due to changes in fair value or cash flows.

The nominal principal of outstanding derivative contracts as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Forward and currency swap	NT\$ 454,744,057	NT\$ 285,230,768
Interest swap	NT\$ 109,282,006	NT\$ 73,999,900
Options	NT\$ 35,973,028	NT\$ 38,420,845
Futures	NT\$ 101,083	NT\$ 58,786
Asset swap	NT\$ 80,000	NT\$ 368,900
Cross currency swap	NT\$ -	NT\$ 4,422,378
Currency swap	US\$ 19,387	US\$ 46,703
Forward	EUR -	EUR 5,400

For the years ended December 31, 2021 and 2020, gain on financial assets and liabilities at fair value through profit or loss were \$12,361,358 and \$8,452,413 during the above period, respectively. For the years ended December 31, 2021 and 2020, loss on financial assets and liabilities at fair value through profit or loss were \$14,546,476 and \$20,209,810 during the above period, respectively.

The principal of bond investments, which are financial assets mandatorily classified as at fair value through profit or loss, amounting to \$35,111 and \$525,140 as of December 31, 2021 and 2020 had been sold under repurchase agreements.

The principal of debt investments, which are financial assets mandatorily classified as at fair value through profit or loss, amounting to \$2,205,904 and \$4,469,244 as of December 31, 2021 and 2020, had been sold under repurchase agreements.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments at fair value through other comprehensive income	\$ 46,203,018	\$ 37,204,017
Investments in debt instruments at fair value through other comprehensive income	280,943,347	203,921,389
	\$ 327,146,365	\$ 241,125,406



a. Investments in equity instruments at fair value through other comprehensive income

	December 31	
	2021	2020
Listed shares	\$ 36,762,891	\$ 28,123,713
Unlisted shares	8,995,372	9,080,304
Real estate investment trust beneficiary securities	444,755	-
	<u>\$ 46,203,018</u>	<u>\$ 37,204,017</u>

These investments in equity instruments are not held for trading. Accordingly, the management elected to designate these investments in equity instruments at fair value through other comprehensive income.

For the years ended December 31, 2021 and 2020, the Company and its subsidiaries sold a part of listed shares as at its fair value in order to manage credit concentration risk or earn profit. Related other equity-unrealized gain on investments at fair value through other comprehensive income amounting to \$818,422 and unrealized loss of \$811,498 were transferred to retained earnings.

Refer to Note 48 for information on December 31, 2021 and 2020 relating to investments in equity instruments at fair value through other comprehensive income pledged as security.

b. Investments in debt instruments at fair value through other comprehensive income

	December 31	
	2021	2020
Corporate bonds	\$ 94,153,731	\$ 71,886,894
Bank debentures	87,996,299	69,197,746
Government bonds	87,059,934	57,851,162
Agency mortgage-backed securities	10,265,311	3,504,899
Negotiable certificates of deposits	1,385,175	1,396,458
Treasury bills	82,897	84,230
	<u>\$ 280,943,347</u>	<u>\$ 203,921,389</u>

The principal of debt investments, which are financial assets as at fair value through other comprehensive income, amounting to \$13,758,944 and \$10,184,101 as of December 31, 2021 and 2020 had been sold under repurchase agreements.

Refer to Note 11 for information relating to the credit risk management and impairment of debt instruments at fair value through other comprehensive income.

Refer to Note 48 for information on December 31, 2021 and 2020 relating to investments in debt instruments at fair value through other comprehensive income pledged as security.

10. FINANCIAL ASSETS AT AMORTIZED COST, NET

	December 31	
	2021	2020
Negotiable certificates of deposits	\$ 489,375,000	\$ 504,040,000
Government bonds	62,188,400	52,583,207
Bank debentures	30,062,240	30,348,072
Corporate bonds	26,794,306	26,132,965
Treasury bills	1,431,200	1,115,053
	<u>609,851,146</u>	<u>614,219,297</u>
Less: Refundable deposits	(296,213)	(296,522)
Allowance for impairment loss	(10,102)	(17,028)
	<u>\$ 609,544,831</u>	<u>\$ 613,905,747</u>

The principal of debt investments, which are financial assets at amortized cost, amounting to \$10,305,637 and \$26,779,319 as of December 31, 2021 and 2020 had been sold under repurchase agreements.

Refer to Note 11 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

Refer to Note 48 for information on December 31, 2021 and 2020 relating to investments in debt instrument at amortized cost pledged as security.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at fair value through other comprehensive income and as at amortized cost.

December 31, 2021

	At Fair Value Through Other Comprehensive Income	At Amortized Cost
Gross carrying amount	\$ 283,862,341	\$ 609,554,933
Less: Allowance for impairment loss	(48,879)	(10,102)
Amortized cost	283,813,462	<u>\$ 609,544,831</u>
Adjustment to fair value	(2,870,115)	
	<u>\$ 280,943,347</u>	

December 31, 2020

	At Fair Value Through Other Comprehensive Income	At Amortized Cost
Gross carrying amount	\$ 201,508,987	\$ 613,922,775
Less: Allowance for impairment loss	(72,444)	(17,028)
Amortized cost	201,436,543	<u>\$ 613,905,747</u>
Adjustment to fair value	<u>2,484,846</u>	
	<u>\$ 203,921,389</u>	

HNCB considers the credit evaluation supplied by external credit agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. Refer to Note 52 for the management policy of credit risk management for investments in debt instruments. HNCB's current credit risk grading framework comprises the following categories:

December 31, 2021

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.0943%	\$ 268,362,553	\$ 608,017,874
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

December 31, 2020

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.1023%	\$ 189,371,589	\$ 612,345,569
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

HNSC considers the credit evaluation supplied by external credit agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. HNSC's current credit risk grading framework comprises the following categories:

December 31, 2021

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.166%	\$ 12,421,263	\$ -
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

December 31, 2020

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Credit rating is above the investment grade on record date and there has not been a significant increase in credit risk	12-month ECL	0%-0.163%	\$ 8,941,401	\$ -
Stage 2	Credit rating is below the investment grade on record date and there has been a significant increase in credit risk	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	Credit rating is Ca/CC on record date	Lifetime ECL - credit-impaired	-	-	-

In order to maintain the credit risk under a sustainable range, SCIC adopted a policy to only invests debt instruments which credit rating is above the investment grade and credit risk is evaluated low during impairment evaluation. SCIC subsequently follows up information provided by external rating agencies, as to monitor the credit risk changes of its debt investment. Meanwhile SCIC also follows up market yield curve and debtor's related significant information to evaluate if there has been a significant increase in credit risk after initial recognition.

SCIC assigned a team especially responsible in considering the credit evaluation supplied by external rating agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. SCIC's current credit risk grading framework comprises the following categories:

December 31, 2021

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Debtor has low credit risk or its credit risk has not increase significantly, and has sufficient capability to repay	12-month ECL	0.0266%-0.5505%	\$ 3,078,525	\$ 1,537,059
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	-	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company and its subsidiaries has no realistic prospect of recovery	Direct writing off	-	-	-

December 31, 2020

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Debtor has low credit risk or its credit risk has not increase significantly, and has sufficient capability to repay	12-month ECL	0.0269%-1.7841%	\$ 3,195,997	\$ 1,577,206
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	-	-	-
Stage 3	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	-	-	-
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company and its subsidiaries has no realistic prospect of recovery	Direct writing off	-	-	-

The allowance for impairment loss of investments in debt instruments by credit rating is reconciled as follows:

- a. The movements of the allowance for impairment loss of investments in debt instruments as at fair value through other comprehensive income were as follows:

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit- impaired)	Stage 3 (Lifetime ECL - Credit- impaired)
Balance at January 1, 2021	\$ 72,444	\$ -	\$ -
New financial assets purchased	17,171	-	-
Derecognition	(40,655)	-	-
Change in model or risk parameters	(42)	-	-
Change in exchange rates or others	(39)	-	-
Balance at December 31, 2021	<u>\$ 48,879</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2020	\$ 71,783	\$ 35,881	\$ -
Transfers	(4,889)	4,889	-
New financial assets purchased	19,253	-	-
Derecognition	(15,330)	(40,770)	-
Change in model or risk parameters	1,603	-	-
Change in exchange rates or others	24	-	-
Balance at December 31, 2020	<u>\$ 72,444</u>	<u>\$ -</u>	<u>\$ -</u>

- b. The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

Allowance for Impairment Loss	Credit Rating		
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL - Not Credit- impaired)	Stage 3 (Lifetime ECL - Credit- impaired)
Balance at January 1, 2021	\$ 17,028	\$ -	\$ -
New financial assets purchased	4,877	-	-
Derecognition	(11,597)	-	-
Change in model or risk parameters	(52)	-	-
Change in exchange rates or others	(154)	-	-
Balance at December 31, 2021	<u>\$ 10,102</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2020	\$ 17,714	\$ -	\$ -
New financial assets purchased	5,692	-	-
Derecognition	(5,451)	-	-
Change in model or risk parameters	(414)	-	-
Change in exchange rates or others	(513)	-	-
Balance at December 31, 2020	<u>\$ 17,028</u>	<u>\$ -</u>	<u>\$ -</u>

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2021	2020
Investments in bill	\$ 799,190	\$ 609,220
Government bonds	<u>1,650,000</u>	<u>350,000</u>
	<u>\$ 2,449,190</u>	<u>\$ 959,220</u>

Securities purchased under resell agreements as of December 31, 2021 and 2020 were expired in January 2022 and 2021 the amount agreed to resell were \$2,449,583 and \$959,273, respectively.

13. RECEIVABLES, NET

	December 31	
	2021	2020
Accounts receivable	\$ 18,894,468	\$ 18,439,873
Margin loans receivable	16,954,951	10,936,746
Credit card receivables	8,695,891	8,519,968
Receivable from PEM Group incident (Note 50)	7,013,392	7,098,483
Interest receivables	3,998,418	3,924,037
Acceptances	3,906,795	3,103,995
Receivables factoring - without recourse	573,189	534,252
Accounts receivable for settlement - options	\$ 4,588	\$ 235,551
Others	<u>5,362,116</u>	<u>3,863,882</u>
	65,403,808	56,656,787
Allowance for impairment losses	(<u>5,128,452</u>)	(<u>5,170,416</u>)
	<u>\$ 60,275,356</u>	<u>\$ 51,486,371</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 5,170,416	\$ 4,856,441
Provision	26,336	401,508
Write-off	(84,482)	(264,291)
Recoveries of bad debts	16,353	177,520
Foreign exchange gains and losses	(171)	(762)
Balance, end of the year	<u>\$ 5,128,452</u>	<u>\$ 5,170,416</u>

Please refer to Note 52 for the disclosure of credit risk management information, movement of gross book value and the allowance for impairment losses of account receivables of the Group.



14. DISCOUNTS AND LOANS, NET

	December 31	
	2021	2020
Short-term loans and overdraft	\$ 233,640,179	\$ 196,841,809
Secured short-term loans and secured overdraft	288,217,793	270,414,541
Medium-term loans	382,003,813	348,898,407
Secured medium-term loans	247,907,337	200,682,474
Long-term loans	39,498,176	27,341,892
Secured long-term loans	811,565,883	756,049,488
Discounts and import and export bill negotiation	4,526,690	3,312,559
Nonperforming loans	3,303,635	2,258,727
Receivables financing	198,331	69,388
	2,010,861,837	1,805,869,285
Allowance for impairment loss	(25,136,644)	(21,321,426)
Adjustment of premium or discount	208,954	93,507
	<u>\$ 1,985,934,147</u>	<u>\$ 1,784,641,366</u>

HNCB wrote off credits only after completing the required legal procedures for the years ended December 31, 2021 and 2020.

The movement of the allowances for impairment loss were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 21,321,426	\$ 20,397,880
Provision	5,977,731	4,617,929
Write-off	(2,126,857)	(3,522,332)
Effect of exchange rate changes	(35,656)	(172,051)
Balance, end of the year	<u>\$ 25,136,644</u>	<u>\$ 21,321,426</u>

The Company and its subsidiaries have recovered the written-off credits amounted to \$2,248,801 and \$3,719,267 for the years ended December 31, 2021 and 2020, classified as the deduction of allowances.

Please refer to Note 52 for the disclosure of credit risk management information, movement of gross book value and the allowance for impairment losses of discounts and loans of the Group.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

	December 31			
	2021		2020	
	Amount	%	Amount	%
<u>Associates that are not individually material</u>				
Fertasia International Development Co., Ltd.	\$ 99,201	29.80	\$ 104,508	29.80
Zhi-Kang Venture Capital Investment Company Ltd.	96,302	49.25	-	-
Chia-Ta International development Co., Ltd.	89,719	25.56	8,795	25.56
Chung-Hua Real Estate Management Co., Ltd.	<u>74,916</u>	30.00	<u>66,249</u>	30.00
	<u>\$ 360,138</u>		<u>\$ 179,552</u>	

The summarized financial information in respect of the Company and its subsidiaries' associates, which are not individually material, was set out below:

	For the Year Ended December 31	
	2021	2020
Total comprehensive income for the year	\$ 12,420	\$ 8,667

In December 2020, HNVC invested \$8,780 in cash and acquired 25.56% equity of Chia-Ta International Development Co., Ltd. (Chia-Ta International Development).

In January and April 2021, Chia-Ta International Development issued common stocks for cash, amounting to \$141,650 and 176,000. HNVC purchased \$36,205 and 44,986, and remained to 25.56% of the ownership.

In February 2021, Fertasia International Development Co., Ltd., the associate invested by HNVC accounted for using equity method, conducted capital reduction and returned capital shares with the resolution of board of shareholders. Based on the shareholding ratio on the base day of capital reduction, HNVC received the refund of \$4,470.

In April 2021, HNVC invested \$98,000 in cash in Zhi-Kang Venture Capital Investment Company and acquired 49.25% equity of Zhi-Kang Venture Capital Investment Company, Ltd.

The Company and its subsidiaries' share of profit and other comprehensive income of the associate for the years ended December 31, 2021 and 2020 were based on the associate's financial statements audited by the auditors for the same years.

HNCB and its subsidiaries hold 30% of the voting rights in Chung-Hua Real Estate and are the single largest shareholder. After considering the amount and distribution of voting rights relative to other shareholders, the voting pattern of the previous regular meeting showed that other shareholders were not passive. The Company and its subsidiaries cannot appoint more than half of the members of the governance unit, so it cannot lead the relevant activities of Chung-Hua Real Estate and therefore has no control. The management of the Company and its subsidiaries believed that it would only have significant impact on Chung-Hua Real Estate, so it was listed as an associate of the Company and its subsidiaries.

16. OTHER FINANCIAL ASSETS, NET

	December 31	
	2021	2020
Time deposits no qualified for cash equivalents	\$ 14,476,523	\$ 31,924,872
Customers' margin account	4,659,738	3,082,457
Security Leading margin	1,479,654	314,160
Long-term receivables	281,775	193,988
Nonperforming loans transferred from other than loans	180,430	164,494
Buy overdue receivables	10,003	39,567
Others	816	8,694
	21,088,939	35,728,232
Allowance for impairment loss	(63,929)	(60,573)
	\$ 21,025,010	\$ 35,667,659

The overdue receivables which the Company and its subsidiaries bought are FVTPL because the objective of the Company and its subsidiaries' business model is not to collect contractual cash flows, neither could achieved by collecting contractual cash flows nor selling financial assets; related information is disclosed in Note 51. On December 31, 2021 and 2020, the other financial assets except of the long-term receivables, nonperforming loans transferred and remittance purchased no impairment loss, using past history as well as forward looking to estimate the credit losses of duration. Please refer to Note 52 for the disclosure of credit risk management information, movement of gross book value and the allowance for impairment losses of other financial assets of the Group.



17. PROPERTY AND EQUIPMENT, NET

	December 31	
	2021	2020
Land	\$ 21,285,848	\$ 21,129,528
Buildings	8,286,117	8,120,703
Computer and Machinery	977,516	1,129,040
Transportation equipment	97,708	123,265
Other equipment	374,402	494,206
Lease improvements	53,879	80,249
Construction in progress and prepayment for equipment, land and buildings	1,314,979	700,382
	<u>\$ 32,390,449</u>	<u>\$ 31,777,373</u>

The movements of property and equipment were as follows:

	For the Year Ended December 31, 2021							
	Land	Buildings	Computer and Machinery	Transportation Equipment	Other Equipment	Lease Improvements	Construction in Progress and Prepayment for Equipment, Land and Buildings	Total
<u>Cost</u>								
Balance, beginning of the year	\$ 21,129,528	\$ 15,766,712	\$ 6,544,479	\$ 1,089,394	\$ 3,554,918	\$ 284,161	\$ 700,382	\$ 49,069,574
Additions	-	2,737	187,529	29,532	52,191	5,855	726,133	1,003,977
Decrease	-	(280)	(221,039)	(24,820)	(15,087)	(42,127)	-	(303,353)
Reclassification	156,320	444,439	56,685	-	18,613	6,241	(111,536)	570,762
Effect of exchange rate changes	-	-	(1,971)	(756)	(1,258)	(1,594)	-	(5,579)
Balance, end of the year	<u>21,285,848</u>	<u>16,213,608</u>	<u>6,565,683</u>	<u>1,093,350</u>	<u>3,609,377</u>	<u>252,536</u>	<u>1,314,979</u>	<u>50,335,381</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the year	-	7,646,009	5,415,439	966,129	3,060,712	203,912	-	17,292,201
Depreciation	-	308,093	394,773	54,963	190,411	37,605	-	985,845
Decrease	-	(280)	(220,653)	(24,818)	(15,087)	(41,641)	-	(302,479)
Reclassification	-	(26,331)	-	-	-	-	-	(26,331)
Effect of exchange rate changes	-	-	(1,392)	(632)	(1,061)	(1,219)	-	(4,304)
Balance, end of the year	<u>-</u>	<u>7,927,491</u>	<u>5,588,167</u>	<u>995,642</u>	<u>3,234,975</u>	<u>198,657</u>	<u>-</u>	<u>17,944,932</u>
Net amount	<u>\$ 21,285,848</u>	<u>\$ 8,286,117</u>	<u>\$ 977,516</u>	<u>\$ 97,708</u>	<u>\$ 374,402</u>	<u>\$ 53,879</u>	<u>\$ 1,314,979</u>	<u>\$ 32,390,449</u>

	For the Year Ended December 31, 2020							
	Land	Buildings	Computer and Machinery	Transportation Equipment	Other Equipment	Lease Improvements	Construction in Progress and Prepayment for Equipment, Land and Buildings	Total
<u>Cost</u>								
Balance, beginning of the year	\$ 21,171,598	\$ 15,761,114	\$ 6,440,757	\$ 1,095,747	\$ 3,552,254	\$ 282,884	\$ 205,479	\$ 48,479,833
Additions	-	11,207	321,698	23,292	59,432	10,010	579,618	1,005,257
Decrease	-	(904)	(245,117)	(30,924)	(26,789)	(6,500)	-	(310,234)
Reclassification	(42,070)	(4,705)	30,588	2,660	2,848	-	(84,715)	(95,394)
Effect of exchange rate changes	-	-	(3,447)	(1,381)	(2,827)	(2,233)	-	(9,888)
Balance, end of the year	<u>21,129,528</u>	<u>15,766,712</u>	<u>6,544,479</u>	<u>1,089,394</u>	<u>3,554,918</u>	<u>284,161</u>	<u>700,382</u>	<u>49,069,574</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the year	-	7,341,544	5,269,909	923,875	2,853,244	175,801	-	16,564,373
Depreciation	-	316,668	392,802	74,332	236,776	36,803	-	1,057,381
Decrease	-	(904)	(244,896)	(30,924)	(26,713)	(6,440)	-	(309,877)
Reclassification	-	(11,299)	-	-	(25)	-	-	(11,324)
Effect of exchange rate changes	-	-	(2,376)	(1,154)	(2,570)	(2,252)	-	(8,352)
Balance, end of the year	<u>-</u>	<u>7,646,009</u>	<u>5,415,439</u>	<u>966,129</u>	<u>3,060,712</u>	<u>203,912</u>	<u>-</u>	<u>17,292,201</u>
Net amount	<u>\$ 21,129,528</u>	<u>\$ 8,120,703</u>	<u>\$ 1,129,040</u>	<u>\$ 123,265</u>	<u>\$ 494,206</u>	<u>\$ 80,249</u>	<u>\$ 700,382</u>	<u>\$ 31,777,373</u>

- Apportionment of depreciation expense from HNCB to HNFHC were \$32 and \$1,795 for the years ended December 31, 2021 and 2020.
- The amounts of property and equipment pledged as collateral as of December 31, 2021 and 2020 are disclosed in Note 48.
- The above items of property and equipment were depreciated on straight line basis over the estimated useful life of the asset:

Buildings	6-56 years
Computer and machinery	2-6 years
Transportation equipment	4-9 years
Other equipment	2-16 years
Lease improvements	The shorter of 1-7 years or lease period

18. LEASE ARRANGEMENTS

- Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Buildings	\$ 1,775,744	\$ 1,863,297
Computer and machinery	6,945	3,641
Transportation equipment	78,686	54,818
Other equipment	<u>99,030</u>	<u>65,531</u>
	<u>\$ 1,960,405</u>	<u>\$ 1,987,287</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	\$ 857,713	\$ 636,153
Depreciation charge for right-of-use assets		
Buildings	\$ 664,416	\$ 666,887
Computer and machinery	1,225	19,243
Transportation equipment	41,739	42,367
Other equipment	25,787	19,557
	\$ 733,167	\$ 748,054

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Superficies	\$ 49,330	\$ -
Buildings	1,742,348	1,823,878
Computer and machinery	6,947	4,955
Transportation equipment	82,360	57,791
Other equipment	103,415	67,553
	\$ 1,984,400	\$ 1,954,177

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Superficies	4.19%	-
Buildings	0.755%-3.910%	0.755%-3.900%
Computer and machinery	0.755%-1.035%	1.035%-2.132%
Transportation equipment	0.755%-3.235%	0.755%-3.235%
Other equipment	0.755%-2.132%	1.035%-2.132%

c. Material lease-in activities and terms

The Company and its subsidiaries lease certain building with lease terms of 1 to 11 years. These arrangements do not contain renewal or purchase options. The Company and its subsidiaries lease other equipment with lease terms of 2 to 8 years. The lease payment is calculated by monthly usage.

HNAMC acquired the superficies of Xuefu section, Da'an District from Northern Region Branch, National Property Administration, MOF in October 2021 for a period of 70 years, ending in October 2091.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 19.

	For the Year Ended December 31	
	2021	2020
Expense relating to short-term leases	\$ 71,466	\$ 67,255
Expense relating to low-value asset leases	\$ 11,617	\$ 15,833
Expense relating to variable lease payments not included in the measurement of lease liabilities	\$ 39,653	\$ 41,252
Total cash outflow for leases	\$ 501,265	\$ 864,933

The Company and its subsidiaries lease certain assets which qualify as short-term leases or low-value asset leases. The Company and its subsidiaries has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

19. INVESTMENT PROPERTIES, NET

	December 31	
	2021	2020
Land	\$ 8,826,850	\$ 8,657,705
Buildings	2,309,300	1,895,532
Construction in progress	803,580	856,946
Right-of-use assets	175,629	-
Others	1,643	1,714
	<u>\$ 12,117,002</u>	<u>\$ 11,411,897</u>

The movements of investment properties were as follows:

	For the Year Ended December 31	
	2021	2020
<u>Cost</u>		
Balance, beginning of the year	\$ 12,516,176	\$ 12,065,329
Additions	2,254,649	1,572,606
Decrease	(885,404)	(1,180,314)
Reclassification	(561,071)	58,555
Balance, end of the year	<u>13,324,350</u>	<u>12,516,176</u>
<u>Accumulated depreciation and impairment</u>		
Balance, beginning of the year	1,104,279	1,065,890
Depreciation	74,846	62,826
Impairment loss	40,993	-
Decrease	(37,822)	(35,761)
Reclassification	<u>25,052</u>	<u>11,324</u>
Balance, end of the year	<u>1,207,348</u>	<u>1,104,279</u>
Investment properties, net	<u>\$ 12,117,002</u>	<u>\$ 11,411,897</u>

HNCB's investment properties with lease terms of 1 to 20 years. SCIC's investment properties with lease terms of 3 to 12 years. HNAMC's investment properties with lease terms of 1 to 5 years. Lessee do not have bargain purchase options while the end of lease terms.

- a. The future aggregate lease collection under operating lease for investment properties on December 31, 2021 and 2020 is as follows:

	December 31	
	2021	2020
Year 1	\$ 539,074	\$ 451,379
Year 2	494,676	353,117
Year 3	351,892	307,162
Year 4	289,354	252,200
Year 5	205,692	189,517
Onwards	<u>522,521</u>	<u>671,402</u>
	<u>\$ 2,403,209</u>	<u>\$ 2,224,777</u>

The Company and its subsidiaries follow its general risk management strategy to reduce the residual asset risk related to assets at the end of relevant lease.

- b. The investment properties held by the Company and its subsidiaries were depreciated over 7-56 years, using the straight-line method.
- c. The fair value of the Company and its subsidiaries' investment properties as of December 31, 2021 and 2020 were \$34,169,251 and \$32,682,971, respectively.

The fair value of HNCB's investment properties as of December 31, 2021 and 2020 were \$32,256,028 and \$29,942,375, respectively. The fair value was not performed by independent qualified professional valuers. Management of HNCB evaluated fair value based on the model that market participants would use in determining the fair value. The valuation was arrived at by reference to market comparison approach, capitalized income valuation method and discounted cash flow analysis. The significant unobservable input used include discount rate which is Level 3 input.

The fair value of HNSC's investment properties as of December 31, 2021 and 2020 were \$188,113 and \$223,890, respectively. The fair value by management of HNSC evaluated local market price.

The fair value of SCIC's investment properties as of December 31, 2021, and 2020 were not performed by independent qualified professional valuers, and the evaluation of the fair value of properties as of December 31, 2020 were regarded effective on December 31, 2021 by SCIC management after reviewing the validity of appraisal report on December 31, 2020 and the rental price in adjacent area.

The fair value of SCIC's investment properties was valued using the market and income approach, using important unobservable inputs include discount rate (level 3 inputs). The fair value and the inputs were as below:

	December 31	
	2021	2020
The fair value	<u>\$ 630,758</u>	<u>\$ 630,758</u>
Discount rate	1.26%-4.50%	1.26%-4.50%

The fair values of HNAMC's investment properties were evaluated based on market evidence of similar properties transaction's price.

The fair value of HNAMC's investment properties was performed by independent qualified professional values. The evaluations were used the market and income approach, and the fair value of the key assumptions and evaluations were as below:

	December 31	
	2021	2020
The fair value	\$ 869,512	\$ 2,773,543
Income capital interest rate	1.54%-2.74%	0.93%-2.24%

The fair value of the others HNAMC's investment properties were not performed by independent qualified professional values. The Management of HNAMC evaluated fair value based on the model that market participants would use in determining fair value, used level 3 inputs. The evaluation based on market evidence of similar properties transaction's price, the fair value as below:

	December 31	
	2021	2020
The fair value	\$ 3,687,896	\$ 2,712,364

- d. The accumulated impairment of investment properties as of December 31, 2021 and 2020 were \$46,418 and \$6,704, respectively.
- e. For the years ended December 31, 2021 and 2020, the rental income from investment properties were \$466,862 and \$477,948, respectively. For the years ended December 31, 2021 and 2020, the direct operating expenses of investment properties including depreciation expenses were \$193,124 and \$181,782, respectively, the gain on disposal of investment properties were \$188,213 and \$147,680 for the years ended December 31, 2021 and 2020, respectively. Refer to Note 48 for information relating to investments properties pledged as security.

20. INTANGIBLE ASSETS, NET

	December 31	
	2021	2020
Computer software	\$ 840,513	\$ 839,568
Goodwill	40,662	40,662
Others	61,238	52,878
	<u>\$ 942,413</u>	<u>\$ 933,108</u>

HNSC recognized goodwill at the excess of the contract price paid over the fair value of assets acquired. HNSC estimated no other impairment losses as of December 31, 2021 and 2020.

The movements of computer software and others were as follows:

	For the Year Ended December 31	
	2021	2020
<u>Cost</u>		
Balance, beginning of the year	\$ 3,552,441	\$ 3,289,609
Additions	297,853	294,744
Decrease	(11,659)	(67,030)
Reclassification	37,315	38,726
Effect of exchange rate changes	(1,870)	(3,608)
Balance, end of the year	<u>3,874,080</u>	<u>3,552,441</u>
<u>Accumulated amortization</u>		
Balance, beginning of the year	2,659,995	2,416,265
Amortization	325,768	314,025
Decrease	(11,659)	(67,030)
Effect of exchange rate changes	(1,775)	(3,265)
Balance, end of the year	<u>2,972,329</u>	<u>2,659,995</u>
Net amount	<u>\$ 901,751</u>	<u>\$ 892,446</u>

Apportionment of amortization expense from HNCB to HNFHC were \$401 and \$3,812 for the years ended December 31, 2021 and 2020.

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	2-5 years
Others	5-10 years

21. OTHER ASSETS, NET

	December 31	
	2021	2020
Refundable deposits	\$ 2,190,226	\$ 3,664,747
Collections for underwriting shares	1,311,315	130,536
Operating deposits and settlement fund	871,187	860,435
Prepayments	280,174	279,509
Others, net	<u>504,342</u>	<u>672,569</u>
	<u>\$ 5,157,244</u>	<u>\$ 5,607,796</u>

The amounts of the other assets pledged as of December 31, 2021 and 2020 are disclosed in Note 48.

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2021	2020
Call loans from banks	\$ 109,484,134	\$ 117,833,865
Overdraft	1,119,568	1,640,791
Deposits from banks	445,842	1,023,764
Deposits from the Central Bank	76,984	57,947
Deposits from Chunghwa Post Co., Ltd.	10,265,024	361,844
	<u>\$ 121,391,552</u>	<u>\$ 120,918,211</u>

23. FUNDS BORROWED FROM CENTRAL BANK AND BANKS

	December 31	
	2021	2020
Funds borrowed from Central Bank and bank	<u>\$ 34,478,600</u>	<u>\$ 19,091,190</u>

HNCB pledged \$40 billion for the reserves - demand accounts in response to the impact on COVID-19 according to Central Bank's project financing regulations.

24. COMMERCIAL PAPER PAYABLE, NET**a. Commercial paper**

Institution	December 31	
	2021	2020
Bank SinoPac	\$ 6,000,000	\$ -
E.SUN Bank	3,000,000	2,400,000
China Bills Finance Corp.	2,730,000	3,321,000
Yuanta Commercial Bank	1,560,000	2,000,000
Union Bank of Taiwan Corp.	1,550,000	240,000
Taishin International Bank Corp.	1,500,000	2,500,000
Grand Bills Finance Corp.	1,290,000	1,080,000
Mega Bills Finance Corp.	857,000	185,000
International Bills Finance Corp.	250,000	1,700,000
Taiwan Finance Corp.	215,000	150,000
Far Eastern International Bank Ltd.	110,000	-
The Shanghai Commercial & Savings Bank, Ltd.	100,000	130,000
Taiwan Cooperative Bills Finance Corp.	100,000	105,000
Dah Chung Bill Finance Corp.	53,000	35,000
Taipei Fubon Commercial Bank Co., Ltd.	-	1,200,000
KGI Commercial Bank Co., Ltd.	-	500,000
Ta Ching Bills Finance Corp	-	38,000
Discount of commercial paper payable	(9,370)	(5,878)
	<u>\$ 19,305,630</u>	<u>\$ 15,578,122</u>

b. Ranges of annual interest rates of the commercial paper payable were 0.34%-1.03% and 0.28%-1.04% as of December 31, 2021 and 2020, respectively.

- c. Regarding the above mentioned commercial paper payable, except non-guarantee issuers, are with guarantee or acceptance by bills finance companies and banks and related collaterals of commercial paper payable.

25. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The amounts of securities sold under repurchase agreements were \$26,305,596 and \$41,957,804 as of December 31, 2021 and 2020, respectively. Ranges of interest rates were (0.35%)-0.34% and (0.25%)-0.38% as of December 31, 2021 and 2020, respectively. The maturity date of securities sold under repurchase agreements were November 2023 and November 2020, respectively.

26. PAYABLES

	December 31	
	2021	2020
Accounts payable	\$ 18,584,020	\$ 18,271,328
Accrued expenses	5,626,755	4,344,660
Acceptances	4,183,777	3,290,163
Short sales proceeds payable	2,590,311	2,334,410
Deposit for short sales	2,309,829	2,094,907
Collections for others	1,813,860	1,595,565
Interests payable	1,740,671	1,909,081
Notes and checks in clearing	1,564,740	1,404,934
Due to reinsurers and ceding companies	595,682	569,268
Dividends payable	566,362	556,993
Payable - factoring	256,728	179,554
Temporary received customs	253,361	193,619
Attachment of debts	242,436	249,343
Options payables - nominal amounts	4,725	236,835
Others	3,865,676	3,032,178
	<u>\$ 44,198,933</u>	<u>\$ 40,262,838</u>

27. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Checking account deposits	\$ 65,265,279	\$ 57,917,302
Demand deposits	986,172,454	804,029,854
Time deposits	537,173,330	459,934,661
Negotiable certificates of deposits	13,312,319	52,103,729
Savings deposits	1,232,616,530	1,149,399,284
Remittances	820,077	1,098,876
	<u>\$ 2,835,359,989</u>	<u>\$ 2,524,483,706</u>

28. BONDS PAYABLE

	December 31	
	2021	2020
Bank debentures	\$ 48,400,000	\$ 41,200,000
Corporate debentures	19,500,000	19,500,000
Discount of corporate debentures	(8,618)	(11,001)
	<u>\$ 67,891,382</u>	<u>\$ 60,688,999</u>

a. Bank debentures as of December 31, 2021 and 2020 were as follow:

	December 31	
	2021	2020
101-1B term ten-year subordinated debenture; 1.55% fixed rate; maturity on November 6, 2022	\$ 3,700,000	\$ 3,700,000
103-1 term ten-year subordinated debenture; 1.85% fixed rate; maturity on March 28, 2024	4,300,000	4,300,000
103-2A term seven-year subordinated debenture; 1.83% fixed rate; maturity on September 26, 2021	-	3,900,000
103-2B term ten-year subordinated debenture; 1.98% fixed rate; maturity on September 26, 2024	4,000,000	4,000,000
103-3A term seven-year subordinated debenture; 1.83% fixed rate; maturity on December 19, 2021	-	900,000
103-3B term ten-year subordinated debenture; 1.98% fixed rate; maturity on December 19, 2024	1,900,000	1,900,000
105-1 term ten-year subordinated debenture; 1.55% fixed rate; maturity on March 30, 2026	1,700,000	1,700,000
105-2 term ten-year subordinated debenture; 1.2% fixed rate; maturity on September 23, 2026	1,800,000	1,800,000
106-1 term subordinated debenture without maturity date; 3.15% fixed rate; redeemable after March 30, 2022	2,800,000	2,800,000
107-1 term subordinated debenture without maturity date; 2.7% fixed rate; redeemable after May 26, 2023	3,200,000	3,200,000
107-2 term three-year dominant debenture; 0.69% fixed rate; maturity on April 25, 2021	-	1,000,000
108-1 term subordinated debenture without maturity date; 1.95% fixed rate; redeemable after July 29, 2024	6,000,000	6,000,000
109-1 term subordinated debenture without maturity date; 1.30% fixed rate; redeemable after April 25, 2025	6,000,000	6,000,000
110-1 term subordinated debenture without maturity date; 1.40% fixed rate; redeemable after June 28, 2026	12,000,000	-
110-2 term three-year dominant debenture; 0.35% fixed rate; maturity on July 28, 2024	<u>1,000,000</u>	<u>-</u>
	<u>\$ 48,400,000</u>	<u>\$ 41,200,000</u>

b. Corporate bonds as of December 31, 2021 and 2020 were as follow:

In December 2020, HNSC issued 109-1 unsecured subordinated corporate bonds with a face value of \$2,500,000 and a coupon rate of 0.96%. The corporate bond will mature in six years, and principal is repayable on maturity date. Interest is payable annually.

In January 2020, HNFHC issued 108-1 unsecured dominant corporate bonds with a face value of \$5,000,000 and a coupon rate of 0.88%. The corporate bond will mature in ten years, and principal is repayable on maturity date. Interest is payable annually.

In January 2018, HNFHC issued 106-1 unsecured dominant corporate bonds with a face value of \$7,000,000 and a coupon rate of 0.92%. The corporate bond will mature in five years, and principal is repayable on maturity date. Interest is payable annually.

In January 2018, HNFHC issued 106-1 unsecured subordinated corporate bonds with a face value of \$5,000,000 and a coupon rate of 1.75%. The corporate bond will mature in ten years, and principal is repayable on maturity date. Interest is payable annually.

29. OTHER BORROWINGS**a. Short-term debts**

Character of Debts	December 31	
	2021	2020
Credit loans	\$ 1,740,340	\$ 618,000

b. Long-term debts

Character of Debts	December 31	
	2021	2020
Credit loans	\$ 600,000	\$ 872,500

c. The ranges of interest rate of other borrowings were 0.85%-1.15% and 0.90%-1.15% as of December 31, 2021 and 2020, respectively. The maturity date of other borrowings was December 2024 and December 2023.

d. The aforementioned related collaterals of other borrowings please refer to Note 48.

30. PROVISIONS

	December 31	
	2021	2020
Reserves of insurance industry	\$ 14,580,613	\$ 14,506,499
Provisions for employee benefits	6,784,572	6,585,000
Reserve for losses on guarantees	1,041,849	789,299
Provision for loan commitment	550,181	1,839,223
Others	29,216	27,126
	<u>\$ 22,986,431</u>	<u>\$ 23,747,147</u>

Reserve for losses on guarantees movement were summarized below:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 789,299	\$ 533,286
Provision	252,753	256,650
Foreign exchange gains and losses	(203)	(637)
Balance, end of the year	<u>\$ 1,041,849</u>	<u>\$ 789,299</u>

Provision for loan commitment were summarized below:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 1,839,223	\$ 1,350,949
(Reversal) provision	(1,286,591)	496,172
Foreign exchange gains and losses	(2,451)	(7,898)
Balance, end of the year	<u>\$ 550,181</u>	<u>\$ 1,839,223</u>

Reserves of insurance industry were summarized below:

Unearned Premium Reserve

a. Details of unearned premium reserve are as follows:

	December 31	
	2021	2020
One-year commercial fire insurance	\$ 306,077	\$ 258,104
Personal automobile property damage insurance	1,594,557	1,461,003
Personal automobile liabilities insurance	952,379	853,897
Compulsory personal automobile liabilities insurance	291,491	279,090
Injury insurance	441,521	414,205
Other insurance	<u>2,013,680</u>	<u>1,960,096</u>
	<u>\$ 5,599,705</u>	<u>\$ 5,226,395</u>

The balances which exceed 5% of the balance of the account are as above.

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

	December 31, 2021			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
	Direct Insurance	Assumed Reinsurance Business	Ceded Reinsurance Business	Retention
Fire insurance	\$ 751,334	\$ 26,063	\$ 422,686	\$ 354,711
Marine insurance	171,611	733	122,238	50,106
Motor insurance	3,124,641	156,804	801,377	2,480,068
Casualty insurance	562,896	31,286	270,048	324,134
Health and injury insurance	476,414	3,072	69,750	409,736
Foreign inward business insurance	<u>-</u>	<u>294,851</u>	<u>444</u>	<u>294,407</u>
	<u>\$ 5,086,896</u>	<u>\$ 512,809</u>	<u>\$ 1,686,543</u>	<u>\$ 3,913,162</u>

	December 31, 2020			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retention
	Direct Insurance	Assumed Reinsurance Business	Ceded Reinsurance Business	
Fire insurance	\$ 688,140	\$ 30,662	\$ 357,656	\$ 361,146
Marine insurance	182,571	1,947	127,039	57,479
Motor insurance	2,874,107	149,887	740,574	2,283,420
Casualty insurance	504,251	34,951	252,083	287,119
Health and injury insurance	447,077	2,507	95,142	354,442
Foreign inward business insurance	-	310,295	14	310,281
	<u>\$ 4,696,146</u>	<u>\$ 530,249</u>	<u>\$ 1,572,508</u>	<u>\$ 3,653,887</u>

c. The movements of unearned premium reserve and ceded unearned premium reserve are as follows:

	For the Year Ended December 31			
	2021		2020	
	Unearned Premium Reserve	Ceded Unearned Premium Reserve	Unearned Premium Reserve	Ceded Unearned Premium Reserve
Balance, beginning of the year	\$ 5,226,395	\$ 1,572,508	\$ 4,647,409	\$ 1,383,393
Provision	5,599,705	1,686,543	5,226,395	1,572,508
Release	(5,217,881)	(1,572,508)	(4,638,063)	(1,383,393)
Exchange difference	(8,514)	-	(9,346)	-
Balance, end of the year	<u>\$ 5,599,705</u>	<u>\$ 1,686,543</u>	<u>\$ 5,226,395</u>	<u>\$ 1,572,508</u>

Claims Reserve

a. Details of claims reserve are as follows:

	December 31	
	2021	2020
One-year commercial fire insurance	\$ 1,362,051	\$ 1,079,956
Hull insurance	301,430	1,243,857
Personal automobile property damage insurance	682,396	634,896
Personal automobile liability insurance	1,061,751	965,307
Compulsory personal automobile liability insurance	474,274	505,608
General liability insurance	343,635	351,135
Injury insurance	408,656	293,969
Other insurance	<u>1,508,857</u>	<u>1,454,752</u>
	<u>\$ 6,143,050</u>	<u>\$ 6,529,480</u>

The balances which exceed 5% of the balance of the account are as above.

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

	December 31, 2021			
	Claim Reserve		Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
<u>Reported but not paid</u>				
Fire insurance	\$ 1,384,284	\$ 5,247	\$ 1,134,161	\$ 255,370
Marine insurance	267,001	27,738	159,818	134,921
Motor insurance	2,228,711	80,348	556,950	1,752,109
Casualty insurance	578,532	5,423	313,436	270,519
Health and injury insurance	65,688	16	20,236	45,468
Foreign inward business insurance	-	254,349	-	254,349
	<u>4,524,216</u>	<u>373,121</u>	<u>2,184,601</u>	<u>2,712,736</u>
<u>Incurred but not reported</u>				
Fire insurance	19,300	315	2,593	17,022
Marine insurance	126,702	2,756	99,556	29,902
Motor insurance	313,356	153,905	165,575	301,686
Casualty insurance	172,853	7,148	69,956	110,045
Health and injury insurance	409,024	2,619	139,445	272,198
Foreign inward business insurance	-	37,735	-	37,735
	<u>1,041,235</u>	<u>204,478</u>	<u>477,125</u>	<u>768,588</u>
	<u>\$ 5,565,451</u>	<u>\$ 577,599</u>	<u>\$ 2,661,726</u>	<u>\$ 3,481,324</u>

	December 31, 2020			
	Claim Reserve		Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
<u>Reported but not paid</u>				
Fire insurance	\$ 1,110,338	\$ 8,214	\$ 867,741	\$ 250,811
Marine insurance	1,322,424	28,838	1,254,825	96,437
Motor insurance	2,024,625	65,103	484,713	1,605,015
Casualty insurance	630,021	5,697	342,711	293,007
Health and injury insurance	51,330	9	15,186	36,153
Foreign inward business insurance	-	160,867	-	160,867
	<u>5,138,738</u>	<u>268,728</u>	<u>2,965,176</u>	<u>2,442,290</u>
<u>Incurred but not reported</u>				
Fire insurance	19,948	337	4,799	15,486
Marine insurance	76,637	2,114	51,781	26,970
Motor insurance	371,028	152,454	197,016	326,466
Casualty insurance	149,081	7,873	61,818	95,136
Health and injury insurance	311,380	1,565	99,967	212,978
Foreign inward business insurance	-	29,597	-	29,597
	<u>928,074</u>	<u>193,940</u>	<u>415,381</u>	<u>706,633</u>
	<u>\$ 6,066,812</u>	<u>\$ 462,668</u>	<u>\$ 3,380,557</u>	<u>\$ 3,148,923</u>

c. The movements of claims reserve and ceded claims reserve are as follows:

	For the Year Ended December 31			
	2021		2020	
	Claims Reserve	Ceded Claims Reserve	Claims Reserve	Ceded Claims Reserve
Balance, beginning of the year	\$ 6,529,480	\$ 3,380,557	\$ 5,063,256	\$ 2,400,746
Provision	6,143,050	2,661,726	6,529,480	3,380,557
Release	(6,524,582)	(3,380,557)	(5,056,668)	(2,400,746)
Exchange difference	(4,898)	-	(6,588)	-
Balance, end of the year	<u>\$ 6,143,050</u>	<u>\$ 2,661,726</u>	<u>\$ 6,529,480</u>	<u>\$ 3,380,557</u>

d. The movements of claims reserve and ceded claims reserve are as follows:

	For the Year Ended December 31, 2021							
	Direct Underwriting		Assumed Reinsurance		Net Change	Ceded Reinsurance		Net Change
	Business		Business			Business		
	Provision	Release	Provision	Release		Provision	Release	
<u>Reported but not paid</u>								
Fire insurance	\$ 1,384,284	\$ 1,110,338	\$ 5,247	\$ 8,214	\$ 270,979	\$ 1,134,161	\$ 867,741	\$ 266,420
Marine insurance	267,001	1,322,424	27,738	28,838	(1,056,523)	159,818	1,254,825	(1,095,007)
Motor insurance	2,228,711	2,024,625	80,348	65,103	219,331	556,950	484,713	72,237
Casualty insurance	578,532	630,021	5,423	5,697	(51,763)	313,436	342,711	(29,275)
Health and injury insurance	65,688	51,330	16	9	14,365	20,236	15,186	5,050
Foreign inward business insurance	-	-	254,349	156,750	97,599	-	-	-
	<u>4,524,216</u>	<u>5,138,738</u>	<u>373,121</u>	<u>264,611</u>	<u>(506,012)</u>	<u>2,184,601</u>	<u>2,965,176</u>	<u>(780,575)</u>
<u>Incurred but not reported</u>								
Fire insurance	19,300	19,948	315	337	(670)	2,593	4,799	(2,20)
Marine insurance	126,702	76,637	2,756	2,114	50,707	99,556	51,781	47,775
Motor insurance	313,356	371,028	153,905	152,454	(56,221)	165,575	197,016	(31,441)
Casualty insurance	172,853	149,081	7,148	7,873	23,047	69,956	61,818	8,138
Health and injury insurance	409,024	311,380	2,619	1,565	98,698	139,445	99,967	39,478
Foreign inward business insurance	-	-	37,735	28,816	8,919	-	-	-
	1,041,235	928,074	204,478	193,159	124,480	477,125	415,381	61,744
	\$ 5,565,451	\$ 6,066,812	\$ 577,599	\$ 457,770	\$(381,532)	\$ 2,661,726	\$ 3,380,557	\$(718,831)

	For the Year Ended December 31, 2020							
	Direct Underwriting		Assumed Reinsurance		Net Change	Ceded Reinsurance		Net Change
	Business		Business			Business		
	Provision	Release	Provision	Release		Provision	Release	
<u>Reported but not paid</u>								
Fire insurance	\$ 1,110,338	\$ 668,677	\$ 8,214	\$ 6,703	\$ 443,172	\$ 867,741	\$ 491,513	\$ 376,228
Marine insurance	1,322,424	829,520	28,838	29,026	492,716	1,254,825	794,167	460,658
Motor insurance	2,024,625	1,643,100	65,103	61,806	384,822	484,713	401,277	83,436
Casualty insurance	630,021	701,425	5,697	3,546	(69,253)	342,711	405,052	(62,341)
Health and injury insurance	51,330	44,537	9	16	6,786	15,186	2,192	12,994
Foreign inward business insurance	-	-	160,867	114,900	45,967	-	-	-
	<u>5,138,738</u>	<u>3,887,259</u>	<u>268,728</u>	<u>215,997</u>	<u>1,304,210</u>	<u>2,965,176</u>	<u>2,094,201</u>	<u>870,975</u>
<u>Incurred but not reported</u>								
Fire insurance	19,948	27,469	337	452	(7,636)	4,799	8,139	(3,340)
Marine insurance	76,637	41,427	2,114	2,585	34,739	51,781	26,284	25,497
Motor insurance	371,028	369,432	152,454	146,111	7,939	197,016	195,691	1,325
Casualty insurance	149,081	136,907	7,873	7,209	12,838	61,818	50,793	11,025
Health and injury insurance	311,380	198,100	1,565	1,198	113,647	99,967	25,638	74,329
Foreign inward business insurance	-	-	29,597	22,522	7,075	-	-	-
	<u>928,074</u>	<u>773,335</u>	<u>193,940</u>	<u>180,077</u>	<u>168,602</u>	<u>415,381</u>	<u>306,545</u>	<u>108,836</u>
	<u>\$ 6,066,812</u>	<u>\$ 4,660,594</u>	<u>\$ 462,668</u>	<u>\$ 396,074</u>	<u>\$ 1,472,812</u>	<u>\$ 3,380,557</u>	<u>\$ 2,400,746</u>	<u>\$ 979,811</u>

Special Reserve

a. Details of special reserve were as follows:

	December 31	
	2021	2020
Catastrophe	\$ 285,132	\$ 296,213
Risk-volatility	<u>2,520,497</u>	<u>2,437,910</u>
	<u>\$ 2,805,629</u>	<u>\$ 2,734,123</u>

b. Special reserve - the movements of compulsory automobile liability insurance were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 1,507,393	\$ 1,488,059
Provision	101,549	42,358
Release	(18,962)	(23,024)
Balance, end of the year	<u>\$ 1,589,980</u>	<u>\$ 1,507,393</u>

c. Special reserve - the movements of non-compulsory automobile liability insurance were as follows:

	Liabilities					
	For the Year Ended December 31					
	2021			2020		
	Catastrophe	Risk-volatility	Total	Catastrophe	Risk-volatility	Total
Balance, beginning of the year	\$ 296,213	\$ 930,517	\$ 1,226,730	\$ 307,294	\$ 930,517	\$ 1,237,811
Release	(11,081)	-	(11,081)	(11,081)	-	(11,081)
Balance, end of the year	\$ 285,132	\$ 930,517	\$ 1,215,649	\$ 296,213	\$ 930,517	\$ 1,226,730

d. The assets and liability of compulsory automobile liability insurance and the revenue and cost of compulsory automobile liability insurance

1) The assets and liability of compulsory automobile liability insurance

Items		Amount	
Assets		December 31, 2021	December 31, 2020
1.	Cash and cash in banks	\$ 2,301,345	\$ 2,187,102
2.	Cash equivalents	-	-
3.	Notes receivable	6,172	4,634
4.	Premiums receivable	17,265	15,710
5.	Indemnity refundable on reinsurance ceded	43,428	45,088
6.	Refundable reinsurance	45,714	43,687
7.	Other receivable	-	-
8.	Financial assets at fair value through other comprehensive income	-	-
9.	Ceded unearned premium reserve	215,179	207,562
10.	Ceded claims reserve	313,720	319,617
11.	Temporary payments	4,658	1,275
12.	Other assets	-	-
13.	Total	\$ 2,947,481	\$ 2,824,675

Items		Amount	
Liabilities		December 31, 2021	December 31, 2020
1.	Notes payable	\$ -	\$ -
2.	Insurance claims and benefits payable	-	-
3.	Reinsurance indemnity payable	-	-
4.	Due to reinsurance and ceding companies	70,522	67,603
5.	Unearned premium reserve	512,437	494,154
6.	Claims reserve	759,120	752,313
7.	Special reserve	1,589,980	1,507,393
8.	Temporary receipts	14,992	2,782
9.	Other liabilities	430	430
10.	Total	\$ 2,947,481	\$ 2,824,675

2) The revenues and costs of compulsory automobile liability insurance

	For the Year Ended December 31	
	2021	2020
Operating revenues		
Direct written premiums	\$ 651,760	\$ 624,646
Reinsurance premiums	276,312	263,612
Premiums income	928,072	888,258
Less: Reinsurance expense	(391,056)	(374,788)
Net changes in unearned premium reserve	(10,666)	(9,609)
Retained earned premium	526,350	503,861
Interest revenue	11,381	12,276
Total operating revenues	\$ 537,731	\$ 516,137
Operating costs		
Claims incurred and paid	\$ 565,912	\$ 589,186
Reinsurance claims incurred	239,882	235,946
Less: Claims recovered from reinsurance	(344,346)	(356,162)
Net claims	461,448	468,970
Net changes in claims reserve	12,704	27,833
Net changes in special reserve	82,587	19,334
Total operating costs	\$ 556,739	\$ 516,137

Note: According to Rule No. 11004107771 issued by FSC, since April 1, 2021, the property insurance industry should reserve the provision monthly in accordance with the operating expense from issuer. Every contract would be charged for NT\$30.

Reserve for Deficiency Premium

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

	December 31, 2021			
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
Fire insurance	\$ 2,517	\$ -	\$ -	\$ 2,517
Marine insurance	16,635	-	-	16,635
Motor insurance	-	-	-	-
Casualty insurance	-	-	-	-
Health and injury insurance	1,053	-	-	1,053
Foreign inward business insurance	-	12,024	-	12,024
	\$ 20,205	\$ 12,024	\$ -	\$ 32,229

	December 31, 2020			
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
Fire insurance	\$ -	\$ -	\$ -	\$ -
Marine insurance	13,042	-	-	13,042
Motor insurance	-	-	-	-
Casualty insurance	-	-	-	-
Health and injury insurance	1,385	-	-	1,385
Foreign inward business insurance	-	2,074	-	2,074
	<u>\$ 14,427</u>	<u>\$ 2,074</u>	<u>\$ -</u>	<u>\$ 16,501</u>

b. The movements of reserve for deficiency premium and ceded reserve for deficiency premium are as follows:

	For the Year Ended December 31			
	2021		2020	
	Reserve for Deficiency Premium	Ceded Reserve for Deficiency Premium	Reserve for Deficiency Premium	Ceded Reserve for Deficiency Premium
Balance, beginning of the year	\$ 16,501	\$ -	\$ 5,297	\$ -
Provision	32,229	-	16,501	-
Release	(16,443)	-	(5,297)	-
Exchange difference	(58)	-	-	-
Balance, end of the year	<u>\$ 32,229</u>	<u>\$ -</u>	<u>\$ 16,501</u>	<u>\$ -</u>

c. Loss of reserve for deficiency premium - the movements of reserve for deficiency premium and ceded reserve for deficiency premium are as follows:

	For the Year Ended December 31, 2021									
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change	Ceded Reinsurance Business		Net Change	Loss of Provisions for	
	Reserve for Deficiency Premium		Reserve for Deficiency Premium			Reserve for Deficiency Premium				
	Provision	Release	Provision	Release		Provision	Release		Reserve	
Fire insurance	\$ 2,517	\$ -	\$ -	\$ -	\$ 2,517	\$ -	\$ -	\$ -	\$ 2,517	
Marine insurance	16,635	13,042	-	-	3,593	-	-	-	3,593	
Motor insurance	-	-	-	-	-	-	-	-	-	
Casualty insurance	-	-	-	-	-	-	-	-	-	
Health and injury insurance	1,053	1,385	-	-	(332)	-	-	-	(332)	
Foreign inward business insurance	-	-	12,024	2,016	10,008	-	-	-	10,008	
	\$ 20,205	\$ 14,427	\$ 12,024	\$ 2,016	\$ 15,786	\$ -	\$ -	\$ -	\$ 15,786	

	For the Year Ended December 31, 2020									
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change	Ceded Reinsurance Business		Net Change	Loss of Provisions for	
	Reserve for Deficiency Premium		Reserve for Deficiency Premium			Reserve for Deficiency Premium			Deficiency Premium	
	Provision	Release	Provision	Release		Provision	Release		Reserve	
Fire insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marine insurance	13,042	4,129	-	-	8,913	-	-	-	-	8,913
Motor insurance	-	-	-	-	-	-	-	-	-	-
Casualty insurance	-	-	-	-	-	-	-	-	-	-
Health and injury insurance	1,385	-	-	-	1,385	-	-	-	-	1,385
Foreign inward business insurance	-	-	2,074	1,168	906	-	-	-	-	906
	\$ 14,427	\$ 4,129	\$ 2,074	\$ 1,168	\$ 11,204	\$ -	\$ -	\$ -	\$ -	\$ 11,204

31. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2021	2020
Recognized in consolidated balance sheet		
Defined benefit plans	\$ 5,320,360	\$ 5,276,656
Preferential interest on employees' deposits	<u>1,464,212</u>	<u>1,308,344</u>
	<u>\$ 6,784,572</u>	<u>\$ 6,585,000</u>

a. Defined contribution plans

The Company and its subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses of defined contribution plans recognized in profit or loss for the years ended December 31, 2021 and 2020 were \$313,556 and \$336,598, respectively.

b. Defined benefit plans

The defined benefit plans adopted by the Company and its subsidiaries in accordance with the Labor Standard Law is operated by the government, and pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Under the plan, HNFHC, HNCB and HNAMEC made monthly contributions at the rate of 12% of gross salaries, SCIC made monthly contribution at the rate of 8.81% of gross salaries, HNSC, HNIT, made monthly contributions at the rate of 2% of gross salaries. The preceding monthly contributions were deposited in the name of each company's committee in the Bank of Taiwan ("the Bureau"). If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company and its subsidiaries are required to fund the difference in one appropriation that should be made before the end of March of the next year. The total expenses of defined benefit plans recognized in profit or loss for the years ended December 31, 2021 and 2020 were \$308,094 and \$331,324, respectively.

The amount of defined benefit plans which listed in balance sheet are as follow:

	December 31	
	2021	2020
Present value of funded defined benefit obligation	\$ 12,064,611	\$ 12,356,584
Fair value of plan asset	(6,744,321)	(7,079,928)
Deficit	5,320,290	5,276,656
Net defined benefit liability	\$ 5,320,290	\$ 5,276,656

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	\$ 12,302,313	\$(7,238,976)	\$ 5,063,337
Service cost			
Current service cost	296,348	-	296,348
Past service cost	7,946	-	7,946
Net interest expense (income)	90,163	(53,853)	36,310
Recognized in profit or loss	394,457	(53,853)	340,604
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(229,997)	(229,997)
Actuarial loss - changes in demographic assumptions	3,649	-	3,649
Actuarial loss - changes in financial assumptions	292,365	-	292,365
Actuarial loss (gain) - experience adjustments	298,692	(8,123)	290,569
Recognized in other comprehensive income	594,706	(238,120)	356,586
Contributions from the employer	-	(334,012)	(334,012)
Benefits paid	(934,892)	785,033	(149,859)
Balance at December 31, 2020	\$ 12,356,584	\$(7,079,928)	\$ 5,276,656
Balance at January 1, 2021	\$ 12,356,584	\$(7,079,928)	\$ 5,276,656
Service cost			
Current service cost	285,618	-	285,618
Past service cost	5,846	-	5,846
Net interest expense (income)	60,098	(34,979)	25,119
Recognized in profit or loss	351,562	(34,979)	316,583
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(88,036)	(88,036)
Actuarial loss - changes in demographic assumptions	220,141	-	220,141
Actuarial gain - changes in financial assumptions	\$(141,138)	\$ -	\$(141,138)
Actuarial loss (gain) - experience adjustments	201,011	(3,563)	197,448
Recognized in other comprehensive income	280,014	(91,599)	188,415
Contributions from the employer	-	(295,762)	(295,762)
Benefits paid	(923,549)	757,947	(165,602)
Balance at December 31, 2021	\$ 12,064,611	\$(6,744,321)	\$ 5,320,290

Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries are exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate	0.40%-0.71%	0.20%-0.50%
Expected rate of salary increase	2.00%-3.00%	2.00%-3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (decrease) or increase, respectively, as follows:

	December 31	
	2021	2020
Discount rate		
0.1%-0.5% increase	<u>\$ (281,600)</u>	<u>\$ (301,929)</u>
0.1%-0.5% decrease	<u>\$ 292,782</u>	<u>\$ 314,509</u>
Expected rate of salary increase		
0.25%-0.5% increase	<u>\$ 317,379</u>	<u>\$ 343,635</u>
0.25%-0.5% decrease	<u>\$ (302,367)</u>	<u>\$ (326,099)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 745,876</u>	<u>\$ 709,114</u>
The average duration of the defined benefit obligation	3-12 years	4-13 years

c. Preferential interest on employees' deposits

HNCB offers preferential interest on employees' deposits to both current and retired employees.

	December 31	
	2021	2020
Present value of funded defined preferential interest on employee's deposits obligation	\$ 1,464,212	\$ 1,308,344
Fair value of plant assets	-	-
Net preferential interest on employee's deposits liability	<u>\$ 1,464,212</u>	<u>\$ 1,308,344</u>



Movements in net preferential interest on employee's deposits liability were as follows:

	Present Value of the Preferential Interest on Employee's Deposits Obligation	Fair Value of the Plan Assets	Net Preferential Interest on Employee's Deposits Liability
Balance at January 1, 2020	\$ 1,215,913	\$ -	\$ 1,215,913
Service cost			
Past service cost	88,096	-	88,096
Net interest expense	45,981	-	45,981
Actuarial loss in the rules of the Banking Bureau	240,141	-	240,141
Recognized in profit or loss	374,218	-	374,218
Benefits paid	(281,787)	-	(281,787)
Balance at December 31, 2020	\$ 1,308,344	\$ -	\$ 1,308,344
Balance at January 1, 2021	\$ 1,308,344	\$ -	\$ 1,308,344
Service cost			
Past service cost	109,587	-	109,587
Net interest expense	49,516	-	49,516
Actuarial loss in the rules of the Banking Bureau	289,022	-	289,022
Recognized in profit or loss	448,125	-	448,125
Benefits paid	(292,257)	-	(292,257)
Balance at December 31, 2021	\$ 1,464,212	\$ -	\$ 1,464,212

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Account decline rate	2.25%	2.25%
The probability of preferential interest on employees' deposits changed	50.00%	50.00%

If possible reasonable change in each of the significant assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (decrease) or increase as follows:

	December 31	
	2021	2020
Discount rate		
0.25% increase	\$ (27,530)	\$ (22,587)
0.25% decrease	\$ 28,429	\$ 23,264
Expected return on employees' deposits		
0.25% increase	\$ (168,497)	\$ (148,984)
0.25% decrease	\$ 168,497	\$ 148,984
Account decline rate		
2% increase	\$ (212,880)	\$ (176,224)
2% decrease	\$ 268,662	\$ 217,561
The probability of changes in preferential interest on employees' deposits		
10% increase	\$ 292,843	\$ 261,669
10% decrease	\$ (292,842)	\$ (261,669)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the preferential interest on employee's deposits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ 146,129	\$ 140,894
The average duration of preferential interest on employees' deposits	7.9 years	7.3 years

32. OTHER FINANCIAL LIABILITIES

	December 31	
	2021	2020
Principal of structured products	\$ 51,748,150	\$ 35,929,193
Futures traders' equity	5,127,281	3,451,399
Appropriations loan funds	26,903	8,109
	<u>\$ 56,902,334</u>	<u>\$ 39,388,701</u>

33. OTHER LIABILITIES

	December 31	
	2021	2020
Receipts under custody from customer's security subscription	\$ 8,604,430	\$ 1,290,603
Deposits from securities borrowing	2,599,585	1,322,335
Guarantee deposits received	1,878,115	1,566,355
Advance receipts	988,187	851,831
Temporary receipt and suspense accounts	680,192	345,591
Others	<u>305,582</u>	<u>507,018</u>
	<u>\$ 15,056,091</u>	<u>\$ 5,883,733</u>

34. EQUITY

a. Capital stock

The shareholders resolved the stock dividends of \$6,820,386 to paid-in capital, the number of common shares is 682,039 thousand at the shareholders' meeting on June 19, 2020. Total capital stock was increased to \$128,547,788. These appropriations of stock dividends were approved by the Securities and Futures Bureau, and the record date for stock dividends was August 21, 2020.

The shareholders resolved the stock dividends of \$3,393,662 to paid-in capital, the number of common shares is 339,366 thousand at the shareholders' meeting on July 20, 2021. Total capital stock was increased to \$131,941,450. These appropriations of stock dividends were approved by the Securities and Futures Bureau, and the record date for stock dividends was September 24, 2021.

The issued common stocks of a par value of \$10 are 13,194,145 shares as of December 31, 2021.

b. Capital surplus

The capital surplus from the issuance of new shares at a premium (additional paid-in capital from issuance of common shares, issuance of shares in a business combination and treasury stock transactions, etc.) and endowments received by the Company may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividend or transferred to capital (limited to a certain percentage of the Company's paid-in capital every year).

Details of HNFHC's capital surplus were as follows:

	December 31	
	2021	2020
Share premium	\$ 17,702,376	\$ 17,702,376
Treasury stock	52,349	52,349
Donated assets received	2,936	2,936
Others	1,325	1,325
	<u>\$ 17,758,986</u>	<u>\$ 17,758,986</u>

Under the Financial Holding Company Act and related directives of the Securities and Futures Bureau, if the capital surplus obtained by a financial holding company through a share swap comes from its subsidiaries' unappropriated retained earnings after legal and special reserves, the surplus is exempted from the restriction stated in the Securities and Exchange Act.

The sources and usage of HNFHC's capital surplus as of December 31, 2021 were as follows:

	December 31, 2021
Arising through a share swap on December 19, 2001	\$ 44,439,624
Bonus to employees and the remuneration to directors and supervisors from subsidiaries before December 19, 2001	(250,881)
Issuance of cash dividend in 2001	(692,924)
Issuance of stock dividend from capital surplus in 2012	(3,317,439)
Offsetting a deficit in 2002	(26,693,288)
SCIC and HNIT became wholly owned subsidiaries of HNFHC through a share swap	(185,812)
Issuance of stock dividend from capital surplus in 2004	(945,701)
Issuance of new shares in 2011	8,004,000
Stock-based compensation	115,382
Donated assets received	2,936
Treasury stock transactions and the capital surplus from investment accounted for using equity method	(2,716,911)
Balance, end of the year	<u>\$ 17,758,986</u>

c. Special reserve

According to Rule No. 09900738571 issued by FSC, Rule No. 10000002891 issued under Regulations Governing Securities Firms, and Rule No. 10010000440 issued by the FSC, the securities default reserve and trading loss reserve set up as of December 31, 2010 are transferred to special reserve. The special reserve may not be used, except to offset a deficit or transferred to capital when special reserve reaches 50% of the Company's paid-in capital, following up legal reserve. The Company appropriates and reserves special reserve based on Rule No. 1090150022, issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Appropriation of earnings and dividend policy

Under the dividend policy in the Amended Articles, HNFHC takes residual dividend policy in order to expand its scale and enhance its abilities to make profit. When HNFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve based on legal rules or business needs may then be appropriated or reserved. Stockholders' meeting approve to appropriate 30%-100% distributable amount, including unappropriated earnings in prior years, for stock dividend and cash dividend. Stock or cash dividends were appropriated based on the Company's operating plan, and the cash dividends should be more than 10% of total dividends. Cash dividend would not be appropriated if it is less than \$0.1 per share unless the approval of the stockholders' meeting. For the policies on distribution of employees' compensation and remuneration to directors and supervisor before and after amendment, please refer to Note 41.

Shareholders' meeting should be held in the next year, and the distribution of earnings would be recognized and reflected in the financial statements in that year.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Based on a directive issued by the Securities and Futures Bureau, when distributing earnings, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized loss in financial instruments and cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve. An amount equal to the past net debit balance of certain shareholders' equity accounts shall be transferred from past unappropriated earnings to a special reserve, yet such amount can not be distributed. However the Company and its subsidiaries should replenish amount, which equals to the difference between the net debit balance of certain shareholders' equity accounts and amount appropriated to special reserve during initial IFRS adoption, to special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The appropriation of earnings for 2020 and 2019 had been approved by the shareholders' meeting on July 20, 2021 and June 19, 2020, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 755,625	\$ 1,515,635	\$ -	\$ -
Cash dividends	3,406,516	6,820,386	0.2650	0.5603
Stock dividends	3,393,662	6,820,386	0.2640	0.5603

e. Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	For the Year Ended December 31, 2021	
	Gain and Loss on Equity Instruments	Gain and Loss on Debt Instruments
Balance at January 1	\$ 9,785,036	\$ 2,531,748
Unrealized loss - equity instruments	3,371,346	
Unrealized gain - debt instruments	-	(3,643,330)
Income tax related to unrealized gain - debt instruments	-	34,566
Loss allowance adjustment - debt instruments	-	(23,526)
Disposal of investments in debt instruments	-	(1,575,818)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(818,422)	-
Balance at December 31	\$ 12,337,960	\$ (2,676,360)

	For the Year Ended December 31, 2020	
	Gain and Loss on Equity Instruments	Gain and Loss on Debt Instruments
Balance at January 1	\$ 9,291,816	\$ 1,351,567
Unrealized gain - equity instruments	(318,278)	-
Unrealized gain - debt instruments	-	2,987,220
Income tax related to unrealized loss - debt instruments	-	(15,257)
Loss allowance adjustment - debt instruments	-	(35,244)
Disposal of investments in debt instruments	-	(1,756,538)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	811,498	-
Balance at December 31	\$ 9,785,036	\$ 2,531,748



f. Reclassified other comprehensive income on application of overlay approach

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 188,835	\$ 138,162
Gain or loss on overlay approach measured at other comprehensive income	120,744	48,971
Income tax related to reclassified other comprehensive income on application of overlay approach	<u>779</u>	<u>1,702</u>
Balance at December 31	<u>\$ 310,358</u>	<u>\$ 188,835</u>

35. NET INTEREST

	For the Year Ended December 31	
	2021	2020
Interest revenue		
Discounts and loans	\$ 28,487,918	\$ 28,245,842
Securities investments	6,047,315	6,072,504
Due from the Central Bank and other banks	861,778	1,627,846
Others	<u>1,199,611</u>	<u>916,933</u>
	<u>36,596,622</u>	<u>36,863,125</u>
Interest expense		
Deposits	6,650,998	9,544,966
Due to the Central Bank and banks	316,261	1,066,082
Others	<u>1,628,996</u>	<u>1,609,538</u>
	<u>8,596,255</u>	<u>12,220,586</u>
	<u>\$ 28,000,367</u>	<u>\$ 24,642,539</u>

36. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2021	2020
Commission and fee revenues		
Brokerage business	\$ 5,575,659	\$ 3,377,059
Insurance commission	3,536,381	3,022,098
Trust and financial management business	3,110,880	2,941,587
Credit card business	1,150,963	927,244
Remittance business	627,579	651,406
Others	<u>1,939,680</u>	<u>1,639,339</u>
	<u>15,941,142</u>	<u>12,558,733</u>
Commission and fee expense		
Insurance commission	1,751,644	1,693,650
Credit card business	811,091	584,757
Brokerage business	508,251	301,227
Others	<u>587,249</u>	<u>640,020</u>
	<u>3,658,235</u>	<u>3,219,654</u>
	<u>\$ 12,282,907</u>	<u>\$ 9,339,079</u>

37. INCOME FROM INSURANCE PREMIUMS, NET

	For the Year Ended December 31	
	2021	2020
Insurance revenue		
Direct written premiums	\$ 11,825,588	\$ 10,985,414
Indemnity refundable on reinsurance ceded	3,257,113	1,798,959
	<u>15,082,701</u>	<u>12,784,373</u>
Insurance expense		
Insurance claims and benefits	7,256,522	5,547,251
Reinsurances premiums ceded	3,977,410	3,702,089
Disbursements toward industry stability	21,071	18,452
	<u>11,255,003</u>	<u>9,267,792</u>
	<u>\$ 3,827,698</u>	<u>\$ 3,516,581</u>

38. GAIN OR LOSS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2021	2020
Realized gain or loss on financial assets at fair value through profit or loss		
Listed shares	\$ 501,217	\$ 28,608
Forward	180,154	318,031
Interest swap	164,286	118,450
Currency swap	(7,424,291)	(5,215,318)
Option and futures	(7,545)	(4,738,083)
Others	48,015	8,830
	<u>(6,538,164)</u>	<u>(9,479,482)</u>
Valuated gain or loss on financial assets at fair value through profit or loss		
Currency swap	3,622,741	(2,823,530)
Listed share	148,456	(117,783)
Cross currency swap	19,219	(19,537)
Forward	(1,986)	(82,722)
Issuance of call (put) warrants	(70)	75,799
Others	(114,734)	53,083
	<u>3,673,626</u>	<u>(2,914,690)</u>
Dividend income on financial assets at fair value through profit or loss	<u>194,501</u>	<u>161,898</u>
Interest revenue on financial assets at fair value through profit or loss	<u>497,746</u>	<u>492,628</u>
Interest expense on financial liabilities at fair value through profit or loss	<u>(12,827)</u>	<u>(17,751)</u>
	<u><u>\$ (2,185,118)</u></u>	<u><u>\$ (11,757,397)</u></u>

When the Company and its subsidiaries designated financial instruments measure at fair value through profit or loss, fair value change in derivative instruments is also listed in “financial assets and liabilities at fair value through profit or loss”.



39. REALIZED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2021	2020
Dividend income	\$ 2,108,166	\$ 1,633,091
Gain from disposal		
Government bonds	2,378,679	881,224
Corporate bonds	535,861	10,809,465
Bank debentures	121,204	424,186
Agency mortgage-backed securities	15,302	7,286
	<u>3,051,046</u>	<u>12,122,161</u>
Loss from disposal		
Government bonds	(1,443,195)	-
Agency mortgage-backed securities	(31,748)	(22,637)
Corporate bonds	(192)	(10,342,716)
Bank debentures	(93)	(270)
	<u>(1,475,228)</u>	<u>(10,365,623)</u>
	<u>\$ 3,683,984</u>	<u>\$ 3,389,629</u>

40. FOREIGN EXCHANGE GAIN OR LOSS, NET

	For the Year Ended December 31	
	2021	2020
Foreign exchange gain	\$ 4,907,291	\$ 10,002,604
Foreign exchange loss	(207,598)	(52,808)
	<u>\$ 4,699,693</u>	<u>\$ 9,949,796</u>

Part of financial assets and liabilities at fair value through profit or loss held by the Company and its subsidiaries, like currency swap, its gain or loss on valuation arising from spot position is recorded gain or loss on as “foreign exchange gain or loss”; its gain or loss on valuation arising from forward position is recorded as “gain or loss on financial assets or liabilities at fair value through profit or loss”.

41. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2021	2020
Salaries and wages	\$ 14,870,495	\$ 13,203,373
Labor insurance and national health insurance	1,029,338	943,463
Pension and compensation	716,968	732,009
Others	<u>1,826,464</u>	<u>1,614,945</u>
	<u>\$ 18,443,265</u>	<u>\$ 16,493,790</u>

For the years ended December 31, 2021 and 2020, the amount of incentives and bonus were \$5,394,587 and \$3,985,870 included in salaries and wages.

The Company distribute employees' and board of directors' compensation at the rates between 0.2% and 1.5% and no higher than 1%, respectively, of net profit before income tax, employees' and board of directors compensation.

The board of directors had been hold on March 14, 2022 and March 25, 2021, which resolution compensations to employees and remuneration to directors for 2021 and 2020.

For the year ended December 31, 2021, the employees' and board of directors' compensation were \$18,846 and \$173,639 representing 1.08318‰ and 0.998% of the base net profit, respectively. For the year ended December 31, 2020, the employees' and board of directors' compensation were \$6,998 and \$87,300, representing 0.8‰ and 0.998% of the base net profit, respectively.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

There is no difference between the proposed and approved amounts of the compensation and bonus to employees and remuneration to directors and the accrual amounts reflected in the financial statements for the 2021 and 2020.

The information on the approved compensations to employees and remuneration to directors for 2021 and 2020 is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

42. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2021	2020
Depreciation expense		
Properties equipments		
Buildings	\$ 308,093	\$ 316,668
Computer and machinery	394,741	391,007
Transportation equipment	54,963	74,332
Other equipment	190,411	236,776
Lease improvements	37,605	36,803
	985,813	1,055,586
Right-of-use assets	733,167	748,054
Investments properties	74,846	62,826
	1,793,826	1,866,466
Intangible assets	325,367	310,213
Deferred expense	8,524	9,006
	\$ 2,127,717	\$ 2,185,685

43. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2021	2020
Taxation and government fee	\$ 2,526,534	\$ 2,382,680
Membership fee	657,417	621,843
Postage fee	568,258	534,856
Printing, binding and advertising fee	556,369	506,375
Insurance	554,348	525,968
Rent	483,864	456,172
Professional fee	441,406	406,311
Maintenance and warranty fee	335,148	317,062
Others	1,399,404	1,370,579
	\$ 7,522,748	\$ 7,121,846



44. INCOME TAX

Under a Ministry of Finance directive “Article 49 of the Financial Holding Company Act and Article 40 of Business Mergers and Acquisition Act”, a financial holding company and its domestic subsidiaries in which over 90% of issued shares was held by the financial holding company for 12 months within the same taxation year may adopt the linked-tax system for income tax filing.

The principle adopted by the Company, HNCB, HNSC, SCIC, HNIT, HNVC and HNAMC (collectively, the “Group”) under the linked-tax system is to reduce the income tax liabilities of the Company and its subsidiaries and to consider the fairness of the tax borne by all the companies in order to maximize the synergy of the Company and its subsidiaries.

a. Income tax recognized in profit or loss

The components of tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 2,289,333	\$ 2,229,532
Income tax of overseas branches	420,232	291,915
In respect of prior years	(272,752)	52,916
	<u>2,436,813</u>	<u>2,574,363</u>
Deferred tax		
In respect of the current year	(106,407)	(38,041)
Income tax expenses recognized through profit or loss	<u>\$ 2,330,406</u>	<u>\$ 2,536,322</u>

A reconciliation of accounting profit and income tax expenses were as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	\$ 19,536,727	\$ 11,189,805
Income tax expenses calculated at the statutory rate	3,907,345	2,237,961
Tax effect of adjusting items:		
Permanent differences	(1,928,330)	(268,625)
Temporary differences	300,504	245,432
Income tax of overseas branches	420,232	291,915
Effects of different income tax rate of subsidiaries operating in other jurisdiction	9,814	14,764
Adjustments for prior years' tax	(272,752)	52,916
Current tax	2,436,813	2,574,363
Deferred tax	(106,407)	(38,041)
Income tax expenses recognized in profit or loss	<u>\$ 2,330,406</u>	<u>\$ 2,536,322</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current period		
Remeasurement of defined benefit plans	\$ 37,248	\$ 70,981
Fair value changes on financial assets as at fair value through other comprehensive income	34,566	(15,257)
Loss on overlay approach measured at other comprehensive income	<u>779</u>	<u>1,702</u>
Income tax recognized in other comprehensive income	<u>\$ 72,593</u>	<u>\$ 57,426</u>

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	\$ 130,978	\$ 131,732
Others	91,163	318,703
	<u>\$ 222,141</u>	<u>\$ 450,435</u>
Current tax liabilities		
Income tax payable	<u>\$ 2,517,810</u>	<u>\$ 2,617,347</u>

d. Deferred tax assets and liabilities

The components of deferred tax assets and liabilities were as follows:

	December 31	
	2021	2020
<u>Deferred tax assets</u>		
Provisions for bad debts and losses on guarantees over limitation	\$ 1,912,771	\$ 1,548,868
Defined benefit plans and preferential interest rate plan for employees' deposits	1,159,924	1,118,303
Provisions for financing commitments of loans	40,848	277,248
Business losses	234,811	234,811
Others	222,726	252,810
	<u>\$ 3,571,080</u>	<u>\$ 3,432,040</u>
<u>Deferred tax liabilities</u>		
Land value increment tax	\$ 6,087,943	\$ 6,087,943
Others	12,531	52,491
	<u>\$ 6,100,474</u>	<u>\$ 6,140,434</u>

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions for bad debts and losses on guarantees over limitation	\$ 1,548,868	\$ 363,903	\$ -	\$ 1,912,771
Defined benefit plans and preferential interest rate plan for employees' deposits	1,118,303	4,373	37,248	1,159,924
Provision for financing commitments of loans	277,248	(236,400)	-	40,848
Business losses	234,811	-	-	234,811
Others	252,810	(30,863)	779	222,726
	<u>\$ 3,432,040</u>	<u>\$ 101,013</u>	<u>\$ 38,027</u>	<u>\$ 3,571,080</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 6,087,943	\$ -	\$ -	\$ 6,087,943
Temporary differences				
Others	52,491	(5,394)	(34,566)	12,531
	<u>\$ 6,140,434</u>	<u>\$ (5,394)</u>	<u>\$ (34,566)</u>	<u>\$ 6,100,474</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions for bad debts and losses on guarantees over limitation	\$ 1,598,911	\$(50,043)	\$ -	\$ 1,548,868
Defined benefit plans and preferential interest rate plan for employees' deposits	1,057,285	(9,963)	70,981	1,118,303
Provision for financing commitments of loans	264,848	12,400	-	277,248
Business losses	229,521	5,290	-	234,811
Others	202,986	48,359	1,465	252,810
	<u>\$ 3,353,551</u>	<u>\$ 6,043</u>	<u>\$ 72,446</u>	<u>\$ 3,432,040</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 6,087,943	\$ -	\$ -	\$ 6,087,943
Temporary differences				
Others	69,469	(31,998)	15,020	52,491
	<u>\$ 6,157,412</u>	<u>\$(31,998)</u>	<u>\$ 15,020</u>	<u>\$ 6,140,434</u>

As of December 31, 2021, income tax returns through 2016 had been assessed by the tax authorities. The Company disagreed with the tax authority's assessments of its tax returns for 2015 and had applied for administrative remedy. The Company intends to apply for administrative remedy for 2016.

As of December 31, 2021, income tax returns through 2016 of HNCB had been assessed by the tax authority. The Company disagreed with the tax authority's assessments of its tax returns through 2013 to 2015 and had applied for administrative remedy. The Company intends to apply for administrative remedy for 2016.

As of December 31, 2021, income tax returns through 2016 of HNSC had been assessed and approved by the tax authority. However, HNSC is currently appealing the tax authority's assessments of supplementary taxable income for 2011 to 2014, as a result of different opinions on allocations of operating expenses and interest expenses in the dealing department. To be conservative, the income tax expense and the tax payable were recognized in the account. However, HNSC did not accept the assessments and had applied for administrative remedy. The tax authority's assessments for 2016 is still under discussion, HNSC will apply for administrative remedy.

As of December 31, 2021, income tax return through 2016 of SCIC, HNIT, HNVC and HNAMC had been assessed by the tax authorities.

As of December 31, 2021, income tax returns through 2019 of HNCB Insurance Agency, HNIM, HNILC and HNFC had been assessed by the tax authorities.

45. EARNINGS PER SHARE

Earnings per share is calculated by earnings on the Company's stockholders divide by weighted average number of ordinary shares outstanding.

	For the Year Ended December 31	
	2021	2020
Basic and diluted earnings per share		
Profit for the year attributable to HNFHC's shareholders	\$ 1.30	\$ 0.66

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2021	2020
Profit for the year attributable to HNFHC's shareholders	\$ 17,206,199	\$ 8,653,353

Shares

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic and diluted earnings per share	13,194,145	13,194,145

The weighted average number of shares outstanding used for earnings per share calculation has been retroactively adjusted for the issuance of bonus shares. This adjustment caused the basic and diluted earnings per share for the year ended December 31, 2020 to decrease from \$0.67 to \$0.66. Additionally, the basic and diluted earnings per share were the same both for the years ended December 31, 2021 and 2020.

46. RELATED PARTY TRANSACTIONS

Related party transactions and related party transactions of subsidiaries over \$100 million were summarized below, and the transactions wrote-off were disclosed in Table 14.

a. Name and relationship with related parties were as follows:

Related Party	Relationship with the Company
Bank of Taiwan Co., Ltd. (BOT)	Major shareholder of HNFHC
Bank Taiwan Life Insurance Co., Ltd. (BTLI)	Major shareholder of HNFHC (the related information and proportionate share in investees with BOT)
Funds Under Hua Nan Investment Trust Corporation (HNIT)	Funds issuer is a subsidiary of HNFHC
Yuan-Ding Investment Co., Ltd. (Yuan-Ding Investment)	The director of HNFHC is its chairman
Yung-Cheong Investment Co., Ltd. (Yung-Cheong Investment)	The director of HNFHC is its chairman
Yung-Chi Asset Management Corp. (Yung-Chi AMC)	HNCB's director is its chairman
Shiun-You Co., Ltd. (Shiun-You)	HNCB's director is its chairman
Shing-Kong Investment Trust Co., Ltd. (Shing-Kong IT)	The Chairman of its parent company is a close relative of the directors of HNSC
Shin Kong Commercial Bank Co., Ltd. (SKCB)	The Chairman of its parent company is a close relative of the directors of HNSC
Shin Kong Life Insurance Co., Ltd. (SKLI)	HNCB's director is a close relative of its chairman
Taipei Financial Center Corp. (Taipei 101)	The CEO of HNFHC is its former director (Note)
Chou Dang-Zheng	The former director of HNSC (resigned after the reassignment on June 15, 2020)
Chung-Hua Real Estate Management Co., Ltd. (Chung-Hua Real Estate)	Associates of HNCB
Others	Directors, supervisors, managers, their relatives, companies under their control, and other related parties in substance

Note: The director of HNFHC served as the supervisor of Taipei 101 from September 3, 2018 to September 2, 2021.

b. Substantial transactions with related parties were as follows:

1) Due from other banks

	December 31	
	2021	2020
BOT	\$ 220,005	\$ 193,429

2) Call loans to banks

	For the Year Ended December 31, 2021			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 17,503,350	\$ 1,659,300	\$ 2,736	0.01-2.70

	For the Year Ended December 31, 2020			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 13,215,700	\$ 927,300	\$ 6,449	0.10-2.90

3) Call loans from banks

	For the Year Ended December 31, 2021			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 13,378,075	\$ 10,080,515	\$ 18,150	0.03-3.60

	For the Year Ended December 31, 2020			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 10,216,070	\$ 3,437,000	\$ 36,207	0.12-3.25

4) Deposits

	For the Year Ended December 31					
	2021			2020		
	Ending Balance	Interest Rate (%)	Interest Expenses	Ending Balance	Interest Rate (%)	Interest Expenses
Chung-Hua Real Estate	\$ 143,993	0-0.41	\$ 93	\$ 110,257	0-0.6	\$ 90
Yuan-Ding Investment	3,488	-	-	4,218	-	-
Taipei 101	-	-	-	804	0.0197-0.066	-
Others	53,693,661	0-13	79,881	20,186,580	0-13	92,498
	\$ 53,841,142		\$ 79,974	\$ 20,301,859		\$ 92,588

5) Loans

For the Year Ended December 31, 2021							
Type	Number/Name of Related Party	Highest Balance	Ending Balance	Payment Status		Type of Collateral	Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue		
Consumer loan	6	\$ 1,891	\$ 1,294	\$ 1,294	\$ -	None	Yes
Household mortgages	45	359,599	266,247	266,247	-	Real estate	Yes
Others	Others	68,467	29,688	29,688	-	Real estate overdraft	Yes

For the Year Ended December 31, 2020							
Type	Number/Name of Related Party	Highest Balance	Ending Balance	Payment Status		Type of Collateral	Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue		
Consumer loan	6	\$ 3,091	\$ 1,945	\$ 1,945	\$ -	None	Yes
Household mortgages	44	403,445	294,258	294,258	-	Real estate	Yes
Others	Others	97,578	61,036	61,036	-	Real estate, overdraft	Yes

	December 31	
	2021	2020
SCIC		
Others	\$ 109,727	\$ 123,895

Interest revenue generated from loans

	December 31	
	2021	2020
SCIC		
Others	\$ 1,380	\$ 1,691

SCIC loans to some main management, and the lending rate is made by adding 0.375% to 1% markup to average rate on time savings deposits of Bank of Taiwan.

The type of loans are both real estate loans for the years ended December 31, 2021 and 2020.

6) Operating deposits

	December 31	
	2021	2020
BOT	\$ 340,000	\$ 340,000

7) Futures traders' equity

	December 31	
	2021	2020
Fund under HNIT	\$ 7,251	\$ 2,997

8) Securities transaction

For the years ended December 31, 2021 and 2020, HNSC purchased open-end mutual funds for \$2,000 and \$3,000, respectively, and disposed HNIT open-end mutual funds for \$0 and \$23,161, respectively. The disposal loss were \$0 and \$461, respectively, and were calculated on the basis of the net assets value on the transaction dates.

Open-end mutual funds purchased by HNSC from HNIT amounted to \$2,062 and \$0 as of December 31, 2021 and 2020, respectively (recorded as financial assets at fair value through profit or loss).

The cost of mutual funds purchased by SCIC from HNIT on December 31, 2021 and 2020, amounts to \$130,044 and \$18,102, respectively.

For the years ended December 31, 2021 and 2020, the gain or loss from the sale of funds under HNIT and related revenues were loss \$185 and gain \$858, respectively.

9) Receivables - management expense

	December 31	
	2021	2020
Fund under HNIT	\$ 9,947	\$ 9,928

10) Other liabilities

	December 31	
	2021	2020
Fund under HNIT	\$ -	\$ 2,610



11) Sales or purchase of bills and bonds

	For the Year Ended December 31, 2021				
	Bills and Bonds Purchased From Related Parties	Bills and Bonds Sold to Related Parties	Bills and Bonds Purchased Under Resale Agreements From Related Parties	Bills and Bonds Sold Under Repurchase Agreements From Related Parties	Interest Expense
SKCB	\$ -	\$ 98,635	\$ -	\$ -	-
BOT	1,555,512	2,169,654	-	-	-
Others	50,087	297,147	-	-	-

	For the Year Ended December 31, 2020				
	Bills and Bonds Purchased From Related Parties	Bills and Bonds Sold to Related Parties	Bills and Bonds Purchased Under Resale Agreements From Related Parties	Bills and Bonds Sold Under Repurchase Agreements From Related Parties	Interest Expense
SKCB	\$ 99,389	\$ 50,063	\$ -	\$ -	-
BOT	1,501,276	1,532,337	-	-	-
Others	1,945,213	2,189,876	-	-	-

12) Trust business commission

	For the Year Ended December 31	
	2021	2020
Fund under HNIT	\$ 116,543	\$ 127,147

13) Brokerage commission

	For the Year Ended December 31	
	2021	2020
Fund under HNIT	\$ 1,619	\$ 1,215
Others	14,189	8,492
	\$ 15,808	\$ 9,707

14) Brokerage commission discount (decrease in the brokerage commission)

	For the Year Ended December 31	
	2021	2020
Others	\$ 7,506	\$ 3,725

15) Commission

	For the Year Ended December 31	
	2021	2020
SKLI	\$ 143,701	\$ 205,512
BOT	8,693	15,303
BTLI	402	940
	\$ 152,796	\$ 221,755

Preceding commission and fee revenue are the rewards from SKLI and BTLI to HNCB Insurance Agency under commission revenue; the rewards from BOT to HNCB under gold passbook.

16) Lease arrangements

Line Item	Related Party Name	For the Year Ended December 31	
		2021	2020
Acquisition of investment properties	BOT	\$ 3,172	\$ 299
	SKLI	-	43,788
	Others	-	876
		<u>\$ 3,172</u>	<u>\$ 44,963</u>

Line Item	Related Party Name	December 31	
		2021	2020
Lease liabilities	SKLI	\$ 39,298	\$ 49,297
	Yung-Chi AMC	10,027	11,730
	BOT	2,866	299
	Others	-	892
		<u>\$ 52,191</u>	<u>\$ 62,218</u>
Refundable deposits	BOT	\$ 110	\$ 100
	Others	225	225
		<u>\$ 335</u>	<u>\$ 325</u>

Line Item	Related Party Name	For the Year Ended December 31	
		2021	2020
Interest expense	SKLI	\$ 802	\$ 516
	Yung-Chi AMC	218	252
	Chou Dang-Zheng	25	7
	BOT	-	11
	Others	6	23
		<u>\$ 1,051</u>	<u>\$ 809</u>

17) Interest expense

	For the Year Ended December 31	
	2021	2020
Fund under HNIT	<u>\$ -</u>	<u>\$ 1</u>

18) Other operating expenses

	For the Year Ended December 31	
	2021	2020
BOT	<u>\$ -</u>	<u>\$ 163</u>

19) Other non-interest net revenues

	For the Year Ended December 31	
	2021	2020
Others	<u>\$ 37</u>	<u>\$ 33</u>

20) Cash and cash equivalents

Checking deposits and savings deposits (foreign currency included)

	December 31	
	2021	2020
BOT	\$ 10,519	\$ 9,059
SKCB	2,501	3
	<u>\$ 13,020</u>	<u>\$ 9,062</u>

Time deposits

	December 31	
	2021	2020
BOT	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Interest revenues from related parties were \$517 and \$684 for the years ended December 31, 2021 and 2020, respectively.

- 21) HNCB paid \$9,308 and \$7,808 to Chung-Hua Real Estate to build an information technology center on December 31, 2021 and 2020. It is recognized in construction in progress and prepayment for equipment, land and buildings. HNAMC paid \$15,405 and \$9,333 to Chung-Hua Real Estate to build an information technology center on December 31, 2021 and 2020.

22) Compensation of key managements personnel

The key managements refer to directors, supervisors, and managements personnel beyond vice president.

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 464,461	\$ 405,800
Post-employment benefits	18,569	37,868
Other long-term employee benefits	<u>20</u>	<u>20</u>
	<u>\$ 483,050</u>	<u>\$ 443,688</u>

23) Others

In compliance with Banking Act, except for consumer and government loans, credits extended by HNCB to any related party should be fully secured, and the credit terms for related parties should be similar to those for third parties.

For transactions between HNCB and related parties, the terms are similar to those transacted with third parties, except for the preferential interest rates for employees with limited amounts.

c. Information of related party transactions of subsidiaries over \$100 million

1) HNCB

a) Deposits

	For the Year Ended December 31					
	2021			2020		
	Ending Balance	Interest Rate (%)	Interest Expense	Ending Balance	Interest Rate (%)	Interest Expense
HNSC	\$ 7,701,021	0-0.815	\$ 245	\$ 1,648,328	0-0.815	\$ 240
SCIC	1,262,231	0-0.815	726	1,093,344	0-1.045	1,002
HNFC	733,662	0-0.815	588	630,310	0-0.815	559
HNLC Shenzhen	643,312	0-0.795	7	8,302	0-0.07	10
Hua Nan Securities (HK) Limited	404,112	0.02-0.021	1,896	285,516	0.02-0.218	4,324
HNHFC	354,873	0.01-2.25	6,983	512,965	0.01-2.25	5,118
HNVC	145,939	0-0.815	892	161,407	0-1.045	660
Chung-Hua Real Estate	143,993	0-0.41	93	110,257	0-0.6	90
HNIT	53,888	0.001-0.2	133	303,334	0.001-0.1	2
HNIM	32,274	0.02-0.203	9	33,982	0.02-0.33	22
HNAMC	12,951	0-0.815	73	15,606	0-0.815	135
HNILC	10,164	0.016-0.02	5	6,510	0-0.073	9
Yuan Ding Investment	3,488	-	-	4,218	-	-
Taipei 101	-	-	-	804	0.0197-0.066	-
Hua Nan Holdings Corp.	3	-	-	3	-	-
Others	53,693,661	0-13	79,881	20,186,580	0-13	92,498
	<u>\$ 65,195,572</u>		<u>\$ 91,531</u>	<u>\$ 25,001,466</u>		<u>\$ 104,669</u>

b) Loans

For the Year Ended December 31, 2021							
Type	Number/ Name of Related Party	Highest Balance	Ending Balance	Payment Status		Type of Collateral	Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue		
Consumer loan	6	\$ 1,891	\$ 1,294	\$ 1,294	\$ -	None	Yes
Household mortgages	45	359,599	266,247	266,247	-	Real estate	Yes
Others	HNSC	200,000	-	-	-	Real estate	Yes
Others	Others	68,467	29,688	29,688	-	Real estate overdraft	

For the Year Ended December 31, 2020							
Type	Number/ Name of Related Party	Highest Balance	Ending Balance	Payment Status		Type of Collateral	Is the Transaction at Arm's Length Commercial Term
				Normal	Overdue		
Consumer loan	6	\$ 3,091	\$ 1,945	\$ 1,945	\$ -	None	Yes
Household mortgages	43	403,445	294,258	294,258	-	Real estate	Yes
Others	Others	97,578	61,036	61,036	-	Real estate, overdraft	Yes



c) Sales or purchases of bills and bonds

	For the Year Ended December 31, 2020				
	Bills and Bonds Purchased From Related Parties	Bills and Bonds Sold to Related Parties	Bills and Bonds Purchased Under Resale Agreements From Related Parties	Bills and Bonds Sold Under Repurchase Agreements From Related Parties	Interest Expense
HNSC	\$ 447,709	\$ 49,954	\$ -	\$ -	-

d) Payable to related party for allocation under the linked-tax system

	December 31	
	2021	2020
Tax payable to the parent company	\$ 1,253,888	\$ 1,271,356

e) Acquisition of property and equipment

Line Item	Related Party Name	For the Year Ended December 31	
		2021	2020
Land and building	HNAME	\$ 1,418,646	\$ -
Prepayment for equipment, land and buildings	HNAME	67,454	849,200
		\$ 1,486,100	\$ 849,200

2) HNSC

a) Cash and cash equivalents

	December 31			
	2021		2020	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNSC	\$ 7,701,021	0-0.815	\$ 1,648,328	0-0.815

b) Payable to related party for allocation under the linked-tax system

	For the Year Ended December 31	
	2021	2020
Tax payable to the parent company	\$ 569,299	\$ 306,573

3) SCIC

a) Cash and cash equivalents

	December 31			
	2021		2020	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNSC	\$ 1,262,231	0-0.815	\$ 1,093,344	0-1.045

b) Payable to related party for allocation under the linked-tax system

	For the Year Ended December 31	
	2021	2020
Tax payable to the parent company	\$ 128,666	\$ 117,274

4) HNIT

Payable to related party for allocation under the linked-tax system

	For the Year Ended December 31	
	2021	2020
Tax payable to the parent company	\$ 105,969	\$ 105,969

5) HNVC

Cash and cash equivalents

	December 31			
	2021		2020	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 145,939	0-0.815	\$ 161,407	0-1.045

6) HNAME

a) Cash and cash equivalents

	December 31			
	2021		2020	
	Ending Balance	Annual Interest Rate (%)	Ending Balance	Annual Interest Rate (%)
HNCB	\$ 643,312	0-0.795	\$ 8,302	0-0.07

b) Advance receipts

	December 31	
	2021	2020
HNCB	\$ 65,840	\$ 828,981

c) Gain or loss from disposal of investments properties

	December 31	
	2021	2020
HNCB	\$ 376,932	\$ -

d) Purchasement of non-performing loans

HNAME purchased non-performing loans ("NPLS") from HNBF in October 2005. As of December 31, 2021 and 2020, there were \$0 and \$174,198 of NPL which have not been sold or recovered, respectively.

7) HNILC - Shenzhen

Cash and cash equivalents

	December 31			
	2021		2020	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 354,873	0.01-2.25	\$ 512,965	0.01-2.25

8) Subsidiaries of HNSC

a) Cash and cash equivalents

	December 31			
	2021		2020	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 800,504	0-0.815	\$ 949,253	0-0.815

b) Customers' margin account-deposit

	December 31	
	2021	2020
HNCB	\$ 683,977	\$ 595,665

47. CASH FLOW INFORMATION

a. Non-cash transactions

Except as disclosed in other notes, the Company and its subsidiaries conducted the following non-cash transaction investment and financing activities in 2021 and 2020:

The Company and its subsidiaries acquired property and equipment with an aggregate fair value of \$1,003,977 and \$1,005,257 at December 31, 2021 and 2020 (refer to Note 17). Related payables on property and equipment (recorded as accounts payable) decreased by \$89 and increased by \$89, respectively. Total cash used in acquisition of property and equipment were \$1,004,066 and \$1,005,168, respectively.

The Company and its subsidiaries acquired investment properties with an aggregate fair value of \$2,254,649 and \$1,572,606 at December 31, 2021 and 2020 (refer to Note 19). Related lease liabilities-superficies increased by \$49,076 and \$0, respectively. Total cash used in acquisition of investment properties were \$2,205,573 and \$1,572,606, respectively.

The Company and its subsidiaries acquired intangible assets with an aggregate fair value of \$297,853 and \$294,744 at December 31, 2021 and 2020 (refer to Note 20). Related payables on intangible assets (recorded as accounts payable) increased by \$57 and \$1,239, respectively. Total cash used in acquisition of intangible assets were \$297,796 and \$293,505, respectively.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Other	Closing Balance
			Increase In Leasing	Change in Exchange Rates	Other Changes		
Short-term debts	\$ 618,000	\$ 1,122,340	\$ -	\$ -	\$ -	\$ -	\$ 1,740,340
Funds borrowed from central bank and other banks	19,091,190	15,387,410	-	-	-	-	34,478,600
Commercial paper payable	15,578,122	3,731,467	-	-	(3,959)	-	19,305,630
Corporate debentures	19,488,999	-	-	-	2,383	-	19,491,382
Bank debentures	41,200,000	7,200,000	-	-	-	-	48,400,000
Long-term debts	872,500	(272,500)	-	-	-	-	600,000
Lease liabilities	1,954,177	(715,904)	953,405	(3,813)	(163,527)	(39,938)	1,984,400
	\$ 98,802,988	\$ 26,452,813	953,405	\$(3,813)	\$(165,103)	\$(39,938)	\$ 126,000,352

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes			Other	Closing Balance
			Increase In Leasing	Change in Exchange Rates	Other Changes		
Short-term debts	\$ 758,000	\$ (140,000)	\$ -	\$ -	\$ -	\$ -	\$ 618,000
Funds borrowed from central bank and banks	-	19,091,190	-	-	-	-	19,091,190
Commercial paper payable	18,530,988	(2,961,544)	-	-	8,678	-	15,578,122
Corporate debentures	16,891,611	2,600,000	-	-	(2,612)	-	19,488,999
Bank debentures	43,400,000	(2,200,000)	-	-	-	-	41,200,000
Long-term debts	700,000	172,500	-	-	-	-	872,500
Lease liabilities	2,046,274	(696,765)	633,563	(1,510)	13,762	(41,147)	1,954,177
	<u>\$ 82,326,873</u>	<u>\$ 15,865,381</u>	<u>\$ 633,563</u>	<u>\$ (1,510)</u>	<u>\$ 19,828</u>	<u>\$ (41,147)</u>	<u>\$ 98,802,988</u>

48. PLEDGED ASSETS

The pledged assets as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Due from the Central Bank and call loans to other banks	\$ 40,000,000	\$ 30,000,000
Equity instruments at fair value through other comprehensive income	708,508	181,752
Debt instruments at fair value through other comprehensive income	1,048,983	1,066,584
Debt instruments at amortized cost - bond investment	7,972,200	7,837,200
Debt instruments at amortized cost - certificates of time deposits	39,200,000	39,260,000
Other assets - operating deposits and settlement fund	871,187	860,435
Other assets - refundable deposits	13,190	13,190
Other assets - restricted assets	3,400	107,500
Property and equipment - land	627,109	627,109
Property and equipment - buildings, net	97,217	101,854
Investment properties - land	867,802	88,500
Investment properties - buildings, net	12,237	12,636
	<u>\$ 91,421,833</u>	<u>\$ 80,156,760</u>

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. HNCB and its subsidiaries

1) As of December 31, 2021 and 2020, HNCB and its subsidiaries had commitments as follows:

	December 31	
	2021	2020
Undrawn loan commitment (Note)	\$ 113,649,555	\$ 101,095,092
Undrawn credit card commitment	96,493,992	94,386,870
Standby letters of credit	35,763,345	28,750,900
Guarantees issued	85,844,679	63,663,872
Collections for customers	90,282,004	84,195,846
Commissioned deposit	1,263	1,263
Guarantee notes payable	48,224,815	48,164,500
Trust assets	841,506,332	852,486,652
Marketable securities under custody	28,683,530	15,321,485
Agent for book-entry government bonds	80,236,100	64,623,500
Agent for short-term bills under custody	82,345,640	88,724,281

Note: Only disclose irrevocable undrawn loan commitment.

- 2) HNCB Insurance Agency engaged in insurance agent contracts with insurance companies, and the content of the contracts was as follows:

Insurance Company	Contract Date	Calculation of Commission	Period
Sing Kong Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Allianz Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Taiwan Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Cathay Life Insurance	2017.08.28	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.
Fubon Life Insurance	2017.08.28	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.
TransGlobe Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Cardif Assurance Vie	2017.08.28	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.
Nan Shan Life Insurance	2017.08.28	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.
Farglory Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Mercuries Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Bank Taiwan Life Insurance	2017.09.30	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
CIGNA Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Chubb Life Insurance	2017.08.28	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.
AIA Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Yuanta Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
Taishin Life Insurance (former known as Prudential Life Insurance before August 10, 2021)	2017.08.28	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.
China Life Insurance	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
South China Insurance Co., Ltd.	2017.08.28	Based on regulations of the contract	The contract is annual. 1 month before the expiration date without disagreements between both sides, the contract extends a year automatically.
First Life Insurance Co., Ltd.	2019.09.23	Based on regulations of the contract	The effective date is the contract date, one year period. 30 days before the expiration date without disagreements between both sides, the contract extends a year automatically.

b. HNSC and its subsidiaries

The plaintiff, Mr. Huang, Mr. Shi and Mr. Huang filed a lawsuit to Taiwan Kaohsiung District Court against Mr. Yu, Mr. Wu and HNSC requested \$12,275 as compensation for investment loss along with the interest which was calculated at 5% interest rate per annum from the delivery date of declaration to the settlement date. HNSC received court notice and declaration from Taiwan Kaohsiung District Court on October 30, 2018. HNSC was asked to sort out issues and file a reply before November 8, 2018. The case went through the first and second trial stages, the judgment of the Company completely won the case, because of the appeal against the creation, the merger company has commissioned lawyers to send civil pleadings to the Supreme Court.

c. SCIC

Unrecognized contractual agreements

	December 31	
	2021	2020
Purchase of property, equipment and intangible assets	\$ 55,484	\$ 36,754

50. OTHERS

According to the report of the Wall Street Journal on April 27, 2009 and the indictment presented by U.S. Securities and Exchange Commission (SEC) to United States Court, the assets under the names of Danny Pang, Private Equity Management Group, Inc. and Private Equity Management Group LLC (PEM Group) had been frozen by United States Court. PEM Group is the parent group of GVEC Resource II Inc., which issued structured notes and were invested by HNCB, and is now taken over by the administrator of property (Receiver) assigned by SEC. HNCB had sold five structured notes issued by GVEC Resource II Inc. subordinate to PEM Group from July 2007 to February 2008. HNIT had managed the financial instruments issued by PEM Group. Total amount of those financial instruments mentioned above is US\$258,876.

On May 8, 2009, HNCB and HNIT decided to buy back those financial instruments from investors with the resolution of board of directors and then claimed for damage and compensation in order to protect their reputation and the rights of their clients. As of December 31, 2020, HNCB and HNIT had bought back \$5,288,093 and \$1,725,299, respectively (including outstanding premium which recognized as receivable). In order to protect shareholders' equity, HNCB's managing director of the board resolved on December 17, 2010 and December 27, 2010, and HNIT's board resolved on December 21, 2010, respectively to comply with United States Court and transfer US\$39,469 and US\$7,310 worth of Insurance Policy on the balance sheets. The accumulated allowance for HNCB and HNIT amounting to \$3,387,491 and \$1,379,972. HNCB and HNIT had submitted the follow-up scheme to the authorities as of January 3, 2011. HNCB and HNIT had established the Trustee jointly with other financial institutions to take the insurance policy transferred from the receiver and prolonged the insurance premium payment to maintain the validity of insurance policy.



51. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

The hierarchy information of fair value of financial instruments:

- a. The fair value of financial instruments of the Company and its subsidiaries are all measured at fair value on a recurring basis. The fair value hierarchy of the Company and its subsidiaries financial instruments were as follows:

Assets and Liabilities Items	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily at fair value through profit or loss				
Investment in shares	\$ 6,319,202	\$ 5,117,231	\$ 41,862	\$ 1,160,109
Investment in bonds	3,939,589	2,137,409	1,802,180	-
Others	99,618,998	1,355,108	97,733,791	530,099
Financial assets at fair value through other comprehensive income				
Investment in shares	45,758,263	36,762,891	-	8,995,372
Investment in bonds	269,209,964	8,642,042	260,567,922	-
Others	12,178,138	444,755	11,733,383	-
Other financial assets				
Buy the overdue receivable	10,003	-	-	10,003
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	2,047,871	-	2,047,871	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	3,427,549	620	3,426,929	-

Assets and Liabilities Items	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets mandatorily at fair value through profit or loss				
Investment in shares	\$ 5,476,965	\$ 4,302,713	\$ 40,647	\$ 1,133,605
Investment in bonds	2,004,489	-	2,004,489	-
Others	40,951,957	1,149,694	39,278,011	524,252
Financial assets at fair value through other comprehensive income				
Investment in shares	37,204,017	28,123,713	-	9,080,304
Investment in bonds	198,935,802	13,011,578	185,924,224	-
Others	4,985,587	-	4,985,587	-
Other financial assets				
Buy the overdue receivable	39,567	-	-	39,567
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	2,451,418	-	2,451,418	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	7,475,164	415	7,474,749	-

Note 1: Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. "Active market" should match the following characteristics:

- 1) All financial instruments in the market are homogeneous;
- 2) Willing buyers and sellers exist in the market all the time;
- 3) The public can access the price information easily.

Note 2: Level two financial instruments categorized in this level have the prices that can be inferred from either direct observable inputs (etc. price) or indirect observable inputs (etc. inputs derived from price) other than the active market's prices. Examples of these inputs are:

- 1) Quoted prices from the similar products in the active market refers to the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value of financial instruments should comply with the observable transaction price of similar financial instruments. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule's differences, related parties' prices, and the correlation of price between itself and the similar goods.
- 2) Quoted prices for identical or similar financial instruments in inactive markets.
- 3) When measuring the fair value evaluation model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.
- 4) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

Note 3: The fair prices of the products in this level are based on the inputs other than the direct market data. For example, historical volatility used in valuing options is an unobservable input, since it cannot represent the entire market participants' expectation toward future volatility.

b. Reconciliation of Level 3 fair value measurements of financial assets

For the Year Ended December 31, 2021

Name	Effect of Application	Gains (Losses) on Valuation		Increase		Decrease				Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	Refunds from Liquidation	Refunds from Capital Reduction	
Financial assets at fair value through profit or loss										
Unlisted shares	\$ 1,133,605	\$ 29,540	\$ -	\$ 56,927	\$ -	\$ 59,963	\$ -	\$ -	\$ -	\$ 1,160,109
Equity investment	524,252	19,741	-	28,500	-	42,394	-	-	-	530,099
Financial assets at fair value through other comprehensive income										
Unlisted shares	9,080,303	(84,771)	4,760	-	-	-	882	4,038		8,995,372
Other financial assets										
Overdue receivables	39,567	(2,050)	-	-	-	27,514	-	-	-	10,003

As of December 31, 2021, the valuation gain included in profit and loss for assets still held was \$47,231.

For the Year Ended December 31, 2020

Name	Effect of Application	Gains (Losses) on Valuation		Increase		Decrease				Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	Refunds from Liquidation	Refunds from Capital Reduction	
Financial assets at fair value through profit or loss										
Unlisted shares	\$ 1,124,987	\$(10,286)	\$ -	\$ 148,183	\$ -	\$ 129,279	\$ -	\$ -	\$ -	\$ 1,133,605
Equity investment	259,256	27,916	-	254,000	-	16,920	-	-	-	524,252
Financial assets at fair value through other comprehensive income										
Unlisted shares	8,750,966	-	337,122	4,220	-	-	-	-	12,005	9,080,303
Other financial assets										
Overdue receivables	41,227	15,390	-	-	-	17,050	-	-	-	39,567

As of December 31, 2020, the valuation loss included in profit and loss for assets still held was \$33,020.

c. Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

As of December 31, 2021 and 2020, Level 3 items of financial assets and financial liabilities held by the Company and its subsidiaries. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at fair value through profit or loss						
Unlisted shares	\$ 1,160,109	\$ 1,133,605	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation
Equity investment	530,099	524,252	Balance sheet approach	Volatility	10%-20%	Positive correlation
Financial assets at fair value through other comprehensive income						
Unlisted shares	8,995,372	9,080,303	Market approach or market prices adjusted according to liquidity discount or balance sheet approach	Volatility	10%-20%	Positive correlation
Other financial assets						
Overdue receivables	10,003	39,567	Market approach	Discount rate	5%	Negative correlation

HNHFC

As of December 31, 2021 and 2020, Level 3 items of financial assets and financial liabilities held by HNFHC. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at fair value through other comprehensive income						
Unlisted shares	\$ 1,237,466	\$ 836,957	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation

HNCB and its subsidiaries

As of December 31, 2021 and 2020, Level 3 items of financial assets and financial liabilities held by HNFHC. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets mandatorily at fair value through profit or loss						
Equity investment	\$ 346,115	\$ 358,215	Balance sheet approach	Volatility	10%	Positive correlation
Financial assets at fair value through other comprehensive income						
Unlisted shares	7,068,240	7,618,132	Market approach or market prices adjusted according to liquidity discount or balance sheet approach	Volatility	10%, 20%	Positive correlation

HNSC and its subsidiaries

Significant unobservable inputs are as follow:

Non-controlling interest and liquidity discount. The discount rate was 10% since companies which HNSC invested are government institutions, therefore it would not incur much loss on non-controlling interest.

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at fair value through other comprehensive income						
Unlisted shares	\$ 579,145	\$ 519,915	Balance sheet approach	Volatility	10%	Positive correlation

SCIC

Significant unobservable inputs are as below. When liquidity discount and non-controlling interest discount decrease, the investments' fair value will increase.

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets mandatorily at fair value through profit or loss						
Unlisted shares	\$ 65,543	\$ 62,470	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation
Equity investment	26,038	26,328	Balance sheet approach	Volatility	10%	Positive correlation
Financial assets at fair value through other comprehensive income						
Unlisted shares	19,669	17,594	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation

HNAME

Significant unobservable input is 5% discount rate.

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets mandatorily at fair value through profit or loss						
Overdue receivables	\$ 10,003	\$ 39,567	Market approach	Discount rate	5%	Negative correlation
Financial assets at fair value through other comprehensive income						
Unlisted shares	10,875	13,690	Balance sheet approach	Volatility	10%	Positive correlation

HNIT

Significant unobservable inputs are as follow:

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at fair value through other comprehensive income						
Unlisted shares	\$ 79,977	\$ 74,016	Market approach or market prices adjusted according to liquidity discount	Volatility	10%	Positive correlation

HNVC

Significant unobservable inputs are as follow:

Non-controlling interest and liquidity discount. The discount rate was 10% respectively since companies which HNVC invested are government institutions, therefore it would not incur much loss on non-controlling interest.

Name	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets mandatorily at fair value through profit or loss						
Unlisted shares	\$ 1,094,566	\$ 1,072,070	Market approach or market prices adjusted according to liquidity discount	Volatility	20%	Positive correlation
Equity investment	157,946	142,014	Balance sheet approach	Volatility	10%-20%	Positive correlation

d. Valuation processes for fair value measurements categorized within Level 3

HNCB and its subsidiaries

The convertible bond asset swap of HNCB were based on prices quoted by the counterparty in transactions and by the Bloomberg, respectively. HNCB evaluated the fair value on the basis of conservative principle.

For unlisted equity, HNCB and its subsidiaries mainly adopts market approach and balance sheet approach for evaluation. The market approach evaluation process is to conduct financial analysis, compare with 3 to 5 comparable listings according to their industry and business nature, and select an appropriate multiplier to calculate the equity value, such as price-to-earnings ratio, price-to-net value ratio, etc., and finally obtains the fair value after considering liquidity discount. To reflect the overall equity value, the balance sheet approach evaluates the value of individual assets and liabilities. The evaluation process is to obtain the income statement and balance sheet during the historical period, and to conduct the analysis and adjust the fair value of the accounting items that should be evaluated, and finally obtain fair value after considering liquidity discount.

e. HNCB and its subsidiaries' sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used.

HNCB and its subsidiaries evaluate the fair value of financial instruments reasonably. Nevertheless, the outcome of the evaluation may vary because of the adoption of different valuation models and parameters. For the Level 3 financial instruments as of December 31, 2021 and 2020, the sensitivity analysis based on assets category are as follow:

- 1) If assets swap increase or decrease by 1 percent based on its related transaction condition, the influence to the current net income.
- 2) Unlisted shares evaluation considers the influence of liquidity discount evaluation to other comprehensive income.
- 3) Equity investment evaluation considers the influence of liquidity discount evaluation to profit or loss.

Items	The Change in Fair Value Influence Current Net Income		The Change in Fair Value Influence Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>December 31, 2021</u>				
<u>Assets</u>				
Financial assets mandatorily at fair value through profit or loss				
Equity investment	\$ 3,846	\$(3,846)	\$ -	\$ -
Financial assets at fair value through other comprehensive income - equity instruments				
Unlisted shares	-	-	173,454	(173,454)

Items	The Change in Fair Value Influence Current Net Income		The Change in Fair Value Influence Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>December 31, 2020</u>				
<u>Assets</u>				
Financial assets mandatorily at fair value through profit or loss				
Equity investment	\$ 3,980	\$(3,980)	\$ -	\$ -
Financial assets at fair value through other comprehensive income - equity instruments				
Unlisted shares	-	-	187,387	(187,387)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Assets swap	20	(20)	-	-

Favorable or unfavorable changes of HNCB and its subsidiaries refer to the fluctuation of fair value, which is calculated by different unobserved parameters.

If the fair value of financial instruments are affected by more than one parameter, the preceding table only reflects effect caused by a single parameter, and do not consider the correlation among parameters.

HNCB and its subsidiaries

Not measure in fair value:

a. Fair value of financial instruments

The book value of financial instruments not carried at fair value, excluding items in the table below, are reasonably similar to their fair value, therefore their fair value are not disclosed, for example: Cash and cash equivalents, due from the Central Bank and other banks, Securities purchased under resell agreements, receivables, discounts and loans, refundable deposits, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables and guarantee deposits received.

Items	Book Value	Fair Value
<u>December 31, 2021</u>		
Financial assets		
Financial assets at amortized cost	\$ 608,009,075	\$ 609,152,939
Non-financial assets		
Investment properties	8,909,267	32,256,028
Financial liabilities		
Bank debentures	48,400,000	49,600,311
<u>December 31, 2020</u>		
Financial assets		
Financial assets at amortized cost	612,329,623	616,547,360
Non-financial assets		
Investment properties	8,497,325	29,942,375
Financial liabilities		
Bank debentures	41,200,000	42,683,717

b. Hierarchy information of fair value of financial instruments

Assets and Liabilities Items	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 609,152,939	\$ 12,145,777	\$ 597,007,162	\$ -
Non-financial assets				
Investment properties	32,256,028	-	-	32,256,028
Financial liabilities				
Bank debentures	49,600,311	-	49,600,311	-

Assets and Liabilities Items	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 616,547,360	\$ 13,448,330	\$ 603,099,030	\$ -
Non-financial assets				
Investment properties	29,942,375	-	-	29,942,375
Financial liabilities				
Bank debentures	42,683,717	-	42,683,717	-

c. Valuation techniques

HNCB and its subsidiaries apply the following methods and assumptions to determine the fair values of financial instruments not carried at fair value:

- 1) The carrying amounts of the following financial instruments approximate to their fair values because of their short-term maturity and the fair value would be estimated by the book value as of the balance sheet date: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under resell agreements, receivables, refundable deposits, deposits from the Central Bank and other banks, fund borrowed from Central Bank and other banks, securities sold under repurchase agreements, payables and guarantee deposits received.

- 2) Discounts and loans (include nonperforming loans): The interest rate of HNCB and its subsidiaries' loan are determined by the base rate and the added/deducted margin, i.e. the floating rate which can represent market rate. Thus, it's reasonable to estimate the fair value using the carrying amount with the consideration to the possibility of the collection.
- 3) Financial assets at amortized cost: Held-to-maturity financial assets with quoted price in an active market are using market price as fair value; held-to-maturity financial assets with no quoted price in an active market are estimated by valuation methods or counterparties' price.
- 4) Deposits and remittances: The evaluation of fair value are based on banking industry's characteristic. Deposits' mature within one year and measured by market rate (market value), are reasonable to assess fair value with its carrying value. Deposits with three years maturity are measured by discounted cash flow, and it is reasonable using carrying value to assess fair value.
- 5) Bank debenture: The fair value of bank debenture are determined by their expected future cash flow discounted at borrowing rate of debt instruments with equivalent term. The discount rates adopted by HNCB and its subsidiaries were from 0.8418% to 1.0472%.

HNSC and its subsidiaries

a. The information of fair value

1) Financial instruments not valued at fair value

The management of HNSC and its subsidiaries consider the carrying amount of financial assets and liabilities not valued at fair value could not be reliably measured.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Debt securities investments	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the issuers at the end of the reporting period.
Margin deposits - future	Margin trading. When engaging in futures trading, buyers and sellers must pay a certain percentage of the total value of contracts.
Derivatives - interest swap contracts	Discounted cash flow. Future cash flows are discounted based on yield curve calculated through quoted price at the end of the reporting period.
Derivatives - currency swap contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - contract value of assets swap IRS	Discounted cash flow. Future cash flows are discounted at the end of the reporting period.
Derivatives - assets swap option	Calculated by deducting bond value from the closing price of convertible bond.
Emerging stock (non-active market)	Market approach. The company in same industry and similar finance situation which strike price of stock in active market corresponding price multiplier, converting the price of determined subject.

b. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
Mandatory at fair value through profit or loss	\$ 303,940	\$ 957,167
Financial assets of amortized cost (Note 1)	53,819,970	37,593,712
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	2,110,252	777,562
Investments in debt instruments	12,286,261	9,026,591
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Held for trading	\$ 9,194	\$ 19,571
Financial liabilities valued at amortized cost (Note 2)	58,616,875	41,022,349

Note 1: Balance for financial assets of amortized cost include the succeeding accounts: Cash and cash equivalents, pledged time deposits (presented as other assets), securities financing receivables, refinancing deposits, refinancing guarantee prices receivable, securities borrowings receivable, borrowing receivables - unlimited use, customer margin accounts, security borrowing margins, notes receivable and accounts receivable, other receivables, underwriting stock payments (presented as other assets) and other assets (excluding deferred expenses and prepayments for equipment).

Note 2: Balance for financial liabilities valued at amortized cost include the succeeding accounts: Short-term loans, commercial paper payable, securities sold under repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, future traders equity, notes payable and accounts payable, other payables (excluding employee benefit and tax), receipts under custody-collections from underwriting, corporate bonds payable (including foreign corporate bonds), other long-term provision, guarantee deposits received and other liabilities.

SCIC

a. The information of fair value

1) Financial instruments not valued at fair value

December 31, 2021

		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost (Note)					
Domestic bank debentures	\$ 149,164	\$ -	\$ 149,995	\$ -	\$ 149,995
Domestic government bonds	296,213	317,968	-	-	317,968
Foreign bank debentures	340,460	-	358,547	-	358,547
Foreign corporate bonds	880,515	-	921,012	-	921,012
Foreign government bonds	<u>165,617</u>	<u>177,061</u>	<u>-</u>	<u>-</u>	<u>177,061</u>
	<u>\$ 1,831,969</u>	<u>\$ 495,029</u>	<u>\$ 1,429,554</u>	<u>\$ -</u>	<u>\$ 1,924,583</u>

December 31, 2020

	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at amortized cost (Note)					
Domestic bank debentures	\$ 99,473	\$ -	\$ 99,996	\$ -	\$ 99,996
Domestic government bonds	296,522	349,798	-	-	349,798
Foreign bank debentures	381,519	-	415,911	-	415,911
Foreign corporate bonds	924,822	-	998,682	-	998,682
Foreign government bonds	<u>170,310</u>	<u>190,001</u>	<u>-</u>	<u>-</u>	<u>190,001</u>
	\$ 1,872,646	\$ 539,799	\$ 1,514,589	\$ -	\$ 2,054,388

Note: Included amortized cost financial assets as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward contracts and currency swap contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatory at FVTPL	\$ 6,242,674	\$ 5,219,808
Financial assets at amortized costs (Note 1)	8,116,103	7,277,178
Financial assets at fair value through other comprehensive income		
Equity instruments	19,669	17,594
Debt instruments	3,097,323	3,389,872
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Held for trading	-	153,959
Financial liabilities at amortized cost (Note 2)	892,688	829,256

Note 1: Balance includes cash and cash equivalents, receivables, financial assets amortized at cost, other financial assets, loans, refundable reinsurance and refundable deposits

Note 2: Balances include financial liabilities amortized at cost such as payables and guarantee deposits (excluding salary and incentive payable, insurance payable, compensated absence payable, pension payable and tax payable).

HNIT

a. The information of fair value

- Financial instruments not valued at fair value

The management of HNIT considers the carrying amount of financial assets and liabilities not valued at fair value approximates their fair value.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial liabilities value at amortized cost (Note 1)	\$ 419,077	\$ 424,074
Fair value through other comprehensive income - equity instruments	79,977	74,016
<u>Financial liabilities</u>		
Financial liabilities valued at amortized cost (Note 2)	306,609	309,915

Note 1: Balances includes financial assets at amortized cost such as cash and cash equivalents, accounts receivable, others receivables and other assets (other receivables, net and refundable deposits).

Note 2: Balances include financial liabilities amortized at cost such as short-term loans, short-term bill and other payables (excluding dividend payable, salary and incentive payable, incentive payable, pension payable, labor insurance and national health insurance payable and sales tax payable).



HNVC

a. The information of fair value

- Financial instruments not valued at fair value

The management of HNVC considers the carrying amount of financial assets and liabilities not valued at fair value approximates their fair value.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ 1,269,912	\$ 1,228,043
Financial assets at amortized cost (Note 1)	168,103	355,786
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	167	233

Note 1: Balances include financial assets at amortized cost such cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposit.

Note 2: Balance include financial liabilities at amortized cost such as other payables (excluding salary payable, employee benefit payable, incentive payable, pension payable, insurance payable and sales tax payable) and other liabilities.

HNAMC

a. The information of fair value

- Financial instruments not valued at fair value

The management of HNAMC considers the carrying amount of financial assets and liabilities not valued at fair value approximates their fair value.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 669,905	\$ 157,486
Fair value through other comprehensive income - equity instruments	10,875	13,689
Mandatorily at fair value through profit or loss	10,003	39,567
<u>Financial liabilities</u>		
Financial liabilities valued at amortized cost (Note 2)	3,468,670	2,305,126

Note 1: Balances include financial assets at amortized cost such as cash and cash equivalents, part of receivables, long-term receivables and refundable deposit.

Note 2: Balances include financial liabilities amortized at cost such as short-term loans, net value of commercial paper payable, parts of other payables, long-term loans, long-term payables, provisions and refundable deposit (other liabilities).

52. FINANCIAL RISK MANAGEMENT

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

HNFHC has set up the policies and related guidelines covering non-retail credit risk, retail credit risk, market risk, operational risk, and asset/liability management. In addition, HNFHC has established a set of standards to identify, measure, control (including mitigate or hedge), monitor and manage risks, and applied the aforementioned rules to all members within the Company. Through the execution of risk mechanism monitored by Group Risk Committee and Group Asset and Liability Committee, all risks can be controlled at an acceptable level, while reflecting the Group business targets and corporate value.

HNFHC endeavors to integrate the various types of risks of its subsidiaries, and commence on measuring its integral risk exposures and capital by using economic capital. With the implementation of economic capital, HNFHC can accurately measure the risk-adjusted return on capital and economic profits for each profit center and then optimize its capital allocation to ultimately maximize the shareholder's value.

b. Hua Nan Commercial Bank (HNCB)

1) Overview

The major risks confronted by HNCB and its subsidiaries include credit risk, market risk, liquidity risk, and operational risk regarding to on-balance and off-balance business.

To improve and reinforce the ability as well as the culture of risk management, HNCB and its subsidiaries have established related risk management policies approved by the board of directors and developed risk measurement instruments which can identify, estimate, monitor and control all types of risk reasonably.

2) Risk management framework

The board of directors is the top risk supervisor of HNCB and its subsidiaries and is responsible for the review of related policies and the approval of risk report etc.

After authorized by the board of directors, senior and related managers set up various committee including risk management, business loan audit, overdue loan review and asset management committee to establish mechanisms for risk managing and supervise the execution of risks management policies.

Audit division takes charge of inspecting and evaluating the feasibility as well as the effectiveness of internal control.

3) Credit risk

a) Sources and definitions of credit risk

Credit risk is the risk of default loss if a customer or counterparty fails to meet the contract because of the deterioration of their financial condition.

b) Policies and strategies

To ensure the sound development and establish consistent credit management culture, HNCB and its subsidiaries have stipulated "Hua Nan Commercial Bank Corporate Finance Risk Management Policy", "Hua Nan Commercial Bank Personal Finance Risk Management Policy", "Hua Nan International Leasing Co., Ltd. Risk Management Policy" and "Hua Nan International Leasing Corporation Risk Management Policy" as the basis of credit risk regulations.

Credit risk management procedures and measurements are as follows:

i. Loan business (includes loan commitment and guarantee)

Loan business classification and credit quality level are shown as follows:

i) Classification

HNCB and its subsidiaries' loans are classified into 5 classes. Except for normal credits classified as the Class 1, the remaining unsound credit assets are classified as Class 2 "Assets that require special mention", Class 3 "Assets that are substandard", Class 4 "Assets that are doubtful" and Class 5 "Assets for which there is loss" based on the status on collaterals and the length of time overdue. To manage the



problematic loans, HNCB and HNILC set up “Evaluation of Asset Classification Guidelines”, “Overdue Loans, Nonperforming Loans and Bad Debt Management Guidelines” and the subsidiaries established “Overdue Loans, Nonperforming Loans, Nonperforming Receivables and Bad Debt Management Guidelines”. All regulations are the basis to manage the problematic and overdue debts.

ii) Credit quality level

In order to measure clients' credit risks, HNCB and its subsidiaries established credit rating model and the personal finance scorecard on the basis of the statistic method and judgment of the professionals.

Based on the actual occurrence of default, the model and scorecard are examined and revised, if necessary, to ensure the effectiveness of the related risk measurement.

ii. Due from the Central Bank and others banks

HNCB and its subsidiaries will evaluate the counterparties' credit status and refer to the information issued by credit agencies. HNCB and its subsidiaries will set different credit limits based on different ratings.

iii. Debt investment and derivative financial instruments

HNCB and its subsidiaries manage and identify credit risks of debt investment through credit ratings by external institution, credit quality of the debt, regional conditions and counterparties' risks.

HNCB and its subsidiaries categorized the credit quality of debt investment instruments into 3 groups which are, the instruments beyond certain ratings assigned by authorized credit agencies, the instruments below the certain ratings assigned by authorized credit agencies and the instruments without ratings assigned by authorized credit agencies.

HNCB and its subsidiaries set the related regulations on the qualification of the counterparties and the credit exposures. The related regulations are as follows:

- i) The clients' credit limit should be approved within the limitation on credit risk according to the regulation on conducting the derivative instruments business.
- ii) The financial institutions with long-term credit ratings assigned by authorized credit agency's are granted the credit limit.
- iii) The derivative transactions between HNCB and its subsidiaries and the Central Bank as well as the transactions in the stock exchange market are exempted from the aforementioned regulations.

c) Credit risk hedging or mitigation policies

i. Collateral

To reduce the loss of credit risk, HNCB and its subsidiaries have set up several mechanisms, such as collateral valuation, the use of credit guarantee fund, the supervision of valuation method and after-loans management, to ensure that HNCB and its subsidiaries are able to dispose the collateral and mitigate the credit risk effectively.

Through the foundation of the system and the mechanism of management, HNCB continuously monitors the fluctuation in price of the collateral to ensure its effectiveness.

Additionally, HNCB stated related agreements on debt preservation and the rule of setting off etc. to ensure the enforcement of debt preservation and thereby reduce the credit risk.

The subsidiaries established the guidelines on loan business, loan examination and loan review to ensure the qualities of assets and thereby reduce the credit risk. To take credit risk into consideration, the subsidiaries require the clients to provide collateral. To address managing the assessment of collateral. The subsidiaries established the guiding principles of classification of assets that can served as collateral, collateral management, to ensure the enforcement of debt preservation.

ii. Credit risk limits and credit risk concentration control

HNCB and its subsidiaries have set the limitation on credit exposure to single counterparty, related parties groups, corporations industries and nations respectively. The limitation on credit exposures includes loan and other credit-risk-related businesses. To achieve decentralization of risk, HNCB supervise and review the feasibilities periodically.

To avoid over-concentration of risk, the subsidiaries' guidelines of risk supervision set the maximum credit limit toward the same institution, related party or related corporation to control the degree of risk concentration.

iii. Agreement of net settlement

HNCB and its subsidiaries often make gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

iv. Other credit risk reinforcement

HNCB and its subsidiaries can offset borrower's deposits. Offset clause was established in HNCB and its subsidiaries' loan agreement, which was defined that borrower's deposit in HNCB and its subsidiaries can be offset borrower's liabilities to decrease credit risk.

v. Pledge of impaired financial assets

HNCB and its subsidiaries closely observed the value of financial assets' pledge and evaluated which financial assets' credit had impaired and needed to recognize allowance impairment. Financial assets which credit were impaired and pledge value, which eliminate potential loss, are as follow:

December 31, 2021

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card receivables	\$ 137,149	\$ 16,485	\$ 120,664	\$ -
Others	5,530,072	3,529,963	2,000,109	-
Discounts and loans	<u>21,607,807</u>	<u>4,719,295</u>	<u>16,888,512</u>	<u>33,531,067</u>
	<u>\$ 27,275,028</u>	<u>\$ 8,265,743</u>	<u>\$ 19,009,285</u>	<u>\$ 33,531,067</u>

December 31, 2020

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card receivables	\$ 137,729	\$ 17,413	\$ 120,316	\$ -
Others	5,520,363	3,604,159	1,916,204	-
Discounts and loans	<u>22,833,301</u>	<u>4,404,414</u>	<u>18,428,887</u>	<u>37,718,550</u>
	<u>\$ 28,491,393</u>	<u>\$ 8,025,986</u>	<u>\$ 20,465,407</u>	<u>\$ 37,718,550</u>

d) The determination since the initial recognition of the credit risk has increased significantly

i. Loan business

HNCB and its subsidiaries assess the change in the probability of default of discounts and loans, financing commitments of loans and receivable related to credit during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, HNCB and its subsidiaries classified as debtors' internal evaluation, default condition and the domain which pledge situated in. Each loan business' credit risks level are as follow:



Stage 1: Clients' loans and receivables do not meet the definition of stage 2 and stage 3.

Stage 2: Clients that do not meet the definition of stage 3, but whose loan or receivable were overdue 8 to 30 days.

Stage 3: Clients which meet the definition of e) Definition of financial asset default and credit impairment.

ii. Investment position

HNCB and its subsidiaries adopt external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income on each report date. If the credit rating is above the investment grade on record date and there has not been a significant increase in credit risk, then the bond is stage 1 and need to calculate 12-month ECLs. If the credit rating is below the investment grade on record date and there has been a significant increase in credit risk, then the bond is stage 2 and need to calculate lifetime ECLs. If the credit rating is Ca/CC on record date, the credit is impaired and the bond is stage 3 and need to calculate lifetime ECLs in stage 3.

e) Definition of financial asset default and credit impairment

i. Loan business

If one or more of the following condition are met, HNCB and its subsidiaries determine such financial assets as default and with credit impairment:

- Overdue loans;
- Loans reclassified as nonperforming loans;
- Non-performing loans;
- Negotiable household which compromise due to debtor's significant financial difficulty
- Poverty-relief case
- Individual consultation/debt consultation/debt clearance/debt deferral
- Accounts receivable or loans to client after offsetting financial derivatives

The aforementioned default and credit impairment definition implied to credit assets held by HNCB and its subsidiaries, and should be in consistent with what internal credit risk management purpose defined related financial assets, and should be used in related impairment evaluation systems.

ii. Investment position

The credit risk is considered increase significantly if the credit rating is below the investment grade on record date and above investment grade on initial purchasing date. Whereas the credit is considered impaired if it is Ca/CC on record date.

If liability investment instrument does not qualify the default and credit impairment definition, it should no longer be consider as default and credit impaired and its status should be identified as collectable.

f) Write-off policy

If one of the following situations occurred, non-performing loans as well as overdue receivables, after deducting recoverable amount, will be written off as bad debt:

- All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- The values of collateral and properties of the debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.
- The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.
- Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.

- The minimum payable amount of debit card and credit card which are overdue for six months, should be written off in three months. Appropriate documents should be acquired to support such written off.

g) The amendment of financial assets' cash flow

HNCB and its subsidiaries may amend the contract cash flow of financial assets due to debtor's financial difficulty, enhancing the recovery rate of questionable borrowers, or maintaining customer relationship. The amendment of contract may include deferring contract period, amending the date of paying interest, amending interest rate or exempting partial unpaid amount. The amendment of contract cash flow may cause HNCB and its subsidiaries derecognize current financial assets and recognize new financial assets in fair value.

If amending contract cash flow do not cause derecognition, HNCB and its subsidiaries compare the following issue and evaluate if the credit risk of financial assets has increase significantly:

- The risk of default on record date (based on amended contract clause)
- The risk of default on initial recognition (based on original non-amended contract clause)

h) Measurement of expected credit losses

- Loan business

HNCB and its subsidiaries divide loan business into corporate banking and customer banking. Corporate banking includes domestic branch, OBU (domestic corporate banking) and oversea branch. Domestic corporate banking is divided into five group based on government agency, public enterprise, and credit line. Oversea branch of corporate banking are divided based on accounts. Customer banking are divided into six products, based on the type of loan, debit and credit card.

HNCB and its subsidiaries evaluate loss allowance of financial assets, which credit risk did not significantly increased after initial recognition, based on 12 month expected credit losses. Whereas evaluate loss allowance of financial assets, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses.

To evaluate expected credit losses, HNCB and its subsidiaries multiply borrowers' future 12 month and lifetime probability of default (as "PD"), by the loss given default (as "LGD"), by the exposure at default (as "EAD"), and considered the effect of time value of money.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower default. The PD and LGD applied by HNCB and its subsidiaries for loan business impairment evaluation, are based on each portfolio's historical information calculated internally (etc. credit risks experience), and adjusted the historical information with current observable information and forward-looking macro economic information.

HNCB and its subsidiaries evaluate risk exposure amount based on "IFRS 9 Impairment Evaluation Methodology Guideline" issued by BAROC. Off-balance sheet exposure items are calculated through credit conversion factor, regulated in "The description and form of calculating banks' eligible capital and risk-weighted assets - credit risk standard approach".

- Investment position

HNCB and its subsidiaries evaluate loss allowance of liability investment instruments, which credit risk did not significantly increased after initial recognition, based on 12 month expected credit losses. Whereas evaluate loss allowance of liability investment instruments, which credit risk significantly increased after initial recognition, based on lifetime expected credit losses.

ECLs are calculated by PD multiply by LGD and EAD.

i) Consideration of forward - looking estimation

- Loan business

HNCB and its subsidiaries apply Asymptotic Single Risk Factor (ASRF), because according to IFRS 9 it required effect of forward - looking estimation to calculate ECLs, to adjust forward - looking estimation by matching default percentage with macro economic index. Corporate banking apply GDP growth rate

whereas customer banking apply unemployment rate as macro economic index. The rates are updated every half year. Related forward - looking estimation data are historical data of the past five years (consider as one business cycle). Macro economic data of future five years estimation are considered as an alert. If economic reversal point was found in advance, HNCB and its subsidiaries are able to respond to future impact in time.

- Investment position

Probability of default and loss given default are calculated based on historical probability of default and loss given default, which are announced by external credit agencies. External credit agencies had considered forward - looking estimation while evaluating credit, therefore HNCB and its subsidiaries applied the evaluation result and matched with external credit migration matrix to acquire PD, and evaluated ECLs.

j) The changes of loan business' book value and allowance loss of HNCB and its subsidiaries

Changes of discounts and loans allowance loss

	For the Year Ended December 31, 2021						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 7,118,357	\$ 426,983	\$ 4,234,040	\$ 170,374	\$ 11,949,754	\$ 9,367,875	\$ 21,317,629
Changes of financial instruments that have been identified at the beginning of the year:							
To lifetime ECL	(147,508)	153,711	(5,282)	(921)	-	-	-
To credit impaired financial assets	(334,481)	(41,724)	358,635	17,570	-	-	-
To 12-month ECL	11,301	(10,887)	(388)	(26)	-	-	-
Derecognizing financial assets during the current period	(5,347,655)	(262,181)	(1,504,700)	(104,060)	(7,218,596)	-	(7,218,596)
Purchased or originated financial assets	3,276,833	834,255	1,522,943	48,188	5,682,219	-	5,682,219
Loss recognized based on the regulations	-	-	-	-	-	5,475,597	5,475,597
Exchange rate and others changes	(106,410)	(21)	(17,078)	-	(123,509)	-	(123,509)
Balance, December 31	<u>\$ 4,470,437</u>	<u>\$ 1,100,136</u>	<u>\$ 4,588,170</u>	<u>\$ 131,125</u>	<u>\$ 10,289,868</u>	<u>\$ 14,843,472</u>	<u>\$ 25,133,340</u>

	For the Year Ended December 31, 2020						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 5,156,841	\$ 838,699	\$ 3,912,197	\$ 155,169	\$ 10,062,906	\$ 10,331,367	\$ 20,394,273
Changes of financial instruments that have been identified at the beginning of the year:							
To lifetime ECL	(176,773)	190,381	(11,365)	(2,242)	1	-	1
To credit impaired financial assets	(396,698)	(220,421)	592,091	25,028	-	-	-
To 12-month ECL	3,498	(2,159)	(1,262)	(77)	-	-	-
Derecognizing financial assets during the current period	(3,354,098)	(703,652)	(2,350,690)	(72,892)	(6,481,332)	-	(6,481,332)
Purchased or originated financial assets	5,958,557	324,285	2,147,250	65,388	8,495,480	-	8,495,480
Loss recognized based on the regulations	-	-	-	-	-	(963,492)	(963,492)
Exchange rate and others changes	(72,970)	(150)	(54,181)	-	(127,301)	-	(127,301)
Balance, December 31	<u>\$ 7,118,357</u>	<u>\$ 426,983</u>	<u>\$ 4,234,040</u>	<u>\$ 170,374</u>	<u>\$ 11,949,754</u>	<u>\$ 9,367,875</u>	<u>\$ 21,317,629</u>

Changes of discounts and loans book value

	For the Year Ended December 31, 2021				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,747,802,504	\$ 34,980,316	\$ 22,039,473	\$ 793,828	\$ 1,805,616,121
Changes of financial instruments that have been identified at the beginning of the year:					
To lifetime ECL	(2,988,574)	3,060,835	(68,860)	(3,401)	-
To credit impaired financial assets	(2,468,040)	(257,656)	2,585,872	139,824	-
To 12-month ECL	4,322,407	(3,702,861)	(601,176)	(18,370)	-
Derecognizing financial assets during the current period	(795,496,755)	(8,902,668)	(6,891,805)	(472,967)	(811,764,195)
Purchased or originated financial assets	1,011,036,060	8,057,955	3,721,071	469,035	1,023,284,121
Exchange rate and others changes	(6,398,256)	(11,411)	(84,717)	-	(6,494,384)
Balance, December 31	<u>\$ 1,955,809,346</u>	<u>\$ 33,224,510</u>	<u>\$ 20,699,858</u>	<u>\$ 907,949</u>	<u>\$ 2,010,641,663</u>

	For the Year Ended December 31, 2020				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,634,167,320	\$ 38,417,461	\$ 17,090,021	\$ 821,762	\$ 1,690,496,564
Changes of financial instruments that have been identified at the beginning of the year:					
To lifetime ECL	(2,022,178)	2,129,656	(96,539)	(10,939)	-
To credit impaired financial assets	(2,392,572)	(2,466,114)	4,694,893	163,793	-
To 12-month ECL	2,733,267	(1,912,513)	(779,543)	(41,211)	-
Derecognizing financial assets during the current period	(781,746,407)	(10,964,753)	(8,293,165)	(441,557)	(801,445,882)
Purchased or originated financial assets	909,713,458	9,825,466	9,599,431	301,980	929,440,335
Exchange rate and others changes	(12,650,384)	(48,887)	(175,625)	-	(12,874,896)
Balance, December 31	<u>\$ 1,747,802,504</u>	<u>\$ 34,980,316</u>	<u>\$ 22,039,473</u>	<u>\$ 793,828</u>	<u>\$ 1,805,616,121</u>

Changes of receivable allowance loss

	For the Year Ended December 31, 2021						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 87,890	\$ 25,312	\$ 3,599,661	\$ 21,911	\$ 3,734,774	\$ 34,734	\$ 3,769,508
Changes of financial instruments that have been identified at the beginning of the year:							
To lifetime ECL	(2,697)	2,705	(2)	(6)	-	-	-
To credit impaired financial assets	(6,790)	(1,986)	949	7,827	-	-	-
To 12-month ECL	19	(18)	-	(1)	-	-	-
Derecognizing financial assets during the current period	(73,915)	(5,028)	(17,275)	(15,544)	(111,762)	-	(111,762)
Purchased or originated financial assets	55,142	2,420	19,529	4,823	81,914	-	81,914
Loss recognized based on the Regulations	-	-	-	-	-	18,161	18,161
Exchange rate and others changes	(1,692)	8,774	(75,424)	-	(68,342)	-	(68,342)
Balance, December 31	\$ 57,957	\$ 32,179	\$ 3,527,438	\$ 19,010	\$ 3,636,584	\$ 52,895	\$ 3,689,479

	For the Year Ended December 31, 2020						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 54,411	\$ 37,347	\$ 3,330,018	\$ 24,634	\$ 3,446,410	\$ 42,199	\$ 3,488,609
Changes of financial instruments that have been identified at the beginning of the year:							
To lifetime ECL	(4,792)	4,801	(5)	(4)	-	-	-
To credit impaired financial assets	(8,601)	(2,214)	1,748	9,067	-	-	-
To 12-month ECL	26	(24)	(1)	(1)	-	-	-
Derecognizing financial assets during the current period	(39,861)	(5,652)	(34,433)	(16,932)	(96,878)	(96,878)	(96,878)
Purchased or originated financial assets	88,009	2,492	15,053	5,147	110,701	-	110,701
Loss recognized based on the Regulations	-	-	-	-	-	(7,465)	(7,465)
Exchange rate and others changes	(1,302)	(11,438)	287,281	-	274,541	-	274,541
Balance, December 31	\$ 87,890	\$ 25,312	\$ 3,599,661	\$ 21,911	\$ 3,734,774	\$ 34,734	\$ 3,769,508

Changes of receivable book value

	For the Year Ended December 31, 2021				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 14,149,306	\$ 6,054,030	\$ 5,608,940	\$ 144,886	\$ 25,957,162
Changes of financial instruments that have been identified at the beginning of the year:					
To lifetime ECL	(46,301)	46,481	(128)	(52)	-
To credit impaired financial assets	(57,672)	(10,294)	4,959	63,007	-
To 12-month ECL	9,597	(8,768)	(519)	(310)	-
Derecognizing financial assets during the current period	(8,225,731)	(159,851)	(57,187)	(75,502)	(8,518,271)
Purchased or originated financial assets	9,783,986	188,852	52,850	11,913	10,037,601
Exchange rate and others changes	(129,259)	562,469	(85,636)	-	347,574
Balance, December 31	<u>\$ 15,483,926</u>	<u>\$ 6,672,919</u>	<u>\$ 5,523,279</u>	<u>\$ 143,942</u>	<u>\$ 27,824,066</u>

	For the Year Ended December 31, 2020				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 14,612,127	\$ 8,628,487	\$ 5,800,637	\$ 147,011	\$ 29,188,262
Changes of financial instruments that have been identified at the beginning of the year:					
To lifetime ECL	(32,986)	33,182	(156)	(40)	-
To credit impaired financial assets	(79,909)	(93,054)	103,758	69,205	-
To 12-month ECL	10,626	(9,528)	(615)	(483)	-
Derecognizing financial assets during the current period	(8,848,273)	(225,741)	(174,631)	(80,225)	(9,328,870)
Purchased or originated financial assets	8,666,681	133,400	50,585	9,418	8,860,084
Exchange rate and others changes	(178,960)	(2,412,716)	(170,638)	-	(2,762,314)
Balance, December 31	<u>\$ 14,149,306</u>	<u>\$ 6,054,030</u>	<u>\$ 5,608,940</u>	<u>\$ 144,886</u>	<u>\$ 25,957,162</u>

Changes of other financial assets allowance loss

	For the Year Ended December 31, 2021						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 3,857	\$ -	\$ 13,546	\$ 4,179	\$ 21,582	\$ 6,227	\$ 27,809
Changes of financial instruments that have been identified at the beginning of the year:							
Derecognizing financial assets during the current period	(3,497)	-	(11,354)	(1,811)	(16,662)	-	(16,662)
Purchased or originated financial assets	5,580	-	-	2,432	8,012	-	8,012
Loss recognized based on the Regulations	-	-	-	-	-	663	663
Exchange rate and others changes	163	-	-	-	163	-	163
Balance, December 31	<u>\$ 6,103</u>	<u>\$ -</u>	<u>\$ 2,192</u>	<u>\$ 4,800</u>	<u>\$ 13,095</u>	<u>\$ 6,890</u>	<u>\$ 19,985</u>

	For the Year Ended December 31, 2020						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 5,533	\$ -	\$ 58,836	\$ 4,370	\$ 68,739	\$ 3,744	\$ 72,483
Changes of financial instruments that have been identified at the beginning of the year:							
Derecognizing financial assets during the current period	(4,481)	-	(45,449)	(2,664)	(52,594)	-	(52,594)
Purchased or originated financial assets	2,775	-	159	2,473	5,407	-	5,407
Loss recognized based on the Regulations	-	-	-	-	-	2,483	2,483
Exchange rate and others changes	30	-	-	-	30	-	30
Balance, December 31	<u>\$ 3,857</u>	<u>\$ -</u>	<u>\$ 13,546</u>	<u>\$ 4,179</u>	<u>\$ 21,582</u>	<u>\$ 6,227</u>	<u>\$ 27,809</u>

Changes of other financial assets book value

	For the Year Ended December 31, 2021				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 202,139	\$ -	\$ 99,972	\$ 12,482	\$ 314,593
Changes of financial instruments that have been identified at the beginning of the year:					
Derecognizing financial assets during the current period	(184,535)	-	(85,762)	(4,468)	(274,765)
Purchased or originated financial assets	264,416	-	-	4,891	269,307
Exchange rate and others changes	653	-	-	-	653
Balance, December 31	<u>\$ 282,673</u>	<u>\$ -</u>	<u>\$ 14,210</u>	<u>\$ 12,905</u>	<u>\$ 309,788</u>

	For the Year Ended December 31, 2020				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 323,436	\$ -	\$ 211,219	\$ 12,603	\$ 547,258
Changes of financial instruments that have been identified at the beginning of the year:					
Derecognizing financial assets during the current period	(270,857)	-	(111,247)	(5,882)	(387,986)
Purchased or originated financial assets	148,174	-	-	5,761	153,935
Exchange rate and others changes	1,386	-	-	-	1,386
Balance, December 31	<u>\$ 202,139</u>	<u>\$ -</u>	<u>\$ 99,972</u>	<u>\$ 12,482</u>	<u>\$ 314,593</u>

Note: The total book amount only includes nonperforming loans transferred from other than loans, long-term receivables and remittance purchased.

Changes of commitment and guarantee liability provisions

	For the Year Ended December 31, 2021						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,089,624	\$ 30,268	\$ 90,678	\$ 8,579	\$ 1,219,149	\$ 1,409,373	\$ 2,628,522
Changes of financial instruments that have been identified at the beginning of the year:							
To lifetime ECL	(16,991)	16,991	-	-	-	-	-
To credit impaired financial assets	(28,811)	(2,150)	29,223	1,738	-	-	-
To 12-month ECL	1,147	(872)	(275)	-	-	-	-
Derecognizing financial assets during the current period	(872,044)	(5,341)	(36,714)	(3,908)	(918,007)	-	(918,007)
Purchased or originated financial assets	579,924	420,136	118,328	1,819	1,120,207	-	1,120,207
Loss recognized based on the Regulations	-	-	-	-	-	(1,229,957)	(1,229,957)
Exchange rate and others changes	(8,604)	(7)	(124)	-	(8,735)	-	(8,735)
Balance, December 31	<u>\$ 744,245</u>	<u>\$ 459,025</u>	<u>\$ 201,116</u>	<u>\$ 8,228</u>	<u>\$ 1,412,614</u>	<u>\$ 179,416</u>	<u>\$ 1,592,030</u>

	For the Year Ended December 31, 2020						
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or originated Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 1,135,233	\$ 10,243	\$ 216,532	\$ 11,710	\$ 1,373,718	\$ 510,517	\$ 1,884,235
Changes of financial instruments that have been identified at the beginning of the year:							
To lifetime ECL	(12,544)	12,544	-	-	-	-	-
To credit impaired financial assets	(5,769)	(39,958)	43,568	2,159	-	-	-
To 12-month ECL	366	(366)	-	-	-	-	-
Derecognizing financial assets during the current period	(933,974)	(4,620)	(202,776)	(6,951)	(1,148,321)	-	(1,148,321)
Purchased or originated financial assets	911,992	52,455	33,441	1,661	999,549	-	999,549
Loss recognized based on the Regulations	-	-	-	-	-	898,856	898,856
Exchange rate and others changes	(5,680)	(30)	(87)	-	(5,797)	-	(5,797)
Balance, December 31	<u>\$ 1,089,624</u>	<u>\$ 30,268</u>	<u>\$ 90,678</u>	<u>\$ 8,579</u>	<u>\$ 1,219,140</u>	<u>\$ 1,409,373</u>	<u>\$ 2,628,522</u>

k) The maximum credit exposure of the financial instruments

- i. Maximum credit exposures of assets, excluding collaterals and other credit enhancement instruments, on consolidated balance sheet are almost equivalent to its carrying amount.
- ii. HNCB and its subsidiaries' maximum credit exposures (excluding collaterals) off balance sheet are shown as follows:

Off-balance Sheet Items	The Maximum Credit Exposure	
	December 31, 2021	December 31, 2020
Undrawn loan commitment	\$ 113,649,555	\$ 101,095,092
Undrawn credit card commitment	96,493,992	94,386,870
Standby letters of credit	35,763,345	28,750,900
Guarantees issued	85,844,679	63,663,872
Total	\$ 331,751,571	\$ 287,896,734

Because the payments of these loan business and financial instruments would not be disbursed before maturity, therefore, the amounts of these contracts do not represent future outflows, namely that the demand of future cash is lower than the amounts stated in contract. If the credit line is reached and the collateral is of little value, the credit risk equals the contract amounts, the greatest possible losses.

The table below analyzes the collaterals held as security, master netting agreements and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Company and its subsidiaries' consolidated balance sheet:

December 31, 2021

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
<u>Balance sheet items</u>				
Cash and cash equivalents				
Due from other banks	\$ -	\$ -	\$ 25,164,046	\$ 25,164,046
Due from the Central Bank and other banks				
Others	-	-	237,798,118	237,798,118
Financial assets at fair value through other comprehensive income				
Bond investments	599,999	-	253,226,381	253,826,380
Others	-	-	11,733,383	11,733,383
Amortized costs - debt instruments				
Bond investments	4,799,949	-	112,411,725	117,211,674
Others	-	-	490,806,200	490,806,200
Receivables				
Credit cards business	-	-	8,698,490	8,698,490
Others	-	-	15,710,039	15,710,039
Discounts and loans	1,499,811,097	-	510,830,566	2,010,641,663
Other financial assets				
Credit cards business	-	-	12,905	12,905
Others	-	-	15,157	15,157
Other assets				
Refundable deposit	-	-	1,780,447	1,780,447
<u>Off-balance sheet items</u>				
Undrawn loan commitment	5,229,481	-	108,420,074	113,649,555
Undrawn credit card commitment	-	-	96,493,992	96,493,992
Standby letters of credit	15,665,331	-	20,098,014	35,763,345
Guarantees issued	43,702,185	-	42,142,494	85,844,679

December 31, 2020

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
<u>Balance sheet items</u>				
Cash and cash equivalents				
Due from other banks	\$ -	\$ -	\$ 19,916,154	\$ 19,916,154
Due from the Central Bank and other banks				
Others	-	-	223,421,948	223,421,948
Financial assets at fair value through other comprehensive income				
Bond investments	1,999,985	-	184,519,354	186,519,339
Others	-	-	4,985,587	4,985,587
Amortized costs - debt instruments				
Bond investments	6,000,530	-	101,189,986	107,190,516
Others	-	-	505,155,053	505,155,053
Receivables				
Credit cards business	-	-	8,534,359	8,534,359
Others	-	-	15,229,132	15,229,132
Discounts and loans	1,358,127,637	-	447,488,484	1,805,616,121
Other financial assets				
Credit cards business	-	-	12,482	12,482
Others	-	-	108,665	108,665
Refundable deposit	-	-	3,110,011	3,110,011
<u>Off-balance sheet items</u>				
Undrawn loan commitment	7,557,816	-	93,537,276	101,095,092
Undrawn credit card commitment	-	-	94,386,870	94,386,870
Standby letters of credit	11,075,216	-	17,675,684	28,750,900
Guarantees issued	31,672,027	-	31,991,845	63,663,872

iii. Total book value of the maximum credit risk exposures discounted and loans

Categories of Financial Assets	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Losses	Duration Period Credit Losses	Duration Period Credit Losses	
Ratings				
Corporate finance	\$ 1,162,688,793	\$ 30,017,204	\$ 13,026,384	\$ 1,205,732,381
Personal finance	<u>788,650,116</u>	<u>2,107,170</u>	<u>3,862,128</u>	<u>794,619,414</u>
Total book value	\$ 1,951,338,909	\$ 32,124,374	\$ 16,888,512	\$ 2,000,351,795

Categories of Financial Assets	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Losses	Duration Period Credit Losses	Duration Period Credit Losses	
Ratings				
Corporate finance	\$ 1,031,163,911	\$ 32,234,624	\$ 14,589,025	\$ 1,077,987,560
Personal finance	709,520,236	2,318,709	3,839,862	715,678,807
Total book value	\$ 1,740,684,147	\$ 34,553,333	\$ 18,428,887	\$ 1,793,666,367

iv. Amount that does not apply impairment of financial instruments of the maximum credit risk exposure

	December 31	
	2021	2020
Financial assets at fair value through profit or loss		
Bonds	\$ 3,819,797	\$ 1,395,936
Derivative financial instruments	2,012,824	2,412,050
Others	98,276,513	39,671,825

l) Credit risk concentration of HNCB and its subsidiaries

To manage credit assets portfolio, enhance the assets quality as well as the efficiency of utility of capital, and thereby prevent material effect from negative credit events, HNCB and its subsidiaries stipulate various credit limits and monitor the appropriateness periodically.

i. By industry

Industries	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Private enterprise	\$ 934,855,423	46	\$ 840,516,071	47
Natural person	789,985,924	39	712,810,420	39
Foreign institution	228,672,776	12	210,635,737	12
Government agency	37,468,021	2	23,850,360	1
Public enterprise	18,725,330	1	17,005,079	1
Non-profit organization	934,189	-	797,854	-
Social insurance and retirement fund	-	-	600	-
Total	\$ 2,010,641,663	100	\$ 1,805,616,121	100

ii. By region

According to the country risk statistics of transnational debt rights (excluding Taiwan), the proportions of total overseas exposure in Asia, America, Europe and others are 40.7%, 27.4%, 16.0% and 16.0%, respectively. Europe has relatively low proportion because of asset allocation responding to European debt crisis. In compliance with the conservatism principles, HNCB and its subsidiaries invest in subject above the investment grade with lower country risk as the guideline of expanding business. Currently, the country risk exposure in all region is within sustainable limits of HNCB and its subsidiaries.

iii. By collateral

Industries	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Credit	\$ 510,830,566	25	\$ 447,488,484	25
Secured				
Stocks	17,328,876	1	18,819,332	1
Liabilities	38,992,727	2	30,857,769	2
Real estate	1,282,306,589	63	1,159,502,325	64
Movables	34,840,535	2	40,081,305	2
Receivables	10,167,676	1	8,299,116	0
Guarantees	98,667,413	5	82,044,407	5
Others	17,507,281	1	18,523,383	1
Total	\$ 2,010,641,663	100	\$ 1,805,616,121	100

4) Liquidity risk

a) Source and definition of liquidity risk

Liquidity risk refers to HNCB and its subsidiaries that could not provide sufficient funding to meet its obligations for on a reasonable price which cause earnings or capital losses. Sources of liquidity risk include unexpected changes or decrement of funds and the indiscretion or incapacity of handling the changes of the market, resulting in the condition that cannot liquidate assets promptly.

b) Strategies of HNCB and its subsidiaries' liquidity risk management

The goal of liquidity risk management is to maintain stability of liquidity under the premise that the cost of capital and return of assets would be both considered.

HNCB and its subsidiaries have stipulated rules consisting of identification measurement and supervision of risk, etc. To control the extent of exposure, HNCB and its subsidiaries have established supervision mechanism and set liquidity ratio or cash flow for reference of estimation on liquidity cushion. Moreover, certain rules are set to handle urgent liquidity crisis.

The information addressing the liquidity risk management will be reported to "Assets and Liabilities Committee" and boards of directors periodically. Also the information will be independently reviewed by internal auditor.

c) Maturity analysis of non-derivative financial liabilities

Cash outflow analyses of HNCB and its subsidiaries' non-derivative financial assets and liabilities are summarized as follows. Since the holding period of non-derivative financial assets and liabilities in financial assets and liabilities at fair value through profit or loss is short-termed, they are categorized into the shortest term group. The amounts disclosed in the following table are based on undiscounted contract cash flow; hence, parts of disclosed amounts of some items will not match the related items in consolidated balance sheet.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
<u>Main capital inflow on maturity</u>						
Cash and cash equivalents	\$ 34,144,375	\$ 2,037,418	\$ 1,528,057	\$ 2,905,783	\$ -	\$ 40,615,633
Due from the Central Bank and other banks	126,024,178	43,142,776	9,450,367	9,757,992	49,422,805	237,798,118
Financial assets mandatorily at fair value through profit or loss	101,472,448	276,550	-	-	-	101,748,998
Securities purchased under agreements to resell	1,650,000	-	-	-	-	1,650,000
Loans (excluding nonperforming loans)	194,631,464	196,546,133	184,520,661	181,080,871	1,225,634,513	1,982,413,642
Financial assets at fair value through other comprehensive income	10,605,721	2,456,855	3,582,747	8,485,702	283,173,517	308,304,542
Amortized cost - debt instruments	362,123,079	51,744,812	11,044,820	44,637,505	138,458,859	608,009,075
Other capital inflow	3,658,498	1,114,265	823,139	687,347	351,589	6,634,838
Subtotal	834,309,763	297,318,809	210,949,791	247,555,200	1,697,041,283	3,287,174,846
<u>Main capital outflow on maturity</u>						
Deposits from the Central Bank and banks	58,064,262	36,560,310	26,486	26,740,494	-	121,391,552
Deposits	277,434,083	327,356,848	257,448,114	338,534,400	1,645,487,331	2,846,260,776
Securities sold under repurchase agreements	8,091,187	2,764,789	1,655,565	-	1,791,873	14,303,414
Bank debentures	-	-	-	3,700,000	44,700,000	48,400,000
Lease liabilities	87,266	98,783	142,452	262,641	1,227,798	1,818,940
Other capital outflow	1,189,422	703,416	1,845,319	2,348,780	47,639,266	53,726,203
Subtotal	344,866,220	367,484,146	261,117,936	371,586,315	1,740,846,268	3,085,900,885
Gap	\$ 489,443,543	\$(70,165,337)	\$(50,168,145)	\$(124,031,115)	\$(43,804,985)	\$ 201,273,961

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
<u>Main capital inflow on maturity</u>						
Cash and cash equivalents	\$ 27,956,925	\$ 2,752,180	\$ 951,852	\$ 4,079,091	\$ -	\$ 35,740,048
Due from the Central Bank and other banks	146,491,353	19,034,725	7,916,765	8,822,729	41,155,511	223,421,083
Financial assets mandatorily at fair value through profit or loss	39,813,519	-	-	279,666	533,900	40,627,085
Securities purchased under agreements to resell	350,000	-	-	-	-	350,000
Loans (excluding nonperforming loans)	172,577,638	178,475,549	165,233,107	178,740,442	1,087,106,536	1,782,133,272
Financial assets at fair value through other comprehensive income	14,651,556	3,575,997	2,617,009	9,094,607	197,049,955	226,989,124
Amortized cost - debt instruments	390,357,671	14,397,662	36,361,441	56,067,291	115,145,558	612,329,623
Other capital inflow	3,426,647	812,776	1,043,274	716,246	226,284	6,225,227
Subtotal	795,625,309	219,048,889	214,123,448	257,800,072	1,441,217,744	2,927,815,462
<u>Main capital outflow on maturity</u>						
Deposits from the Central Bank and banks	57,766,216	63,072,468	29,386	50,141	-	120,918,211
Deposits	238,506,835	304,068,712	251,832,443	322,290,739	1,411,883,892	2,528,582,621
Securities sold under repurchase agreements	9,926,297	20,106,596	1,715,508	87,981	929,749	32,766,131
Bank debentures	-	-	1,000,000	4,800,000	35,400,000	41,200,000
Lease liabilities	81,545	91,548	138,499	249,465	1,186,448	1,747,505
Other capital outflow	3,712,660	1,002,540	1,911,169	2,290,907	29,104,277	38,021,553
Subtotal	309,993,553	388,341,864	256,627,005	329,769,233	1,478,504,366	2,763,236,021
Gap	\$ 485,631,756	\$(169,292,975)	\$(42,503,557)	\$(71,969,161)	\$(37,286,622)	\$ 164,579,441

Demand deposit included in deposits on the table was allocated to each time zone according to historical experience of HNCB and its subsidiaries.

d) Maturity analysis of derivative financial assets and liabilities

Derivative instruments consist of forward contracts, currency swap contracts, non-deliverable forward contracts, exchange rate option, interest rate swap contracts, cross-currency swap contracts, and interest rate option. The amounts of forward contracts, currency swap contracts and cross-currency swap contracts are based on contractual cash flow, and the others are based on fair value.

Maturity analysis of derivative financial assets and liabilities was as follows:

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
<u>Derivative financial liabilities at fair value through profit or loss</u>						
Cash outflow	\$ 115,707,584	\$ 104,814,960	\$ 96,733,609	\$ 113,150,151	\$ 21,596,396	\$ 452,002,700
Cash inflow	114,874,458	104,795,465	96,791,609	112,876,920	21,588,265	450,926,717
Total cash outflow	\$ 115,707,584	\$ 104,814,960	\$ 96,733,609	\$ 113,150,151	\$ 21,596,396	\$ 452,002,700
Total cash inflow	\$ 114,874,458	\$ 104,795,465	\$ 96,791,609	\$ 112,876,920	\$ 21,588,265	\$ 450,926,717

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
<u>Derivative financial liabilities at fair value through profit or loss</u>						
Cash outflow	\$ 65,798,026	\$ 62,589,488	\$ 91,477,205	\$ 72,578,722	\$ 121,633	\$ 292,565,074
Cash inflow	64,407,663	61,760,501	90,528,420	70,954,574	141,131	287,792,289
Total cash outflow	\$ 65,798,026	\$ 62,589,488	\$ 91,477,205	\$ 72,578,722	\$ 121,633	\$ 292,565,074
Total cash inflow	\$ 64,407,663	\$ 61,760,501	\$ 90,528,420	\$ 70,954,574	\$ 141,131	\$ 287,792,289

e) The maturity analysis of off-balance sheet items

The maturity analysis of off-balance sheet items shows irrevocable undrawn credit card commitment, undrawn loan commitment, standby letters of credit and guarantee issued amounts. The amounts in the table below were prepared on contractual cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ 121,010	\$ 3,169,405	\$ 3,517,881	\$ 8,316,072	\$ 81,369,624	\$ 96,493,992
Undrawn loan commitment	2,885,566	1,597,446	2,047,665	65,585,934	41,532,944	113,649,555
Standby letters of credit	8,796,002	20,405,395	2,265,413	2,653,055	1,643,480	35,763,345
Guarantee issued	11,983,075	13,084,218	5,220,051	7,553,853	48,003,482	85,844,679
Total	\$ 23,785,653	\$ 38,256,464	\$ 13,051,010	\$ 84,108,914	\$ 172,549,530	\$ 331,751,571

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ -	\$ 1,704,137	\$ 1,843,231	\$ 10,849,761	\$ 79,989,741	\$ 94,386,870
Undrawn loan commitment	313,252	1,853,645	1,966,691	56,508,390	40,453,114	101,095,092
Standby letters of credit	6,023,538	17,118,558	2,984,326	1,883,881	740,597	28,750,900
Guarantee issued	8,603,348	14,645,585	4,651,844	8,592,038	27,171,057	63,663,872
Total	\$ 14,940,138	\$ 35,321,925	\$ 11,446,092	\$ 77,834,070	\$ 148,354,509	\$ 287,896,734

5) Market risk

a) Source and definition of market risk

Market risk is the risk of potential decrease in values of trading position due to changes in market risk factors, such as interest rate, foreign exchange rate, price of equity securities, fluctuation or other factors.

b) Management structure and plan of market risk

To manage the market risk of the financial instrument transactions, HNCB and its subsidiaries implement market risk limit control scheme and regularly conduct the measurement, analysis, reporting and disclosure of the exposure amounts of the market risk factors faced by HNCB's financial instrument transactions. Moreover, HNCB and its subsidiaries implemented mechanism for control of market risk to manage financial market risk appropriately.

c) Market risk management

To manage market risk, HNCB and its subsidiaries set up limits on holding positions, losses of all financial instruments and value at risk (VaR) based on current year's budget. HNCB and its subsidiaries have insignificant market risk since gain or loss on change of market interest rate or foreign exchange rate is offset by those of hedged items or other assets or liabilities.

i. Value at risk

HNCB and its subsidiaries employ VaR to measure the investment portfolio of trading book and banking book. Banking book comprises financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

VaR is the statistics of potential losses on holding positions arising from unfavorable market condition changes. Within a 99% confidence interval, VaR refers to the greatest potential loss in one day namely that there is one percent chance to incur the losses greater than VaR. VaR model assumes that HNCB and its subsidiaries hold the positions at least one day (one month) before the positions can be settled and that the market fluctuation in one day is similar to that in the past.

HNCB and its subsidiaries calculated VaR of their positions using historical simulation method. Based on the data in the past year to assess historical market fluctuations, the outcome will be used to monitor and examine the correctness of the assumptions and parameters. The aforementioned method can not prevent the loss resulted from significant market fluctuations.

The 1-month VaR of the banking book portfolio at a trust level of 99%, using historical date from the past year to simulate future scenarios and reflects the independence of risk variable, is shown below:

Trading Book Portfolio	For the Year Ended December 31					
	2021			2020		
	Average	Highest	Lowest	Average	Highest	Lowest
Exchange rate risk	\$ 22,609	\$ 47,292	\$ 10,398	\$ 11,514	\$ 40,570	\$ 3,313
Interest rate risk	29,590	68,366	7,794	36,866	55,555	2,891
Equity risk	12,698	25,495	3,331	13,732	63,434	351
Diversified risk	36,474	83,846	18,752	37,960	79,161	13,372

The 1-month VaR of the banking book portfolio at a trust level of 99%, using historical date from the past year to simulate future scenarios and reflects the independence of risk variable, is shown below:

Banking Book Portfolio	For the Year Ended December 31					
	2021			2020		
	Average	Highest	Lowest	Average	Highest	Lowest
Exchange rate risk	\$ 1,777,697	\$ 2,197,905	\$ 77,161	\$ 1,028,994	\$ 1,158,022	\$ 912,511
Interest rate risk	2,288,667	2,915,929	651,281	2,006,033	2,539,033	368,924
Equity risk	3,652,378	8,444,980	2,028,133	4,247,929	6,239,732	925,367
Diversified risk	4,801,824	10,033,124	2,225,008	5,823,882	8,603,486	780,446

Limitation of VaR:

- i) Historical data may not be the best estimates of future risk factors, and cannot capture the extremely unfavorable market trend.
- ii) VaR cannot capture the market risk position that can not be convertible or be hedged.
- iii) The loss calculated by using 99% confidence level can not reflect the potential loss that is calculated using over 99% confidence level. Take the trading book for example, trading book can neither assure that the loss of financial instruments would not surpass VaR, nor confirm that the loss in each 99 day would not surpass VaR.

ii. Stress test

Stress testing is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenario.

HNCB and its subsidiaries perform stress testing assuming the situation in which changes in interest rate + 200 bps, decreases in securities 40%, changes in exchange rate of USD or EUR + 6%, and changes in exchange rate of other currency + 10% and then report the outcome to the management and Risk Management Committee.

d) Information of exchange rate risks

		December 31, 2021		
		Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>				
Monetary items				
AUD	\$	927,034	20.0900	\$ 18,624,111
CAD		76,724	21.6600	1,661,839
CNY		5,850,359	4.3410	25,396,407
EUR		544,165	31.3800	17,075,901
GBP		217,459	37.3600	8,124,254
HKD		5,349,352	3.5460	18,968,804
JPY		45,530,159	0.2405	10,950,003
NZD		61,519	18.9400	1,165,172
SGD		136,817	20.4800	2,802,020
USD		11,484,586	27.6550	317,606,215
VND		3,128,936,624	0.0012	3,798,717
ZAR		125,465	1.7340	217,556
PHP		1,183,693	0.5418	641,325
Nonmonetary items				
AUD		1,362,419	20.0900	27,371,003
CNY		2,684,399	4.3410	11,652,976
HKD		74,953	3.5460	265,782
SGD		58,966	20.4800	1,207,616
USD		5,966,225	27.6550	164,995,956
ZAR		1,643,982	1.7340	2,850,664
MOP		64,944	3.4427	223,585
PHP		1,182,826	0.5418	640,855
<u>Financial liabilities</u>				
Monetary items				
AUD		2,031,401	20.0900	40,810,850
CAD		75,723	21.6600	1,640,169
CNY		8,144,197	4.3410	35,353,957
EUR		1,046,494	31.3800	32,838,986
GBP		207,141	37.3600	7,738,798
HKD		4,166,015	3.5460	14,772,687
JPY		79,486,971	0.2405	19,116,616
NZD		61,275	18.9400	1,160,553
SGD		46,421	20.4800	950,708
USD		21,873,976	27.6550	604,924,802
VND		3,126,854,998	0.0012	3,796,190
ZAR		2,277,832	1.7340	3,949,761
Nonmonetary item				
USD		9,896	27.6550	273,662

		December 31, 2020		
		Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>				
Monetary items				
AUD	\$	868,605	21.6500	\$ 18,805,292
CAD		80,088	22.0600	1,766,745
CNY		7,146,421	4.3250	30,908,272
EUR		454,957	34.5900	15,736,950
GBP		195,887	38.3500	7,512,268
HKD		4,580,826	3.6240	16,600,914
JPY		44,398,441	0.2725	12,098,575
NZD		51,797	20.3200	1,052,524
SGD		73,146	21.2700	1,555,820
USD		9,468,829	28.1000	266,074,097
VND		2,909,206,634	0.0012	3,538,904
ZAR		298,757	1.9210	573,912
PHP		971,267	0.5852	568,386
Nonmonetary items				
AUD		711,474	21.6500	15,403,408
CNY		1,921,284	4.3250	8,309,553
HKD		77,990	3.6240	282,636
SGD		31,991	21.2700	680,453
USD		4,435,226	28.1000	124,629,843
ZAR		1,208,989	1.9210	2,322,468
MOP		89,672	3.5184	315,508
PHP		1,377,168	0.5852	805,919
<u>Financial liabilities</u>				
Monetary items				
AUD		1,188,580	21.6500	25,732,760
CAD		77,184	22.0600	1,702,683
CHF		6,390	31.8850	203,732
CNY		7,355,097	4.3250	31,810,794
EUR		620,764	34.5900	21,472,221
GBP		192,956	38.3500	7,399,872
HKD		3,496,572	3.6240	12,671,579
JPY		46,240,138	0.2725	12,600,438
NZD		64,930	20.3200	1,319,371
SGD		43,764	21.2700	930,863
USD		18,799,318	28.1000	528,260,848
VND		2,908,332,799	0.0012	3,537,841
ZAR		2,507,281	1.9210	4,816,487
Nonmonetary item				
USD		16,412	28.1000	461,170

6) Impact of interest rate benchmark reform

The financial instruments of HNCB and its subsidiaries affected by interest rate benchmark reform include derivatives and non-derivative financial assets. The type of interest rate benchmark linked to it is mainly the USD London InterBank Offered Rate (USD LIBOR). It is expected that the US Secured Overnight Financing Rate (SOFR) will replace USD LIBOR, but the two are essentially different. LIBOR is a forward-looking interest rate benchmark that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. SOFR is a retrospective interest rate benchmark calculated with actual transaction data and does not include credit discounts. Therefore, when an existing contract is modified from USD LIBOR to SOFR, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

HNCB and its subsidiaries have formulated a LIBOR conversion plan to deal with risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to meet the reform of interest rate benchmark. As of December 31, 2021, HNCB and its subsidiaries have identified all information systems and internal processes that need to be updated, and are still confirming the scope of the impact.

As of December 31, 2021, the financial instruments of HNCB and its subsidiaries that have been affected by interest rate benchmark reform and have not yet been converted to alternative interest rate benchmark are summarized as follows:

Unit: Thousand Dollars

	Book Value
Financial assets linked to USD LIBOR	
Loan-syndicated loan	\$ 77,109,480
Loan-other loan	2,260,970
Bonds held-financial assets at FVTOCI	19,400,782
Bonds held-debt instruments at amortized cost	414,825
	99,186,057
Financial assets linked to EUR LIBOR	
Loan-syndicated loan	11,549
Loan-other loan	725,190
	736,739
Financial assets linked to GBP LIBOR	
Loan-syndicated loan	373,600
Financial assets linked to JPY LIBOR	
Loan-syndicated loan	70,467
Loan-other loan	9,948
	80,415
Non-derivative financial assets affected by interest rate benchmark reform	\$ 100,376,811

7) Transfers of financial assets

The transferred financial assets of HNCB and its subsidiaries that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but HNCB and its subsidiaries retains the liabilities to repurchase the transferred financial assets at fixed price in the future period.

HNCB and its subsidiaries can not use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, HNCB and its subsidiaries still bear the interest rate risk and credit risk thus, HNCB and its subsidiaries do not derecognize it.

Analysis of financial assets and related liabilities that did not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	December 31, 2021				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements					
Financial assets at fair value through profit or loss	\$ 2,206,584	\$ 2,205,904	\$ 2,206,584	\$ 2,205,904	\$ 680
Financial assets at fair value through other comprehensive income	2,011,846	1,791,873	2,017,325	1,756,288	261,037
Amortized cost - debt instruments	9,920,682	10,305,637	10,177,667	10,305,637	(127,970)

Category of Financial Asset	December 31, 2020				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements					
Financial assets at fair value through profit or loss	\$ 4,470,505	\$ 4,469,244	\$ 4,470,505	\$ 4,469,244	\$ 1,261
Financial assets at fair value through other comprehensive income	1,668,618	1,517,568	1,688,207	1,494,261	193,946
Amortized cost - debt instruments	24,905,432	26,779,319	27,060,175	26,779,319	280,856

8) Offsetting of financial assets and financial liabilities

HNCB and its subsidiaries did not hold financial instruments which meet Section 42 of IAS 32 “Financial Instruments: Presentation”, and then offset them on the balance sheet.

HNCB and its subsidiaries engages in transactions with net settlement contracts or similar agreements with counterparties instead meeting offsetting condition in IFRSs. Above executable net settlement contracts or similar agreements allowed net settlement of financial assets and financial liabilities by the choice of both parties. If one party defaulted, the other one may choose to net settlement.

The netting information of financial assets and financial liabilities is set out below:

December 31, 2021

Financial Assets	Recognized	Netted Financial Liabilities Recognized on	Recognized Financial	Related Amount Not Netted on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
	Financial Assets - Gross Amount (a)	the Balance Sheet - Gross Amount (b)	Assets - Net Amount (c)=(a)-(b)	Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 2,012,824	\$ -	\$ 2,012,824	\$ 746,073	\$ -	\$ 1,266,751
Securities purchased under agreements of resell	1,650,000	-	1,650,000	1,650,000	-	-

Financial Liabilities	Recognized Financial	Netted Financial Assets Recognized on	Recognized Financial	Related Amount Not Netted on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
	Liabilities - Gross Amount (a)	the Balance Sheet - Gross Amount (b)	Liabilities - Net Amount (c)=(a)-(b)	Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 3,418,355	\$ -	\$ 3,418,355	\$ 746,073	\$ -	\$ 2,672,282
Securities sold under repurchase agreements	14,303,414	-	14,303,414	14,139,112	-	164,302

December 31, 2020

Financial Assets	Recognized Financial Assets - Gross Amount (a)	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount (b)	Recognized Financial Assets - Net Amount (c)=(a)-(b)	Related Amount Not Netted on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 2,412,050	\$ -	\$ 2,412,050	\$ 725,604	\$ -	\$ 1,686,446
Securities purchased under agreements of resell	350,000	-	350,000	350,000	-	-

Financial Liabilities	Recognized Financial Liabilities - Gross Amount (a)	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount (b)	Recognized Financial Liabilities - Net Amount (c)=(a)-(b)	Related Amount Not Netted on the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collaterals Pledged	
Derivative instruments	\$ 7,301,634	\$ -	\$ 7,301,634	\$ 725,604	\$ -	\$ 6,576,030
Securities sold under repurchase agreements	32,766,131	-	32,766,131	31,044,555	7,784	1,713,792

Note: Including netting settlement agreement and non-cash financial collaterals.

c. HNSC and its subsidiaries

- Financial risk management objectives and policies

HNSC and its subsidiaries' major financial instruments include equity securities, bonds and notes, and financial derivatives. HNSC and its subsidiaries' corporate risk control department provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of HNSC and its subsidiaries through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

HNSC and its subsidiaries seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by HNSC and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. HNSC and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate risk control department reports bi-annually to HNSC and its subsidiaries' board.

1) Market risk

HNSC and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price. HNSC and its subsidiaries entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- a) Foreign currency risk: Conduct in transaction to mitigate exchange rate risk. Interest rate risk: Interest rate swaps to mitigate the risk of rising interest rates; and
- b) Interest rate risk: Interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to HNSC and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analyses.

Value at Risk (VaR) analysis

The VaR measures the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The 1-day 99% VaR number used by HNSC and its subsidiaries reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers included the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

(In Thousands of New Taiwan Dollars)

Historic Risk Value (Daily Risk Level in 99% Confidence Level)	For the Year Ended December 31, 2021			December 31	
	Average	Min	Max	2021	2020
Equity risk	\$ 50,654	\$ 25,012	\$ 80,761	\$ 38,113	\$ 28,742
Interest risk	12,636	96	26,146	10,526	18,432
Exchange rate risk	20,104	820	29,876	18,653	23,290
Volatility risk	611	327	881	746	782
Risk diversification	(32,715)			(33,864)	(17,644)
Sum of risk level after risk diversification	\$ 51,290			\$ 34,174	\$ 53,602

(In Thousands of New Taiwan Dollars)

Historic Risk Value (Daily Risk Level in 99% Confidence Level)	For the Year Ended December 31, 2020			December 31	
	Average	Min	Max	2020	2019
Equity risk	\$ 39,048	\$ 3,982	\$ 634,004	\$ 28,742	\$ 53,717
Interest risk	21,470	97	43,236	18,432	14,347
Exchange rate risk	32,075	3	51,950	23,290	15,761
Volatility risk	67,787	572	465,139	782	871
Risk diversification	(30,727)			(17,644)	(34,450)
Sum of risk level after risk diversification	\$ 129,653			\$ 53,602	\$ 50,246

Through VaR analysis, HNSC and its subsidiaries monitor the daily exchange rate, interest rate risk and other price risk daily. On the other hand, sensitivity analysis evaluates possible impact of a reasonably possible change in interest rates, exchange rates and other price risk per annum. Longer time frames of sensitivity analysis could assist HNSC and its subsidiaries in performing VaR analysis and assessing the market risk exposure. Detailed descriptions of exchange rates, interest rates and other price risk sensitivity analysis are further described in point i., ii. and iii. below.

a) Exchange rates risk

Several business divisions of HNSC and its subsidiaries engage in foreign currency based security transactions which exposes them to exchange rate fluctuation risks. The policies managing these exposed risks are within reasonable extent. HNSC and its subsidiaries use foreign exchange swap to manage these risks.

Sensitivity analysis

The exchange rate risk of HNSC and its subsidiaries are mainly impacted by changes in USD currency rates.

The following table details HNSC and its subsidiaries' sensitivity to a 3% increase in the New Taiwan dollar against USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated deposits, account receivables, refundable deposits, investing in bonds and notes and financial derivatives. A negative number below indicates an decrease in pre-tax profit associated with the New Taiwan dollar strengthening 3% against USD. For a 3% weakening of the New Taiwan dollar against USD, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be positive.

	USD Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$(139,363) *	\$(76,511) *

* Mainly originates from outstanding and non-cash flow hedge foreign currency based equity security, bonds, notes and financial derivatives on balance sheet date.

b) Interest rate risk

Since HNSC and its subsidiaries use fixed and floating interest rates to borrow capital, they are exposed to interest rate risks. In order to manage interest rate risks, HNSC and its subsidiaries maintain a certain combinations of fixed and floating interests rate assets as well as retaining interest rate swap contracts. To ensure that the most cost-effective hedging strategy is used, HNSC and its subsidiaries regularly evaluate hedge activities to keep the consistency in interest rate view point and predetermined risk preference.

The book value of interest rate exposed to financial assets and liabilities on balance sheet date of HNSC and its subsidiaries are described in the following table below:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets (Note 1)	\$ 13,594,370	\$ 10,867,655
Financial liabilities (Note 2)	26,824,089	16,393,351
Cash flow interest rate risk		
Financial assets	1,404,518	1,851,271

Note 1: Includes all bonds and interest swap contracts.

Note 2: Includes interest swap contracts, short-term debts, commercial paper payable, bonds sold under repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, corporate debentures payable and securities lending refundable deposits.



Sensitivity analysis

i. Fair value interest rate risk

The sensitivity analysis below was determined based on HNSC and its subsidiaries' exposure to interest rates for non-derivative instruments at the end of the year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, HNSC and its subsidiaries' pre-tax profit for the years ended December 31, 2021 and 2020 would decrease by \$347,095 and \$303,279, respectively, which was mainly a result of interest risk exposure to interest swap contract and bond and notes investments.

ii. Cash flow interest rate risk

If interest rates had been 100 basis points higher/lower and all other variables were held constant, HNSC and its subsidiaries' pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$14,045 and \$18,513, respectively, which was mainly a result of interest risk exposure to deposits.

iii. Other price risk

Other risk refers to the equity price risk occurred in investing listed equity securities, which are traded as equity instruments in the Taiwan Stock Exchange and the Taipei Exchange. HNSC and its subsidiaries set limitations per annum to manage yearly losses, monthly losses, and to control risk levels.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity price drop by 15%, the market value would decrease by \$21,343 as a whole measured at fair value through profit or loss and \$55,648 in investments through other comprehensive income due to fair value fluctuations on December 31, 2021.

If equity price to drop by 15%, the market value would decrease by \$52,044 as a whole held-for trading investments and \$20,511 in available-for-sale investments due to fair value fluctuations on December 31, 2020.

2) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts from the counterparty. The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNSC and its subsidiaries on balance sheet date arises from:

The book value of financial assets recognized on consolidated balance sheets.

The concentration of credit risks is limited due to the broad and independent customer base of HNSC and its subsidiaries.

The policy adopted by HNSC and its subsidiaries is to acquire adequate amount of collateral to lessen the risk of financial losses from arrears and to use other obtainable public financial information and interparty transaction records to evaluate client credit rating. HNSC and its subsidiaries would continuously monitor the exposed credit risk and the counterparty credit rating.

The table below analyzes the collaterals held as security, master netting agreements and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Company and its subsidiaries' consolidated balance sheet:

December 31, 2021

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	Other Credit Enhancements (Note)	Total
<u>Balance sheet items</u>			
Margin loans receivable	\$ 16,899,621	\$ -	\$ 16,899,621
Refinancing deposit receivable	13,705	-	13,705
Securities lending receivable customers margin account	1,534,260	-	1,534,260

December 31, 2020

	Maximum Exposure to Credit Risk Mitigated by		
	Collateral	Other Credit Enhancements (Note)	Total
<u>Balance sheet items</u>			
Margin loans receivable	\$ 10,915,605	\$ -	\$ 10,915,605
Refinancing deposit receivable	8,200	-	8,200
Securities lending receivable customers margin account	1,113,160	-	1,113,160

Note: There is no need to consider about other credit enhancements because items are fully covered by collaterals.

3) Liquidity risk

HNSC and its subsidiaries manage and maintain adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations. The management of HNSC and its subsidiaries supervises the usage of financing facilities to ensure the obedience of loan agreement terms.

Bank loan is an important source of liquidity to HNSC and its subsidiaries. Refer to Table (b) finance facilities for undrawn banking facilities on December 31, 2021 and 2020.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details HNSC and its subsidiaries' remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which HNSC and its subsidiaries can be required to pay.

December 31, 2021

	Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Non-derivative financial liabilities</u>					
Liabilities with no interest	\$ 25,731,841	\$ -	\$ 1,198,197	\$ 2,776,695	\$ 373,609
Lease liabilities	5,601	11,071	46,014	113,098	-
Floating interest rate instruments	5,311,683	-	-	-	-
Fixed interest rate instruments	<u>9,760,787</u>	<u>3,921,386</u>	<u>10,316,351</u>	<u>329,723</u>	<u>-</u>
	<u>\$ 40,809,912</u>	<u>\$ 3,932,457</u>	<u>\$ 11,560,562</u>	<u>\$ 3,219,516</u>	<u>\$ 373,609</u>

	Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Non-derivative financial liabilities</u>					
Liabilities with no interest	\$ 18,310,229	\$ -	\$ 693,531	\$ 2,857,513	\$ 272,842
Lease liabilities	4,894	9,789	44,049	63,626	-
Floating interest rate instruments	3,639,857	-	-	-	-
Fixed interest rate instruments	<u>7,709,498</u>	<u>1,592,555</u>	<u>6,627,988</u>	<u>468,962</u>	<u>-</u>
	<u>\$ 29,664,478</u>	<u>\$ 1,602,344</u>	<u>\$ 7,365,568</u>	<u>\$ 3,390,101</u>	<u>\$ 272,842</u>

The following table details HNSC and its subsidiaries' liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2021

	On Demand or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Interest rate swap	\$(21)	\$(746)	\$ 1,398	\$ -
Exchange rate swap	<u>39</u>	<u>209</u>	<u>-</u>	<u>-</u>
Net cash inflow (outflow)	<u>\$ 18</u>	<u>\$ (537)</u>	<u>\$ 1,398</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Interest rate swap	\$(628)	\$(358)	\$(2,045)	\$ 708
Exchange rate swap	<u>(1,294)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash outflow	<u>\$(1,922)</u>	<u>\$(358)</u>	<u>\$(2,045)</u>	<u>\$ 708</u>

b) Finance facilities

	December 31	
	2021	2020
<u>Nonguaranteed bank facilities</u>		
Drawn amount	\$ 5,150,000	\$ 1,565,000
Undrawn amount	<u>17,052,350</u>	<u>16,921,000</u>
	<u>\$ 22,202,350</u>	<u>\$ 18,486,000</u>
<u>Guaranteed bank facilities</u>		
Drawn amount	\$ -	\$ -
Undrawn amount	<u>3,847,650</u>	<u>3,847,650</u>
	<u>\$ 3,847,650</u>	<u>\$ 3,847,650</u>

c) Transfers of financial assets

The transferred financial assets of the Company and its subsidiaries that do not qualify for derecognition in the daily operation are mainly securities sold under repurchase agreements. The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Company and its subsidiaries retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Company and its subsidiaries can not use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Company and its subsidiaries still bear the interest rate risk and credit risk thus, the Company and its subsidiaries do not derecognize it. Analysis of financial assets and related liabilities not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	December 31, 2021				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements	\$ 12,276,759	\$ 12,002,182	\$ 12,276,759	\$ 12,002,182	\$ 274,577

Category of Financial Asset	December 31, 2020				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under repurchase agreements	\$ 9,511,823	\$ 9,191,673	\$ 9,511,823	\$ 9,191,673	\$ 320,150

d. SCIC

- Goal and policy of the financial risk management

To improve and enhance the risk management culture and capability of SCIC, SCIC has set up related risk management policy resolved by the board of directors addressing various risk such as market risk, exchange rate risk, credit risk and liquidity risk. SCIC has also developed various risk measurement tools and management mechanisms to achieve effective identification, measurement, control and supervision of risk management.

1) The organization structure of risk management

- a) The board of directors: The board of directors is the ultimate organization responsible for the overall risk management of SCIC. It is also responsible for the approval of the related risk management policy and the reporting of various important risk management policies.
- b) SCIC Risk Control Committee which subordinate to the board of directors: The SCIC risk control committee is responsible for the risk management policy, framework, organization function as well as the qualitative and quantitative of management deliberation. The committee reports to the board of directors periodically to reflect the execution status of risk management, making necessary recommendations for improvements.
- c) The Risk Management Division: The risk management division is responsible for the establishment, supervision and execution of the various risk control mechanisms and reports to the SCIC Risk Control Committee quarterly.

2) Market risk

a) The definition and source of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities, credit level differences, related correlations or the degree of fluctuations) which may cause the negative impact of the decrease in value of a financial instrument.

b) The management structure and planning of market risk

To address the market risk management, SCIC has set up the goal of risk management, position limits, offset limits and risk level limits passed by the board of directors. Furthermore, SCIC periodically measures, analyzes, prepares financial statements and discloses the exposure levels affected by the market risk factors. SCIC also implements the mechanism of market risk limit control to appropriately reflect and fulfill the risk management of SCIC.

c) The management of market risk

SCIC conducts various financial instrument trading operations based on yearly budget constraints with market risk control position limitations, offset limitations and risk level limitations. Please refer to point (i) below. On the other hand, SCIC regularly discloses foreign exchange fluctuation risks, exchange rate fluctuation risks and other price fluctuation risks. Please refer to point (ii), (iii) and (iv) below:

i. The risk value

SCIC uses VaR (Value at Risk, VaR) to evaluate the investment portfolio of trading and non-trading books. The aforementioned non-trading book investment portfolio refers to financial assets at fair value through other comprehensive income.

VaR estimates the potential losses due to negative changes in markets. It also indicates the highest endurable potential loss of SCIC in a 99% confidence interval; however, there is still a 1% possibility for actual losses to be bigger than VaR estimations.

SCIC evaluates the risk level in self-owned assets based on historical simulation method, which collects historical past data over the past year to assess the market volatility. The calculated result will be used to regularly monitor and test the accuracy of the used parameters and assumptions.

Unit: Thousand Dollars

	December 31, 2021	December 31, 2020
Risk level of trading book	\$ 3	\$ 60
Risk level of non-trading book	203,179	942,788

ii. Exchange rate risk

The book value of foreign currency assets and liabilities are recognized on balance sheet date. The currency of the forward foreign exchange contracts should be the same as the instrument hedged. To maximize the effectiveness of hedging, the currency of forward foreign exchange contracts must be in coordinate with the derivatives and hedged contract terms.

Sensitivity analysis

The following table details SCIC's sensitivity to a 1% increase and decrease in the New Taiwan dollar against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated deposits, financial assets and financial liabilities, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

Unit: Thousand Dollars

	USD Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$(10,334)	\$(10,402)

	CNY Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$(1,981)	\$(2,073)

	EUR Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss	\$(97)	\$(108)

The source of the risk are from outstanding and non-cash flow hedged foreign deposits, financial instruments and reinsurance of SCIC on balance sheet date.

The current period USD sensitivity level of SCIC decreases due to decreased investments in USD. The current period CNY sensitivity level of SCIC decreases due to decreased investments in CNY. The current period EUR sensitivity level of SCIC decreases due to decreased investments in EUR.

Concentration of exchange rate risk

Unit: Foreign/NTD Currency in Thousands.

December 31, 2021

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$ 163,264	27.680	\$ 4,519,169
CNY	44,201	4.344	192,010
EUR	16,911	31.320	529,647
<u>Financial liabilities</u>			
Monetary items			
USD	259	27.680	7,178

December 31, 2020

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$	131,373	28.48 \$ 3,741,512
CNY		26,441	4.377 115,736
EUR		47,111	35.02 1,649,826
<u>Financial liabilities</u>			
Monetary items			
USD		926	28.48 26,382

iii. Interest rate risk

The book value of SCIC's interest rate risk - exposed financial assets on balance sheet date as follows:

Unit: Thousand Dollars

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 7,545,884	\$ 7,763,541
Cash flow interest rate risk		
Financial assets	2,374,217	2,148,826

Sensitivity analysis

The following sensitivity analysis is conducted based on the interest rate risk exposure of non-derivatives on balance sheet date. The assumption of analytical method for floating interest rate liabilities is that all liabilities within the reporting period are outstanding. The internal marginal interest rate of SCIC for management reporting is an increase/decrease of 1 base point.

The marginal interest rate also indicates the assessment of the reasonably possible range of interest rates. If interest rate increase/decrease by 1 base point, holding other variables constant, SCIC's income before tax would increase/decrease \$237 for the year ended December 30, 2021 due to interest rate risk exposure of bank deposits.

If interest rate increase/decrease by 1 base point, holding other variables constant, SCIC's income before tax would increase/decrease \$215 for the year ended December 31, 2020 due to interest rate risk exposure of bank deposits.

iv. Other risk

Other risk refers to the equity price risk exposure in equity securities, beneficiary certifications and convertible bonds of SCIC.

To manage the risk, the management of SCIC holds investment portfolio with different risk.

Sensitivity analysis

The following sensitivity analysis is conducted on the equity price risk exposure on balance sheet date.

If equity price increase/decrease by 1%, the income before tax would increase/decrease by \$49 in the fair value through profit or loss due to fair value fluctuations; other comprehensive income would increase/decrease by \$62,262 for the year ended December 31, 2021.

If equity price increase/decrease by 1%, the income before tax would increase/decrease by \$56 in the fair value through profit or loss due to fair value fluctuations; other comprehensive income would increase/decrease by \$52,009 for the year ended December 31, 2020.

3) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts of the counterparty.

Before trading transactions, the credit risk management division carefully evaluates and regularly examines the credit ratings of the counterparty, issuer and guarantee institution are in line with the regulation and SCIC management policy. To fully disclose the credit rating and the estimation of risk concentration level, the division also regularly assesses the credit ratings of the counterparty, issuer, guarantee institution after trading transactions.

Moreover, SCIC assesses the collectable values of premiums receivable to ensure the provision for impairment loss of non-collectable receivable are reasonable on balance sheet date.

After assessing the credit level of SCIC, SCIC considers the current period credit risk level is within reasonable limits.

Changes of receivable allowance loss

SCIC applied IFRS 9 expected credit loss and calculated allowance loss as below:

December 31, 2021

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.0219%	0.0153%	(Note)	0.0003%-0.0304%
Gross carrying amount	\$ 134,800	\$ 341,621	\$ 133,098	\$ 220,173
Allowance loss	\$ 30	\$ 52	\$ -	\$ 33

December 31, 2020

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.1766%	0.0394%	(Note)	0.0012% - 0.0357%
Gross carrying amount	\$ 105,880	\$ 63,275	\$ 134,650	\$ 253,164
Allowance loss	\$ 187	\$ 25	\$ -	\$ 28

Note: As of December 31, 2021 and 2020, no other receivable was past due. SCIC has not recognized a loss allowance for the above receivable after taking into consideration the historical default experience and the future prospects of the industries.

Indemnity refundable on reinsurance ceded and refundable reinsurance is reinsurance contracts assets, and are evaluated under IAS 39 for both are not included in the measurement of IFRS 9 under IFRS 4.

SCIC calculated allowance loss according to the regulation of guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts as below:

December 31, 2021

	Notes Receivable	Premiums Receivable	Indemnity Refundable on Reinsurance Ceded	Refundable Reinsurance	Other Receivable	Loans
Balance, January 1	\$ 553	\$ 873	\$ 1,866	\$ 4,557	\$ 673	\$ 3,797
Provision	121	4,673	514	4,942	-	-
Less: Amounts reversed	-	-	-	-	(7)	(494)
Allowance loss	<u>\$ 674</u>	<u>\$ 5,546</u>	<u>\$ 2,380</u>	<u>\$ 9,499</u>	<u>\$ 666</u>	<u>\$ 3,303</u>

December 31, 2020

	Notes Receivable	Premiums Receivable	Indemnity Refundable on Reinsurance Ceded	Refundable Reinsurance	Other Receivable	Loans
Balance, January 1	\$ 567	\$ 5,401	\$ 1,674	\$ 2,664	\$ 919	\$ 3,607
Provision	-	-	192	1,893	-	190
Less: Amounts reversed	(14)	(3,620)	-	-	(246)	-
Less: Amounts written off	-	(908)	-	-	-	-
Allowance loss	<u>\$ 553</u>	<u>\$ 873</u>	<u>\$ 1,866</u>	<u>\$ 4,557</u>	<u>\$ 673</u>	<u>\$ 3,797</u>

4) Liquidity risk

Table of liquidity and interest rate risk of non-derivatives financial liabilities

The board of directors is ultimately responsible for SCIC's liquidity risk management. SCIC has established appropriate management structure of liquidity risk to respond to management's demand of liquidity. To manage liquidity risk, SCIC monitors expected and actual cash flow and plan similar expiration of financial asset to settle liabilities.

The following table illustrates the aging analysis of non-derivatives financial liabilities remaining contracts of agreed repayments. The information is disclosed based on the earliest possible requested repayment date and undiscounted cash flow of financial liabilities including the cash flow of interests and principal.

December 31, 2021

	Requested Immediate Payment or Less than One Month	Within One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ -	\$ 278,955	\$ 596,182	\$ 17,551	\$ -
Lease liabilities	<u>2,245</u>	<u>4,413</u>	<u>18,872</u>	<u>46,415</u>	<u>-</u>
	<u>\$ 2,245</u>	<u>\$ 283,368</u>	<u>\$ 615,054</u>	<u>\$ 63,966</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 23,074	\$ 41,559	\$ 66	\$ -	\$ -	\$ -

December 31, 2020

	On Demand or Less than 1 Month	Within Three Months	Three Months to One Year	One Year to Five Years	Over Five Years
<u>Non-derivatives financial liabilities</u>					
Liabilities with no interest	\$ -	\$ 241,807	\$ 569,470	\$ 17,979	\$ -
Lease liabilities	2,220	4,325	16,529	41,559	66
	\$ 2,220	\$ 246,132	\$ 585,999	\$ 59,538	\$ 66

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 23,074	\$ 41,559	\$ 66	\$ -	\$ -	\$ -

Liquidity and interest rate risk table for derivative financial liabilities

The liquidity analysis of derivative financial instruments of net delivery financial derivatives based on undiscounted net cash inflow and outflow; gross delivery financial derivatives based on undiscounted cash inflow and outflow.

December 31, 2021

	Less than Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Gross delivery</u>				
Currency swap				
Inflow	\$ 5,008,224	\$ -	\$ -	\$ -
Outflow	(4,976,910)	-	-	-
	\$ 31,314	\$ -	\$ -	\$ -

December 31, 2020

	Less than Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
<u>Net delivery</u>				
Foreign exchange forward contract	\$(4,914)	\$(10,381)	\$ -	\$ -
<u>Gross delivery</u>				
Currency swap				
Inflow	\$ 3,906,327	\$ 1,622,244	\$ -	\$ -
Outflow	(3,978,674)	(1,657,575)	-	-
	\$(72,347)	\$(35,331)	\$ -	\$ -



e. HNIT

Financial risk management objectives and policies

HNIT's major financial instruments include cash and cash equivalents, investment in equity instruments, account receivables, loans, lease liabilities and commercial paper. HNIT's corporate treasury function provides services to the business, and monitors and manages the financial risks relating to the operations of HNIT through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk.

1) Market risk

The main financial risk endured from the operations of HNIT is interest rate risk.

a) Interest rate risk

The carrying amounts of HNIT's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2021	2020
Cash flow interest rate risk		
Financial assets	\$ 38,371	\$ 40,110
Financial liabilities	299,956	299,924

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivatives on balance sheet date. For floating rate liabilities, the assumption of analysis method is that the liabilities are outstanding on balance sheet date. An interest rate change of 20 base point is the sensitivity rate used in internal management reports. Further, it also represents the evaluation of reasonable changes in interest rates of the management.

Were interest rate to increase/decrease 20 base points, holding other variables constant, the income before tax of HNIT were to decrease/increase \$523 and \$520 for the years ended December 31, 2021 and 2020 due to the interest rate risk exposure derived from demand deposits and floating rate loans.

b) Other price risk

HNIT was exposed to equity price risk through its investments in equity securities. HNIT manages this exposure by maintaining a portfolio of investments with different risks.

2) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts from the counterparty. The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNIT on balance sheet date arises from the recognized book value of financial assets.

To lessen the level of credit risks, the management of HNIT would review the possible collectable amount of receivables on balance sheet dates to ensure the provision for impairment loss of unrecoverable receivables are reasonable.

3) Liquidity risk

HNIT manages and maintains adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations. The management of HNIT supervises the usage of financing facilities to ensure the obedience of loan agreement terms.

Bank borrowings is an important liquidity source for HNIT. Please refer to the following illustration of ii for the undrawn financing facilities on December 31, 2021 and 2020.

a) Liability and interest rate risk tables for non-derivative financial liabilities.

The aging analysis of non-derivative financial liabilities is disclosed in accordance with the earliest possible repayment date and undiscounted cash flow of financial liabilities (including the principal and estimated interest). Therefore, the requested immediate payment of bank borrowings are disclosed on the earliest period of the following table, leaving out the probability of immediate execution right of the bank. The aging analysis of other non-derivative financial liabilities is disclosed in accordance with the agreed repayment date.

December 31, 2021

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivative financial liabilities</u>				
Liabilities with no interest	\$ 1,166	\$ 598	\$ 4,830	\$ -
Lease liabilities	20	40	180	40
Floating interest instrument	59	299,956	-	-
	<u>\$ 1,245</u>	<u>\$ 300,594</u>	<u>\$ 5,010</u>	<u>\$ 40</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 240</u>	<u>\$ 40</u>

December 31, 2020

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Non-derivative financial liabilities</u>				
Liabilities with no interest	\$ 1,893	\$ 1,333	\$ 6,742	\$ -
Lease liabilities	27	34	63	-
Floating interest instrument	23	299,924	-	-
	<u>\$ 1,943</u>	<u>\$ 301,291</u>	<u>\$ 6,805</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 124</u>	<u>\$ -</u>

b) Financing facilities

	December 31	
	2021	2020
Unsecured bank overdraft facility		
Drawn amount	\$ 150,000	\$ 100,000
Undrawn amount	250,000	300,000
	<u>\$ 400,000</u>	<u>\$ 400,000</u>

f. HNVC

1) The goal and policy of financial risk management

The primary financial instruments of HNVC include equity investments, accounts receivable and accounts payable. HNVC's corporate treasury function provides services to the business, and monitors and manages the financial risks relating to the operations of HNVC through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

a) Market risk

The main financial risk endured from the operations of HNVC is exchange rates risk interest rate risk (refer to the following tables).

The managements and measurements of the financial instruments risk exposure remain unchanged.

i. Exchange rates risk

The book value of foreign-currency based assets on balance sheet date is as follows:

	December 31	
	2021	2020
Assets		
USD	\$ 3	\$ 604

Sensitivity analysis

The exchange rate risk of HNVC is mainly impacted by change in USD listed above.

The following table illustrates sensitivity analysis based on an increment increase of 1% in functional currency to related foreign currency 1% is the sensitivity rate used in internal management reports. Further it also represents the evaluation of reasonable changes in foreign exchange rates of the management. The scope of sensitivity analysis only includes outstanding foreign monetary items. The positive figure below indicates the amount that will decrease in income before tax when functional currency decrease by 1.

	For the Year Ended December 31	
	2021	2020
Currency assets		
USD	\$ -	\$ 6

ii. Interest rate risk

The book value of interest rate risk exposed financial assets and financial liabilities on balance sheet date were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 116,900	\$ 281,100
Financial liabilities	2,098	630
Cash flow interest rate risk		
Financial assets	29,061	70,176

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivatives on balance sheet date. An interest rate change of 1% is the sensitivity rate used in internal management reports. Further, it also represents the evaluation of reasonable changes in interest rates of the management.

If interest rate would increase/decrease by 1%, holding other variables constant, the income before tax of HNVC would increase/decrease \$290 and \$702 for the years ended December 31, 2021 and 2020 due to the interest rate risk exposure derived from financial assets.

iii. Other price risk

Other risk refers to the equity price risk accrued in investing listed equity securities. To manage the risk, the management of HNVC holds investment portfolio with different risks.

The book value of interest rate risk exposed financial assets and financial liabilities on balance sheet date is as follows:

Sensitivity analysis

The following sensitivity analysis was conducted on the exposed risk of equity price on the balance sheet date.

If equity price rise/drop 1%, the income before tax would increase/decrease by \$12,699 and \$12,280 in the financial assets at fair value through profit or loss due to fair value rise/drop for the years ended December 31, 2021 and 2020.

b) Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts of the counterparty.

The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNVC on balance sheet date arises from the recognized book value of financial assets.

The maximum credit exposures of each financial instruments HNVC holds are same as their book value.

c) Liquidity risk

HNVC manages and maintains adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations.

The following table illustrates the aging analysis of non-derivatives financial liabilities remaining contracts of agreed repayments. The information is disclosed based on the earliest possible requested repayment date and undiscounted cash flow of financial liabilities including the cash flow of interests and principal.

December 31, 2021

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
Non-interest bearing	\$ 67	\$ -	\$ 100	\$ -
Lease liabilities	146	292	1,282	405
	<u>\$ 213</u>	<u>\$ 292</u>	<u>\$ 1,382</u>	<u>\$ 405</u>

December 31, 2020

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
Non-interest bearing	\$ 153	\$ -	\$ 80	\$ -
Lease liabilities	146	292	100	100
	<u>\$ 299</u>	<u>\$ 292</u>	<u>\$ 180</u>	<u>\$ 100</u>

g. HNAMC

- Goal and policy of financial risk management

The primary financial instruments of HNAMC include accounts receivable, other financial assets and loans. The financial risk management division of HNAMC provides services to other business divisions, with the level of risk exposure and broad analysis of internal supervision and HNAMC risk management reporting of financial risks relating to operations. The financial risks include market risks (including interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

HNAMC's activities exposed it primarily to the financial risks of changes in interest rates.

1) Interest rate risk

The book value of interest rate risk exposed financial assets and financial liabilities on balance sheet date is as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 1,806,148	\$ 1,034,583
Cash flow interest rate risk		
Financial assets	645,890	12,757
Financial liabilities	1,244,340	1,105,500

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of non-derivatives on balance sheet date. For floating rate liabilities, the assumption of analysis method is that the liabilities are outstanding on balance sheet date. An interest rate change of 10 base point is the sensitivity rate used in internal management reports. Further, it also represents the evaluation of reasonable changes in interest rates of the management.

If interest rate increase/decrease 10 base points, holding other variables constant, the income before tax of HNAMC would increase/decrease by \$598 for the year ended December 31, 2021 due to the interest rate risk exposure derived from bank deposits and floating rate loans.

If interest rate increase/decrease 10 base points, holding other variables constant, the income before tax of HNAMEC would increase/decrease \$1,093 for the year ended December 31, 2020 due to the interest rate risk exposure derived from bank deposits and floating rate loans.

The decrease in sensitivity of HNAMEC this period is due to the decrease in floating rate of loans.

2) Other price risk

HNAMEC was exposed to equity price risk through its investments in equity securities. HNAMEC manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks on balance sheet date.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$109 and \$137, respectively, as a result of the changes in fair value of financial assets at FVTPL.

Credit risk

Credit risk refers to the risk occurred in financial losses of default contracts from the counterparty. The biggest exposed credit risk of possible defaults of the counterparty resulting in financial losses of HNAMEC on balance sheet date arises from the recognized book value of financial assets.

The policy of HNAMEC holds is to conduct transactions only with high credit rating counterparty, and receives sufficient collateral to lessen the risks of financial loss derived from defaults. Furthermore, the professional unit regularly monitors the credit risk of the counterparty every year, so it is not expected to have a significant credit risk.

To lessen the level of credit risks, the management of HNAMEC assigns specific responsibility team to be in charge of reviewing the possible collectable amount of receivables on balance sheet dates to ensure the provision for impairment loss of unrecoverable receivables are reasonable. By conduct, the management of HNAMEC considers the credit risk has been reduced considerably.

3) Liquidity risk

HNAMEC manages and maintains adequate amount of cash and cash equivalents to finance business operations and to lessen the impact of cash flow fluctuations. The management of HNAMEC supervises the usage of financing facilities to ensure the obedience of loan agreement terms. As of December 31, 2020, current liabilities of HNAMEC exceeded its current assets. However, HNAMEC will pay off current liabilities by obtaining long-term bank financing limit, etc. There is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

Bank borrowings is an important liquidity source for HNAMEC Please refer to the following illustration of ii for the undrawn financing facilities on December 31, 2021, and 2020.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The aging analysis of non-derivative financial liabilities is disclosed in accordance with the earliest possible repayment date and undiscounted cash flow of financial liabilities (including the principal and estimated interest). Therefore, the requested immediate payment of bank borrowings are disclosed on the earliest period of the following table, leaving out the probability of immediate execution right of the bank. The aging analysis of other non-derivative financial liabilities is disclosed in accordance with the agreed repayment date.

December 31, 2021

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
Non-interest bearing	\$ 509	\$ 2,678	\$ 302,491	\$ 112,504	\$ -
Variable interest rate liabilities	1,045	1,200	150,838	1,107,542	-
Fixed interest rate liabilities	1,257	1,507,864	300,000	-	-
Lease liabilities	764	1,528	6,761	11,375	185,923
	<u>\$ 3,575</u>	<u>\$ 1,513,270</u>	<u>\$ 760,090</u>	<u>\$ 1,231,421</u>	<u>\$ 185,923</u>

December 31, 2020

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years	More than Five Years
Non-interest bearing	\$ 507	\$ 2,156	\$ -	\$ 162,379	\$ -
Variable interest rate liabilities	926	234,580	6,861	882,949	-
Fixed interest rate liabilities	1,902	1,036,214	-	-	-
Lease liabilities	651	1,302	5,784	11,788	-
	<u>\$ 3,986</u>	<u>\$ 1,274,252</u>	<u>\$ 12,645</u>	<u>\$ 1,057,116</u>	<u>\$ -</u>

b) Financing facilities

	December 31	
	2021	2020
Unsecured bank overdraft facilities		
Drawn amount	\$ 3,051,340	\$ 2,140,500
Undrawn amount	<u>6,298,660</u>	<u>3,609,500</u>
	<u>\$ 9,350,000</u>	<u>\$ 5,750,000</u>

53. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY**Principle of Capital Management**

To maintain sufficient eligible capital and withstand the possible losses, the Company and its subsidiaries not only meet the minimum requirements set by the authorities but assess the extent of capital adequacy through advanced simulation as well as subsequent supervision and analysis, given the business scheme, risk status and composition of eligible capital thus, the Company and its subsidiaries are capable of developing countermeasures in a timely manner.

Group's Capital Adequacy Rate

(In Thousands of New Taiwan Dollars; %)

December 31, 2021				
Companies	Items	Percentage of Ownership	The Group's Net Eligible Capital	The Group's Statutory Capital Requirement
Financial Holdings Co Ltd		100%	\$ 205,695,281	\$ 232,755,709
Commercial Bank Ltd		100%	262,511,345	194,611,494
Securities Corp		100%	10,557,024	3,978,774
Insurance Corp		100%	6,820,959	3,427,408
Investment Trust Corp		100%	1,713,242	863,014
Others		100%	1,759,120	2,948,283
Deduction			235,718,446	231,243,218
Total			(A) 253,338,525	(B) 207,341,464
Group capital adequacy ratio (C) = (A) ÷ (B)				122.18%

(In Thousands of New Taiwan Dollars; %)

December 31, 2020				
Companies	Items	Percentage of Ownership	The Group's Net Eligible Capital	The Group's Statutory Capital Requirement
Financial Holdings Co Ltd		100%	\$ 194,391,728	\$ 220,747,876
Commercial Bank Ltd		100%	242,963,349	186,643,413
Securities Corp		100%	8,569,198	3,466,182
Insurance Corp		100%	6,318,274	2,664,376
Investment Trust Corp		100%	1,687,594	849,327
Others		100%	1,465,989	2,567,442
Deduction			225,593,293	219,575,026
Total			(A) 229,802,839	(B) 197,363,590
Group capital adequacy ratio (C) = (A) ÷ (B)				116.44%

Financial Holding Company's Net Eligible Capital

(In Thousands of New Taiwan Dollars)

December 31, 2021	
Item	Amount
Common stock	\$ 131,941,450
Unaccumulated preferred stocks which meet Tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-
Other preferred stocks and subordinated debts	5,000,000
Stock dividends to be distributed	-
Capital surplus	17,758,986
Legal reserve	18,593,434
Special reserve	6,471,594
Unappropriated earnings	19,658,539
Equity adjustments	6,280,718
Less: Goodwill and intangible assets	(6,632)
Less: Deferred assets	(2,808)
Less: Treasury stock	-
Total net eligible capital	205,695,281

(In Thousands of New Taiwan Dollars)

December 31, 2020	
Item	Amount
Common stock	\$ 128,547,788
Unaccumulated preferred stocks which meet Tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-
Other preferred stocks and subordinated debts	5,000,000
Stock dividends to be distributed	-
Capital surplus	17,758,986
Legal reserve	17,837,809
Special reserve	6,471,594
Unappropriated earnings	9,340,889
Equity adjustments	9,445,096
Less: Goodwill and intangible assets	(7,626)
Less: Deferred assets	(2,808)
Less: Treasury stock	-
Total net eligible capital	194,391,728

54. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

The balance sheets, income statements and trust properties of trust accounts were as follows:

Balance Sheets of Trust Accounts

	December 31	
	2021	2020
<u>Trust assets</u>		
Bank deposits	\$ 20,397,057	\$ 13,936,832
Bonds	14,452,368	14,117,976
Shares	9,032,590	9,098,344
Mutual funds	176,735,427	180,315,646
Real estate, net	60,202,180	48,402,068
Custodial securities	<u>560,686,710</u>	<u>586,615,786</u>
Total trust assets	<u>\$ 841,506,332</u>	<u>\$ 852,486,652</u>
<u>Trust liabilities</u>		
Other liabilities	\$ 41	\$ 42
Custodial securities payable	560,686,710	586,615,786
Trust capital		
Monetary trust	208,813,406	206,270,551
Securities trust	6,405,137	6,399,204
Real estate trust	65,318,937	53,004,390
Accumulated deficit	(540,458)	(976,752)
Net income	<u>822,559</u>	<u>1,173,431</u>
Total trust liabilities	<u>\$ 841,506,332</u>	<u>\$ 852,486,652</u>

Note: Trust accounts including OBU's foreign currency mutual funds that Invested in foreign securities amounted to \$4,568,152 as of December 31, 2021. Additionally, foreign currency mutual funds that invested in domestic securities amounted to \$755,417 as of December 31, 2021.

Trust accounts including OBU's foreign currency mutual funds that Invested in foreign securities amounted to \$4,097,539 as of December 31, 2020. Additionally, foreign currency mutual funds that invested in domestic securities amounted to \$674,725 as of December 31, 2020.

Trust Properties of Trust Accounts

	December 31	
	2021	2020
<u>Investment portfolio</u>		
Bank deposits	\$ 20,397,057	\$ 13,936,832
Bonds	14,452,368	14,117,976
Shares	9,032,590	9,098,344
Mutual funds	176,735,427	180,315,646
Real estate, net		
Land	47,451,697	42,266,200
Building	3,614	4,591
Construction in progress	12,746,869	6,131,277
Custodial securities	<u>560,686,710</u>	<u>586,615,786</u>
	<u>\$ 841,506,332</u>	<u>\$ 852,486,652</u>

Trust Income Statements

Item	For the Year Ended December 31	
	2021	2020
Trust income		
Interest income	\$ 53,176	\$ 59,486
Rental income	4,290	4,300
Cash dividends	483,064	789,203
Realized investment income - bonds	1,587	10,374
Realized investment income - shares	562	51,624
Realized investment income - mutual funds	4,946	1,718
Income apportion from beneficiary certificates	7,693	7,250
Cash dividends from capital surplus	245	836
Other income	<u>343,244</u>	<u>313,981</u>
Total trust income	<u>898,807</u>	<u>1,238,772</u>
Trust expenses		
Administrative expenses	37,578	28,435
Inspection expenses	1,985	2,185
Tax expenses	5,136	5,214
Health insurance fees	2,523	2,475
Custody fees	1	5
Realized investment loss - bonds	-	14
Realized investment loss - shares	70	-
Realized investment loss - mutual funds	9,638	12,219
Income tax expenses	234	333
Other expenses	<u>19,083</u>	<u>14,461</u>
Total trust expenses	<u>76,248</u>	<u>65,341</u>
Net income	<u>\$ 822,559</u>	<u>\$ 1,173,431</u>



55. PUBLIC ANNOUNCEMENTS PRESCRIBED IN ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT: TABLE 18.

56. COLLABORATIVE MARKETING

HNCB, HNSC, SCIC, HNIT, HNVC, HNAME and HNFC signed an agreement and the term of the agreement was from January 2021 to December 2021 (based on agreement regulation 9, the term stated that the agreement would extend a year automatically). The scope of the collaboration includes sharing their workplace, human resource and business information. The calculation of related proportionate expense and remuneration was based on “The Instruction of the Distribution pm Collaboration Marketing Fees Between HNFHC’s Subsidiaries” and “The Instruction of the Distribution on Commission Service Expense and Related Fees”.

In addition, HNCB also signed into a commission agreement with SCIC in March 2005. The calculation of related commission and remuneration was stated in the agreements.

Accordingly, for the years ended December 31, 2021 and 2020, HNCB paid HNSC and its subsidiaries \$180,131, \$146,550; HNSC and its subsidiaries paid HNCB \$116,070, \$44,695 for business promotion and infrastructures sharing. For the years ended December 31, 2021 and 2020, SCIC paid HNCB \$100,275, \$85,079; HNCB paid SCIC \$273, \$177 for the remuneration. For the years ended December 31, 2021 and 2020, HNIT paid HNCB \$8,384, \$9,497; HNCB paid HNIT \$0, \$181 for the remuneration. For the years ended December 31, 2021 and 2020, HNVC paid HNCB \$229, \$269 for the remuneration. For the years ended December 31, 2021 and 2020, HNAME paid HNCB \$2,863, \$340 for the remuneration.

57. SEGMENT INFORMATION

	For the Year Ended December 31, 2021				
	Bank Division	Securities Division	Insurance Division	Other Divisions	Consolidation
Net interest income (loss)	\$ 27,434,642	\$ 680,673	\$ 135,421	\$(250,369)	\$ 28,000,367
Net non-interest income	13,577,160	5,731,636	3,403,932	359,443	23,072,171
Net income	41,011,802	6,412,309	3,539,353	109,074	51,072,538
Allowance for doubtful accounts, commitments and guarantees	(2,679,142)	(57,410)	(9,749)	(3,400)	(2,749,701)
Change in provisions for insurance liabilities, net	-	-	(692,380)	-	(692,380)
Operating expenses	(22,214,045)	(3,323,401)	(1,738,653)	(817,631)	(28,093,730)
Net profit (loss) before income tax from continuing operations	16,118,615	3,031,498	1,098,571	(711,957)	19,536,727
Income tax expenses	(1,582,507)	(582,230)	(145,674)	(19,995)	(2,330,406)
Net profit (loss) from continuing operations	\$ 14,536,108	\$ 2,449,268	\$ 952,897	\$(731,952)	\$ 17,206,321

	For the Year Ended December 31, 2020				
	Bank Division	Securities Division	Insurance Division	Other Divisions	Consolidation
Net interest income (loss)	\$ 24,418,904	\$ 363,265	\$ 144,335	\$(283,965)	\$ 24,642,539
Other non-interest income, (loss)	13,114,770	(1,186,226)	2,889,485	503,956	15,321,985
Net income (loss)	37,533,674	(822,961)	3,033,820	219,991	39,964,524
Allowance for doubtful accounts, commitments and guarantees	(2,021,257)	(15,623)	1,605	(26,448)	(2,061,723)
Change in provisions for insurance liabilities, net	-	-	(911,675)	-	(911,675)
Operating expenses	(21,046,826)	(2,544,350)	(1,526,702)	(683,443)	(25,801,321)
Net profit (loss) before income tax from continuing operations	14,465,591	(3,382,934)	597,048	(489,900)	11,189,805
Income tax (expense) revenue	(2,024,465)	(349,648)	(75,654)	(86,555)	(2,536,322)
Net profit (loss) from continuing operations	\$ 12,441,126	\$(3,732,582)	\$ 521,394	\$(576,455)	\$ 8,653,483

58. FINANCIAL STATEMENTS OF HUA NAN FINANCIAL HOLDINGS CO., LTD.

Hua Nan Financial Holdings Co., Ltd.

Balance Sheets

December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Assets		
Cash and cash equivalents	\$ 404,115	\$ 285,517
Financial assets at fair value through other comprehensive income		
Receivables, net	1,237,466	836,957
Current tax assets	135,839	135,837
Investments accounted for using equity method, net	2,187,086	1,930,416
Property and equipment, net	231,243,218	219,575,026
Right-of-use assets	12,148	24,328
Intangible assets, net	126,838	175,728
Deferred tax assets	6,632	7,626
Other assets, net	2,808	2,808
	<u>200</u>	<u>-</u>
Total	<u>\$ 235,356,350</u>	<u>\$ 222,974,243</u>
Liabilities		
Commercial paper payable, net	\$ 13,092,214	\$ 12,894,905
Payables	2,430,090	1,762,313
Current tax liabilities	1,951,598	1,694,584
Bonds payable	16,991,382	16,988,999
Provision	58,242	55,260
Lease liabilities	127,426	175,740
Other liabilities	<u>677</u>	<u>280</u>
Total liabilities	<u>34,651,629</u>	<u>33,572,081</u>
Equity		
Share capital		
Ordinary shares	<u>131,941,450</u>	<u>128,547,788</u>
Capital surplus	<u>17,758,986</u>	<u>17,758,986</u>
Retained earnings		
Legal reserve	18,593,434	17,837,809
Special reserve	6,471,594	6,471,594
Unappropriated earnings	<u>19,658,539</u>	<u>9,340,889</u>
Total retained earnings	<u>44,723,567</u>	<u>33,650,292</u>
Other equity		
Exchange differences on translating the financial statements of foreign operations	(3,691,240)	(3,060,523)
Gain or loss on equity instruments at fair value through other comprehensive income	12,337,960	9,785,036
Gain or loss on debt instruments at fair value through other comprehensive income	(2,676,360)	2,531,748
Reclassified other comprehensive income on application of overlay approach	<u>310,358</u>	<u>188,835</u>
Total other equity	<u>6,280,718</u>	<u>9,445,096</u>
Total equity	<u>200,704,721</u>	<u>189,402,162</u>
Total	<u>\$ 235,356,350</u>	<u>\$ 222,974,243</u>

Hua Nan Financial Holdings Co., Ltd.
Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

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

	2021	2020
REVENUES		
Interest revenue	\$ 2,026	\$ 5,201
Share of profit of subsidiaries and associates	17,977,023	9,318,703
Other non-interest income, net	<u>32,583</u>	<u>57,001</u>
Total revenues	<u>18,011,632</u>	<u>9,380,905</u>
OPERATING EXPENSES AND LOSSES		
Interest expenses	(232,043)	(266,328)
Employee benefits	(397,661)	(271,862)
Depreciation and amortization expenses	(73,904)	(73,237)
Other operating expenses	<u>(101,825)</u>	<u>(116,241)</u>
Total operating expenses and losses	<u>(805,433)</u>	<u>(727,668)</u>
NET PROFIT BEFORE INCOME TAX	17,206,199	8,653,237
INCOME TAX BENEFIT	<u>-</u>	<u>116</u>
NET PROFIT FOR THE YEAR	<u>17,206,199</u>	<u>8,653,353</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	(2,174)	(1,680)
Share of other comprehensive income or loss of subsidiaries and associates accounted for using the equity method	2,784,595	(748,682)
Gain or loss on equity instruments at fair value through other comprehensive income	400,509	75,503
Income tax of items that will not be reclassified subsequently to profit or loss	37,248	70,980
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income or loss of subsidiaries and associates accounted for using the equity method	(5,752,647)	(511,880)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>35,345</u>	<u>(13,555)</u>
Total other comprehensive loss for the year	<u>(2,497,124)</u>	<u>(1,129,314)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 14,709,075</u>	<u>\$ 7,524,039</u>
EARNINGS PER SHARE		
Basic and diluted	<u>\$ 1.30</u>	<u>\$ 0.66</u>

HUA NAN FINANCIAL HOLDINGS CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Share Capital	Capital Surplus					Retained Earnings	
	Capital Stock	Share Premium	Treasury Stock	Donated Assets	Others	Total	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2020	\$ 121,727,402	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 16,322,174	\$ 6,471,594
Appropriation of 2019 earnings								
Legal reserve	-	-	-	-	-	-	1,515,635	-
Cash dividends	-	-	-	-	-	-	-	-
Stock dividends	6,820,386	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	128,547,788	17,702,376	52,349	2,936	1,325	17,758,986	17,837,809	6,471,594
Appropriation of 2020 earnings								
Legal reserve	-	-	-	-	-	-	755,625	-
Cash dividends	-	-	-	-	-	-	-	-
Stock dividends	3,393,662	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 131,941,450</u>	<u>\$ 17,702,376</u>	<u>\$ 52,349</u>	<u>\$ 2,936</u>	<u>\$ 1,325</u>	<u>\$ 17,758,986</u>	<u>\$ 18,593,434</u>	<u>\$ 6,471,594</u>

(In Thousands of New Taiwan Dollars)

Retained Earnings		Other Equity				
Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Gain or Loss on Investment in Equity Instruments Measured at Fair Value Through Other Comprehensive Income	Gain or Loss on Investments in Debt Instruments Measured at Fair Value Through Other Comprehensive Income	Gain or Loss on Other Comprehensive Income Due to the Adoption of Overlay Approach	Total
\$ 16,941,042	\$ 39,734,810	\$(1,304,234)	\$ 9,291,816	\$ 1,351,567	\$ 138,162	\$ 188,698,509
(1,515,635)	-	-	-	-	-	-
(6,820,386)	(6,820,386)	-	-	-	-	(6,820,386)
(6,820,386)	(6,820,386)	-	-	-	-	-
8,653,353	8,653,353	-	-	-	-	8,653,353
(285,601)	(285,601)	(1,756,289)	(318,278)	1,180,181	50,673	(1,129,314)
8,367,752	8,367,752	(1,756,289)	(318,278)	1,180,181	50,673	7,524,039
(811,498)	(811,498)	-	811,498	-	-	-
9,340,889	33,650,292	(3,060,523)	9,785,036	2,531,748	188,835	189,402,162
(755,625)	-	-	-	-	-	-
(3,406,516)	(3,406,516)	-	-	-	-	(3,406,516)
(3,393,662)	(3,393,662)	-	-	-	-	-
17,206,199	17,206,199	-	-	-	-	17,206,199
(151,168)	(151,168)	(630,717)	3,371,346	(5,208,108)	121,523	(2,497,124)
17,055,031	17,055,031	(630,717)	3,371,346	(5,208,108)	121,523	14,709,075
818,422	818,422	-	(818,422)	-	-	-
\$ 19,658,539	\$ 44,723,567	\$(3,691,240)	\$ 12,337,960	\$(2,676,360)	\$ 310,358	\$ 200,704,721

Hua Nan Financial Holdings Co., Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 17,206,199	\$ 8,653,237
Adjustments for		
Depreciation expenses	72,107	72,538
Amortization expenses	1,797	699
Interest expenses	232,043	266,328
Interest income	(2,026)	(5,201)
Dividend income	(37,614)	(60,785)
Share of profit of subsidiaries and associates accounted for using the equity method	(17,977,023)	(9,318,703)
Gain on change in leasing contracts	-	(39)
Changes in operating assets and liabilities		
(Increase) decrease in receivables	(2)	80,168
Increase (decrease) in payables	658,314	(3,416)
Increase in provisions	808	3,326
Interest received	2,026	5,206
Dividend received	3,450,986	8,228,106
Interest paid	(232,351)	(289,341)
Income tax paid	(275)	(26,886)
Net cash generated from operating activities	<u>3,374,989</u>	<u>7,605,237</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments accounted for using equity method	-	(45,000)
Acquisition of property and equipment	(178)	(1,226)
Acquisition of intangible assets	(803)	(6,603)
Increase in other assets	(200)	-
Net cash used in investing activities	<u>(1,181)</u>	<u>(52,829)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payables	200,000	(800,000)
Proceeds from corporate debentures	-	5,000,000
Repayments of corporate debentures	-	(4,900,000)
Repayment of the principal portion of lease liabilities	(59,173)	(60,457)
Increase in other liabilities	397	-
Cash dividends paid	(3,396,434)	(6,806,523)
Net cash used in financing activities	<u>(3,255,210)</u>	<u>(7,566,980)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	118,598	(14,572)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>285,517</u>	<u>300,089</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 404,115</u>	<u>\$ 285,517</u>



59. SUBSIDIARIES' CONDENSED FINANCIAL STATEMENTS

a. Condensed balance sheets

Hua Nan Commercial Bank, Ltd.

Condensed Balance Sheets

December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Assets	2021	2020
Cash and cash equivalents	\$ 40,542,796	\$ 35,710,706
Due from the Central Bank and other banks	237,798,118	223,421,083
Financial assets at fair value through profit or loss	104,109,134	43,479,811
Financial assets at fair value through other comprehensive income	308,304,542	226,989,124
Investments in debt instruments at amortized, net	608,009,075	612,329,623
Securities purchase under resell agreements	1,650,000	350,000
Receivables, net	23,066,723	21,320,655
Current tax assets	91,163	318,702
Discounts and loans, net	1,985,717,277	1,784,391,999
Investments accounted for using equity method, net	1,532,951	1,506,134
Other financial assets, net	12,112,451	28,933,825
Property and equipment, net	29,274,257	29,014,511
Right-of-use assets, net	1,723,866	1,811,426
Investment properties, net	8,930,337	8,518,236
Intangible assets, net	658,980	645,355
Deferred tax assets	3,049,021	2,927,976
Other assets, net	2,024,256	3,391,339
Total	\$ 3,368,594,947	\$ 3,025,060,505

Liabilities	2021	2020
Deposits from the Central Bank and banks	\$ 121,391,552	\$ 120,918,211
Funds borrowed from Central Bank and other banks	34,478,600	19,091,190
Financial liabilities at fair value through profit or loss	3,418,355	7,301,634
Securities sold under repurchase agreements	14,303,414	32,766,131
Payables	17,564,780	15,681,580
Current tax liabilities	1,765,715	2,153,901
Deposits and remittances	2,846,625,813	2,529,102,097
Bank debentures	48,400,000	41,200,000
Other financial liabilities	51,775,053	35,937,302
Provisions	7,690,094	8,586,425
Lease liabilities	1,695,324	1,776,507
Deferred tax liabilities	6,011,414	6,011,414
Other liabilities	2,994,700	2,542,832
Total liabilities	3,158,114,814	2,823,069,224
Equity		
Share capital		
Common shares	90,767,000	85,915,000
Capital surplus	37,762,777	37,762,777
Retained earnings		
Legal reserve	55,217,243	51,760,024
Special reserve	6,448,714	6,470,072
Unappropriated earnings	15,463,514	11,660,188
Total retained earnings	77,129,471	69,890,284
Other equity		
Exchange differences on translating the financial statements of foreign operations	(3,591,840)	(2,972,236)
Gain or loss on equity instruments at fair value through other comprehensive income	11,105,314	9,125,788
Gain or loss on debt instruments at fair value through other comprehensive income	(2,692,589)	2,269,668
Total other equity	4,820,885	8,423,220
Total equity	210,480,133	201,991,281
Total	\$ 3,368,594,947	\$ 3,025,060,505

Hua Nan Securities Co., Ltd.
Condensed Balance Sheets
December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Assets	2021	2020
Current assets	\$ 61,205,215	\$ 42,419,617
Investments	1,452,383	1,619,298
Right-of-use assets, net	161,979	113,372
Property and equipment, net	1,467,338	1,511,177
Intangible assets	183,302	186,320
Other assets, net	<u>1,214,820</u>	<u>1,296,917</u>
Total	<u>\$ 65,685,037</u>	<u>\$ 47,146,701</u>

Liabilities	2021	2020
Current liabilities	\$ 51,318,109	\$ 35,315,423
Non-current liabilities	<u>3,254,881</u>	<u>3,203,604</u>
Total liabilities	<u>54,572,990</u>	<u>38,519,027</u>
Equity		
Share capital	6,547,743	6,547,743
Capital surplus	503,998	503,998
Retained earnings	3,510,848	1,075,983
Other equity	<u>549,458</u>	<u>499,950</u>
Total equity	<u>11,112,047</u>	<u>8,627,674</u>
Total	<u>\$ 65,685,037</u>	<u>\$ 47,146,701</u>

South China Insurance Co., Ltd.
Condensed Balance Sheets
December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Assets	2021	2020
Cash and cash equivalents	\$ 3,020,867	\$ 2,667,415
Receivables, net	602,633	301,706
Investments	12,962,763	12,279,557
Reinsurance contracts assets, net	5,381,961	5,648,093
Property and equipment, net	861,259	859,653
Right-of-use assets, net	70,651	63,451
Intangible assets	47,474	41,908
Deferred tax assets	133,649	143,332
Other assets, net	<u>469,757</u>	<u>427,358</u>
Total	<u>\$ 23,551,014</u>	<u>\$ 22,432,473</u>

Liabilities	2021	2020
Payables	\$ 1,170,124	\$ 1,013,257
Current tax liabilities	128,686	117,274
Financial liabilities at fair value through profit or loss	-	153,959
Reserves of insurance industry	14,580,613	14,506,499
Provisions	278,580	321,469
Lease liabilities	71,013	63,726
Deferred tax liabilities	89,048	115,302
Other liabilities	<u>400,740</u>	<u>61,604</u>
Total liabilities	<u>16,718,804</u>	<u>16,353,090</u>
Equity		
Share capital	2,001,386	2,001,386
Capital surplus	5,278	5,278
Retained earnings	4,502,620	3,734,587
Other equity	<u>322,926</u>	<u>338,132</u>
Total equity	<u>6,832,210</u>	<u>6,079,383</u>
Total	<u>\$ 23,551,014</u>	<u>\$ 22,432,473</u>

Hua Nan Investment Trust Corp.
Condensed Balance Sheets
December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Assets	2021	2020
Current assets	\$ 49,618	\$ 53,282
Investments	79,977	74,015
Property and equipment	113,882	116,329
Intangible assets	2,876	7,961
Other assets	<u>605,870</u>	<u>609,125</u>
Total	<u>\$ 852,223</u>	<u>\$ 860,712</u>

Liabilities	2021	2020
Current liabilities	\$ 475,036	\$ 482,482
Non-current liabilities	<u>41</u>	<u>320</u>
Total liabilities	<u>475,077</u>	<u>482,802</u>
Equity		
Share capital	308,399	308,399
Capital surplus	3,112	3,113
(Accumulated deficits) retained earnings	(4,908)	1,817
Other equity	<u>70,543</u>	<u>64,581</u>
Total equity	<u>377,146</u>	<u>377,910</u>
Total	<u>\$ 852,223</u>	<u>\$ 860,712</u>

Hua Nan Venture Capital Co., Ltd.
Condensed Balance Sheets
December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Assets	2021	2020
Current assets	\$ 185,482	\$ 373,158
Non-current assets	<u>1,540,545</u>	<u>1,325,573</u>
Total	<u>\$ 1,726,027</u>	<u>\$ 1,698,731</u>

Liabilities	2021	2020
Current liabilities	\$ 6,630	\$ 5,364
Non-current liabilities	<u>6,155</u>	<u>5,773</u>
Total liabilities	<u>12,785</u>	<u>11,137</u>
Equity		
Share capital	2,000,000	2,000,000
Accumulated deficits	(286,758)	(312,406)
Total equity	<u>1,713,242</u>	<u>1,687,594</u>
Total	<u>\$ 1,726,027</u>	<u>\$ 1,698,731</u>

Hua Nan Assets Management Co., Ltd.

Condensed Balance Sheets

December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Assets	2021	2020
Current assets	\$ 728,841	\$ 173,823
Property and equipment, net	37,917	48,599
Intangible assets	707	994
Other assets	<u>4,276,876</u>	<u>4,050,756</u>
Total	<u>\$ 5,044,341</u>	<u>\$ 4,274,172</u>

Liabilities	2021	2020
Current liabilities	\$ 2,896,015	\$ 2,135,856
Long-term liabilities	600,000	872,500
Other liabilities	<u>166,352</u>	<u>177,737</u>
Total liabilities	<u>3,662,367</u>	<u>3,186,093</u>
Equity		
Share capital	1,000,000	1,000,000
Capital surplus	892	892
Retained earnings	395,208	98,498
Other equity	(14,126)	(11,311)
Total equity	<u>1,381,974</u>	<u>1,088,079</u>
Total	<u>\$ 5,044,341</u>	<u>\$ 4,274,172</u>

b. Condensed statements of comprehensive income

Hua Nan Commercial Bank, Ltd.

Condensed Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

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

	2021	2020
Net interest revenue	\$ 27,347,089	\$ 24,326,405
Net non-interest income, net	13,911,815	13,360,215
Total net revenue	41,258,904	37,686,620
Allowance for doubtful accounts, commitments and guarantees	(2,689,338)	(2,021,439)
Operating expenses	(22,400,792)	(21,189,854)
Net profit before income tax	16,168,774	14,475,327
Income tax expense	(1,574,904)	(2,014,173)
Net profit for the year	14,593,870	12,461,154
Other comprehensive loss	(2,868,815)	(1,005,162)
Total comprehensive income for the year	\$ 11,725,055	\$ 11,455,992
Earnings per share	\$ 1.61	\$ 1.37

Hua Nan Securities Co., Ltd.

Condensed Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

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

	2021	2020
Revenue	\$ 6,506,082	\$(849,060)
Expenses	(3,706,117)	(2,697,596)
Non-operating income	295,471	252,034
Net profit (loss) before income tax	3,095,436	(3,294,622)
Income tax expense	(571,020)	(337,598)
Net profit (loss) for the year	2,524,416	(3,632,220)
Other comprehensive income (loss)	(40,043)	(292,707)
Total comprehensive income (loss) for the year	\$ 2,484,373	\$(3,924,927)
Earnings (loss) per share	\$ 3.86	\$(5.57)

HNSC's deficit was mainly caused by the loss of warrants when the stock market fell rapidly for the year ended December 31, 2020.

South China Insurance Co., Ltd.
Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

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

	2021	2020
Operating revenue	\$ 9,072,644	\$ 8,108,574
Operating costs	(6,171,906)	(5,950,236)
Operating expenses	(1,846,793)	(1,612,352)
Net operating income	1,053,945	545,986
Non-operating revenue and expenses	(7,920)	11,296
Net profit before income tax	1,046,025	557,282
Income tax expenses	(145,674)	(75,654)
Net profit for the year	900,351	481,628
Other comprehensive income	9,512	92,101
Total comprehensive income for the year	<u>\$ 909,863</u>	<u>\$ 573,729</u>
Earnings per share	<u>\$ 4.50</u>	<u>\$ 2.41</u>

Hua Nan Investment Trust Corp.
Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

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

	2021	2020
Operating revenue	\$ 117,477	\$ 128,857
Operating expenses	(122,841)	(138,022)
Net operating income	(5,364)	(9,165)
Non-operating revenue and expenses	(1,626)	(25,702)
Net loss before income tax	(6,990)	(34,867)
Income tax expenses	(20)	(100,904)
Net loss for the year	(7,010)	(135,771)
Other comprehensive income	6,247	6,265
Total comprehensive loss for the year	<u>\$(763)</u>	<u>\$(129,506)</u>
Loss per share	<u>\$(0.23)</u>	<u>\$(4.40)</u>



Hua Nan Venture Capital Co., Ltd.
Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

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

	2021	2020
Revenue	\$ 106,674	\$ 308,839
Expenses and expenditures	(81,098)	(203,405)
Net profit before income tax	25,576	105,434
Income tax (expense) benefit	(12)	16,156
Net profit for the year	25,564	121,590
Other comprehensive income (loss)	84	(270)
Total comprehensive income for the year	<u>\$ 25,648</u>	<u>\$ 121,320</u>
Earnings per share	<u>\$ 0.13</u>	<u>\$ 0.61</u>

Hua Nan Assets Management Co., Ltd.
Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

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

	2021	2020
Operating revenue	\$ 578,051	\$ 192,888
Operating expenses	(220,990)	(146,131)
Net operating income	357,061	46,757
Non-operating revenue and expenses	(20,625)	(22,324)
Net profit before income tax	336,436	24,433
Income tax expense	(19,963)	(1,923)
Net profit for the year	316,473	22,510
Other comprehensive loss	(2,445)	(3,362)
Total comprehensive income for the year	<u>\$ 314,028</u>	<u>\$ 19,148</u>
Earnings per share	<u>\$ 3.16</u>	<u>\$ 0.23</u>

60. SUBSIDIARIES' PROFITABILITY, ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, ANALYSIS OF DUE DATES OF ASSETS AND LIABILITIES AND INTEREST RATE SENSITIVITY INFORMATION

a. Profitability

1) Hua Nan Financial Holdings Co., Ltd.

Unit: %

Items		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	7.51	3.89
	After income tax	7.51	3.89
Return on equity	Before income tax	8.82	4.58
	After income tax	8.82	4.58
Profit margin		96.78	94.94

2) Hua Nan Financial Holdings Co., Ltd. and its subsidiaries

Unit: %

Items		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	0.60	0.38
	After income tax	0.52	0.30
Return on equity	Before income tax	10.02	5.92
	After income tax	8.82	4.58
Profit margin		33.69	21.65

3) Hua Nan Commercial Bank, Ltd.

Unit: %

Items		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	0.51	0.51
	After income tax	0.46	0.44
Return on equity	Before income tax	7.84	7.24
	After income tax	7.08	6.24
Profit margin		35.37	33.07

4) Hua Nan Securities Co., Ltd.

Unit: %

Items		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	5.49	(7.16)
	After income tax	4.47	(7.89)
Return on equity	Before income tax	31.36	(30.33)
	After income tax	25.58	(33.44)
Profit margin		38.80	-

5) South China Insurance Co., Ltd.

Unit: %

Items		For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Return on total assets	Before income tax	4.55	2.63
	After income tax	3.92	2.27
Return on equity	Before income tax	16.20	9.27
	After income tax	13.95	8.01
Profit margin		9.92	5.94

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

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

Note 3: Profit margin = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax represented the amount accumulated from January to the year.

b. Asset quality

Hua Nan Commercial Bank, Ltd.

Items			December 31, 2021				
			Overdue Amounts (Note 1)	Total Loans	Overdue Ratio (Note 2)	Allowance For Impairment Loss	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 1,668,650	\$ 589,588,782	0.28%	\$ 7,286,704	436.68%
	Unsecured		906,834	624,969,185	0.15%	8,090,861	892.21%
Consumer banking	Mortgage (Note 4)		287,424	639,429,087	0.04%	7,816,495	2,719.50%
	Cash card		17	11,176	0.15%	8,815	51,852.94%
	Small amount of credit loans (Note 5)		110,965	25,283,472	0.44%	323,137	291.21%
	Others (Note 6)	Secured	51,574	120,278,229	0.04%	1,470,853	2,851.93%
		Unsecured	14,019	11,081,732	0.13%	136,475	973.50%
	Total			3,039,483	2,010,641,663	0.15%	25,133,340	826.90%
			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			3,894	8,711,395	0.04%	47,257	1,213.59%
Receivable factoring-without recourse (Notes 7 and 8)			-	573,189	-	7,897	-

Items			December 31, 2020				
			Overdue Amounts (Note 1)	Total Loans	Overdue Ratio (Note 2)	Allowance For Impairment Loss	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 1,279,257	\$ 543,670,622	0.24%	\$ 6,499,325	508.05%
	Unsecured		746,466	544,265,118	0.14%	6,248,782	837.12%
Consumer banking	Mortgage (Note 4)		492,425	581,626,537	0.08%	6,923,297	1,405.96%
	Cash card		-	15,778	-	12,884	-
	Small amount of credit loans (Note 5)		28,602	23,210,190	0.12%	288,130	1,007.38%
	Others (Note 6)	Secured	87,345	103,436,559	0.08%	1,231,707	1,410.16%
		Unsecured	48,156	9,391,317	0.51%	113,504	235.70%
Total			2,682,251	1,805,616,121	0.15%	21,317,629	794.77%
			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			2,213	8,534,359	0.03%	47,496	2,146.23%
Receivable factoring-without recourse (Notes 7 and 8)			-	534,252	-	7,689	-

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

Note 2: Overdue ratio = Overdue amounts/Total loans. Overdue ratio of credit cards = Overdue amounts of credit cards/Balance of accounts receivable.

Note 3: Coverage ratio for loans = Allowance amounts of loans/Overdue loans. Coverage ratio for accounts receivable of credit cards = Allowance amounts for accounts receivable of credit cards/Overdue amounts of credit cards.

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

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

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

Note 7: Pursuant to the Banking Bureau (5) Letter No. 094000494 dated July 19, 2005, the amount of receivable factoring-without recourse will be recognized as overdue amounts within three months after the factor or insurance company resolves not to compensate the loss.

Note 8: Included nonperforming loans transferred from other than loans.

c. Overdue loans and accounts receivable that are exempted from being reported as past-due items

Hua Nan Commercial Bank, Ltd

Item	December 31, 2021		December 31, 2020	
	Overdue Loans That Are Exempted from Being Reported as Past-due Items	Accounts Receivable That Are Exempted from Being Reported as Past-due Items	Overdue Loans That Are Exempted from Being Reported as Past-due Items	Accounts Receivable That Are Exempted from Being Reported as Past-due Items
Amount that are exempted from being reported after negotiations (Note 1)	\$ 2,886	\$ 2,891	\$ 4,021	\$ 4,295
Amount that are exempted from being reported according to the law of consumer liquidate (Note 2)	60,949	117,454	49,866	113,390
Total	\$ 63,835	\$ 120,345	\$ 53,887	\$ 117,685

Note 1: The disclosure of exempted NPLs and exempted overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of exempted NPLs and exempted overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940).

d. Concentration of credit extensions

Hua Nan Commercial Bank, Ltd.

Year	December 31, 2021		
Rank (Note 1)	Industry of the Corporation or Group (Note 2)	Total Amount of Credit, Endorsement or Other Transactions (Note 3)	Percentage of the Bank's Equity (%)
1	A Group of smelting and refining of iron and steel	\$ 26,653,447	12.66
2	B Group of retail sale in general merchandise stores	22,391,091	10.64
3	C Group of railway transportation	16,929,932	8.04
4	D Group of aviation transportation	15,796,435	7.50
5	E Group of real estate sale and rental	14,620,000	6.95
6	F Group of real estate development	14,442,050	6.86
7	G Group of wholesaling computers personnel equipment and software	13,271,460	6.31
8	H Group of financial leasing	10,237,020	4.86
9	I Group of private finance	9,805,305	4.66
10	J Group of real estate development	8,990,535	4.27

Year	December 31, 2020		
Rank (Note 1)	Industry of the Corporation or Group (Note 2)	Total Amount of Credit, Endorsement or Other Transactions (Note 3)	Percentage of the Bank's Equity (%)
1	A Group of aviation transportation	\$ 22,846,701	11.31
2	B Group of retail sale in general merchandise stores	22,423,601	11.10
3	C Group of railway transportation	17,889,438	8.86
4	D Group of smelting and refining of iron and steel	17,877,024	8.85
5	E Group of real estate sale and rental	14,045,000	6.95
6	F Group of real estate development	13,020,447	6.45
7	G Group of wholesaling computers personnel equipment and software	10,730,937	5.31
8	H Group of woven and fabric mills	9,224,422	4.57
9	I Group of aviation transportation	8,344,709	4.13
10	J Group of cable television	8,296,472	4.11

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the Company and its subsidiaries enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total loans balances are the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loans, secured short-term loans, margin loans receivable, medium-term unsecured loans, secured medium-term loans, unsecured long-term loans, secured long-term loans and nonperforming loans), remittance purchased, receivables factoring without recourse, acceptance receivable and guarantees.

e. Maturity analysis of assets and liabilities

Hua Nan Commercial Bank, Ltd.

Maturity Analysis of Assets and Liabilities

	December 31, 2021						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,879,865,653	\$ 304,358,985	\$ 447,336,170	\$ 241,762,795	\$ 208,745,924	\$ 251,231,768	\$ 1,426,430,011
Main capital outflow on maturity	3,653,720,943	102,377,124	180,859,530	366,284,605	373,754,045	625,050,600	2,005,395,039
Gap	\$ (773,855,290)	\$ 201,981,861	\$ 266,476,640	\$ (124,521,810)	\$ (165,008,121)	\$ (373,818,832)	\$ (578,965,028)

	December 31, 2020						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,590,878,052	\$ 330,384,079	\$ 391,836,108	\$ 188,751,406	\$ 201,774,925	\$ 232,337,274	\$ 1,245,794,260
Main capital outflow on maturity	3,299,218,362	81,384,559	185,087,657	372,740,842	384,621,958	559,124,252	1,716,259,094
Gap	\$ (708,340,310)	\$ 248,999,520	\$ 206,748,451	\$ (183,989,436)	\$ (182,847,033)	\$ (326,786,978)	\$ (470,464,834)

Note: The amounts listed above represent the funds denominated in New Taiwan dollars only (i.e., excluding foreign currency) for HNCB branches.

Maturity Analysis of Assets and Liabilities

(In Thousands of U.S. Dollars)

	December 31, 2021					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 34,570,190	\$ 11,634,092	\$ 5,585,528	\$ 3,396,365	\$ 3,762,406	\$ 10,191,799
Main capital outflow on maturity	37,966,150	12,788,193	6,504,479	4,193,726	4,486,915	9,992,837
Gap	\$ (3,395,960)	\$ (1,154,101)	\$ (918,951)	\$ (797,361)	\$ (724,509)	\$ 198,962

	December 31, 2020					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 26,593,131	\$ 7,430,775	\$ 4,972,458	\$ 3,586,536	\$ 3,139,155	\$ 7,464,207
Main capital outflow on maturity	29,676,868	7,997,414	6,962,157	3,294,093	3,389,066	8,034,138
Gap	\$ (3,083,737)	\$ (566,639)	\$ (1,989,699)	\$ 292,443	\$ (249,911)	\$ (569,931)

f. Interest rate sensitivity information

Hua Nan Commercial Bank, Ltd.

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2021

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 2,157,484,462	\$ 70,745,176	\$ 189,298,648	\$ 269,193,350	\$ 2,686,721,636
Interest-sensitive liabilities	2,128,656,626	159,135,472	186,037,159	117,237,482	2,591,066,739
Interest-sensitive gap	28,827,836	(88,390,296)	3,261,489	151,955,868	95,654,897
Net assets					181,477,769
Ratio of interest-sensitive assets to liabilities (%)					103.69%
Ratio of interest-sensitive gap to net assets (%)					52.71%

December 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 1,914,386,186	\$ 80,116,828	\$ 160,655,469	\$ 215,818,900	\$ 2,370,977,383
Interest-sensitive liabilities	1,891,602,598	176,019,695	164,897,692	71,882,462	2,304,402,447
Interest-sensitive gap	22,783,588	(95,902,867)	(4,242,223)	143,936,438	66,574,936
Net assets					175,624,039
Ratio of interest-sensitive assets to liabilities (%)					102.89%
Ratio of interest-sensitive gap to net assets (%)					37.91%

Note 1: The above amounts include only New Taiwan dollars held by head office and domestic branches of the HNCB and exclude contingent assets and contingent liabilities.

Note 2: Interest sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities whose revenues or costs are affected by interest rate changes.

Note 3: Interest sensitivity gap = Interest sensitive assets - Interest sensitive liabilities.

Note 4: Ratio of interest sensitive assets to liabilities = Interest sensitive assets/Interest sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (USD)

December 31, 2021

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 22,062,451	\$ 3,158,724	\$ 3,101,437	\$ 5,070,393	\$ 33,393,005
Interest-sensitive liabilities	26,838,247	2,988,528	2,430,612	147,656	32,405,043
Interest-sensitive gap	(4,775,796)	170,196	670,825	4,922,737	987,962
Net assets					1,205,544
Ratio of interest-sensitive assets to liabilities (%)					103.05%
Ratio of interest-sensitive gap to net assets (%)					81.95%

December 31, 2020

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest-sensitive assets	\$ 16,916,774	\$ 3,308,946	\$ 2,356,617	\$ 2,161,418	\$ 24,743,755
Interest-sensitive liabilities	20,091,122	2,356,695	1,831,535	2,208	24,281,560
Interest-sensitive gap	(3,174,348)	952,251	525,082	2,159,210	462,195
Net assets					1,106,918
Ratio of interest-sensitive assets to liabilities (%)					101.90%
Ratio of interest-sensitive gap to net assets (%)					41.76%

Note 1: The above amounts include only USD held by head office, domestic branches, OBU and overseas branches of the HNCB and exclude contingent assets and contingent liabilities.

Note 2: Interest sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities whose revenues or costs are affected by interest rate changes.

Note 3: Interest sensitivity gap = Interest sensitive assets - Interest sensitive liabilities.

Note 4: Ratio of interest sensitive assets to liabilities = Interest sensitive assets/Interest sensitive liabilities (in U.S. dollars)



61. OTHERS

As of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries evaluated the economic impact caused by COVID-19, and conclude that it was affected to a considerable extent but still under the Company and its subsidiaries' sustainable range. The Company and its subsidiaries will continuously observe the situation of COVID-19, and evaluate its impact.

The COVID-19 caused huge fluctuations in the domestic stock market, which increased the risk of warrants issued by HNSC. The subsequent hedging difficulties and costs increased, resulting in the increased realized-loss of the hedging option for the year ended December 31, 2020. HNSC plans to implement financial improvements such as capital reduction for cover accumulated, issuance of common, unsecured subordinated corporate bonds. After evaluation, HNSC's going concern ability, asset impairments and fund risk did not cause any significant impact. Relevant loss amount refer to Note 38.

62. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions

- 1) Accumulated acquisition and disposal of same investee's marketable security over NT\$300 million or 10% of the issued capital: None.
- 2) Acquisition of individual real estate over NT\$300 million or 10% of the issued capital: Table 6.
- 3) Disposal of individual real estate over NT\$300 million or 10% of the issued capital: Table 7.
- 4) Allowance for service fee to related parties over NT\$5 million: Table 9.
- 5) Receivables from related parties over NT\$300 million or 10% of the issued capital: Table 15.
- 6) Sale of nonperforming loans by subsidiaries: Table 8.
- 7) Securitized instruments and related information which are approved in accordance with the Statute for financial assets securitization and the statute for real estate securitization of subsidiaries: None.
- 8) Other significant transactions which may affect decisions of the users of the financial statements: None.

b. Information on the Subsidiaries

- 1) Financing provided to others: Table 3 (Note).
- 2) Endorsement/guarantee provided: Table 4 (Note).
- 3) Acquisition and disposal of investee share over NT\$300 million or 10% of the paid in capital: None.
- 4) Marketable securities held: Table 2 (Note).
- 5) Information on subsidiaries derivative instruments transactions: Notes 51 and 52.

Note: Subsidiaries belong in finance, insurance and securities industries are exempted from disclosures.

c. The related information and proportionate share in investees: Table 1.

d. Information on investment in Mainland China: Table 12.

e. Business relationships and significant transactions between the Company and its subsidiaries: Table 16.

f. The Company's shares held by subsidiaries: None.

g. Information of major shareholders: Table 17.

63. DEPARTMENT INFORMATION

The Company and its subsidiaries' main business is to invest and administer their investee's business; therefore, adopts the information provided by subsidiaries as the references to allocate resources and evaluates performances. Each operating department's accounting policies are identical to the Note 4 "Summary of Significant Accounting Policies." The Company and its subsidiaries should report the departments as follows:

Bank department: The commercial bank business operated by HNCB.

Other operating departments: Other investments such as HNILC and its subsidiaries, HNSC and its subsidiaries, SCIC, HNIT, HNVC and HNAMEC, etc.

a. Department income and operation results

The consolidated revenue and operating results from subsidiary as follows:

	For the Year Ended December 31, 2021		
	Bank	Other Operating Departments	Total
Net interest income	\$ 27,347,089	\$ 653,278	\$ 28,000,367
Net non-interest income, net	13,911,815	9,160,356	23,072,171
Total net income	41,258,904	9,813,634	51,072,538
Allowance for doubtful accounts, commitments and guarantees	(2,689,338)	(60,363)	(2,749,701)
Change in provisions for insurance liabilities, net	-	(692,380)	(692,380)
Operating expenses	(22,400,792)	(5,692,938)	(28,093,730)
Net profit before income tax	16,168,774	3,367,953	19,536,727
Income tax expenses	(1,574,904)	(755,502)	(2,330,406)
Net profit for the year	\$ 14,593,870	\$ 2,612,451	\$ 17,206,321

	For the Year Ended December 31, 2020		
	Bank	Other Operating Departments	Total
Net interest	\$ 24,326,405	\$ 316,134	\$ 24,642,539
Other non-interest income, net	13,360,215	1,961,770	15,321,985
Total net income	37,686,620	2,277,904	39,964,524
Allowance for doubtful accounts, commitments and guarantees	(2,021,439)	(40,284)	(2,061,723)
Change in provisions for insurance liabilities, net	-	(911,675)	(911,675)
Operating expenses	(21,189,854)	(4,611,467)	(25,801,321)
Net profit (loss) before income tax	14,475,327	(3,285,522)	11,189,805
Income tax expense	(2,014,173)	(522,149)	(2,536,322)
Net profit (loss) for the year	\$ 12,461,154	\$ (3,807,671)	\$ 8,653,483

b. Geographical information

The Group's revenue from continuing operations from external customers by location of operations are detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2021	2020
Taiwan	\$ 47,960,204	\$ 37,018,923
Others	3,112,334	2,945,601
	\$ 51,072,538	\$ 39,964,524

c. Information about major customers: No other single customers contributed 10% or more to the Group's revenue for both 2021 and 2020.



TABLE 1

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investor	Investees' Names	Investees' Location	Principal Business Activities	Percentage of Ownership (%) at the End of Current Period	Carrying Amount	Investment Gain (Loss) Recognized by the Company for Current Period (Note 2)	Consolidated Investment				Note
							Shares	Pro Forma Shares	Total		
									Shares	Percentage of Ownership (%)	
Hua Nan Financial Holdings Co., Ltd.	Financial industry										
	Hua Nan Commercial Bank, Ltd.	Taipei	Banking	100.00	\$ 210,480,781	\$ 14,594,218	9,076,700,000	-	9,076,700,000	100.00	Note 1
	Hua Nan Securities Co., Ltd.	Taipei	Security	100.00	11,112,145	2,524,379	654,774,346	-	654,774,346	100.00	Note 1
	South China Insurance Co., Ltd.	Taipei	Insurance	100.00	6,832,220	900,344	200,138,625	-	200,138,625	100.00	Note 1
	Hua Nan Investment Trust Corp.	Taipei	Securities issuance and investment	100.00	377,146 (	7,010)	30,839,927	-	30,839,927	100.00	Note 1
	Hua Nan Venture Capital Co., Ltd.	Taipei	Venture capital investments	100.00	1,713,242	25,564	200,000,000	-	200,000,000	100.00	Note 1
	Hua Nan Assets Management Co., Ltd.	Taipei	Acquisition of delinquent loans, evaluation, auction, and management	100.00	727,684 (	60,472)	100,000,000	-	100,000,000	100.00	Note 1
	Taiwan Depository and Clearing Corp.	Taipei	Securities depository and clearing service	0.25	64,816	-	2,885,152	-	2,885,152	0.66	
	Non-financial industry										
	Taipei Financial Center Corp.	Taipei	Real estate development, sales and rental	2.90	1,161,776	-	42,630,000	-	42,630,000	2.90	
	Taiwan Urban Regeneration & Financial Service Co., Ltd.	Taipei	Parking garage business, residence and buildings lease construction and development, and public works construction and investment	5.00	10,874	-	10,000,000	-	10,000,000	20.00	

Note 1: Current recognition of investment gains or losses for the year ended December 31, 2021 have been audited and stated in financial statements.

Note 2: Investment gain (loss) refers to gain (loss) on investment accounted for using equity method and gain on financial assets carried at costs.

TABLE 2

HUA NAN FINANCIAL HOLDINGS CO., LTD.
MARKETABLE SECURITIES HELD BY INVESTEES
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars/U.S. Dollars)

Holding Company Name	Type and Name of Marketable Security	Relationship with Holding Company	Accounts Recorded	December 31, 2021				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
Hua Nan Investment Trust Corp.	Stocks							
	Taiwan Futures Exchange	Investee company evaluated by fair value method	FVTOCI - equity instruments	1,469,518	\$ 78,134	0.35	\$ 78,134	Note 2
	FundRich Securities Co., Ltd.	Investee company evaluated by fair value method	FVTOCI - equity instruments	171,428	1,843	0.29	1,843	Note 2
Hua Nan Venture Capital Co., Ltd.	Stocks							
	Formosa Advanced Technologies Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	445,000	17,400	0.10	17,400	Note 2
	AGON-Tech Corp.	-	Financial assets mandatorily classified as at FVTPL	429,584	438	4.17	438	Note 2
	Applied Wireless Identification Group Inc.	-	Financial assets mandatorily classified as at FVTPL	450,682	2,763	1.02	2,763	Note 2
	Groundhog Technologies Inc.	-	Financial assets mandatorily classified as at FVTPL	1,666,667	-	6.20	-	Note 2
	Dong-Wang Nano Industrial Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	107,556	-	1.08	-	Note 2
	Altea Therapeutics Corporation	-	Financial assets mandatorily classified as at FVTPL	344,827	-	1.07	-	Note 2
	Essence Technology Solution, Inc.	-	Financial assets mandatorily classified as at FVTPL	85,357	-	3.16	-	Note 2
	ProbeLeader Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	2,500,000	70,646	8.95	70,646	Note 2
	Ultra-PAK Industries Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,164,887	37,373	3.18	37,373	Note 2
	Quan-Ai Electronics Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,300,000	-	2.13	-	Note 2
	Apexcera Material Tech Corp.	-	Financial assets mandatorily classified as at FVTPL	700,000	-	3.53	-	Note 2
	Supertech Optoelectronics Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,640,000	-	7.45	-	Note 2
	Top Green Energy Technologies Inc.	-	Financial assets mandatorily classified as at FVTPL	-	-	1.47	-	Note 2
	Rheonix, Inc.	-	Financial assets mandatorily classified as at FVTPL	1,031,177	-	2.04	-	Note 2
	Chin-Shi Electronic Materials, Ltd.	-	Financial assets mandatorily classified as at FVTPL	2,772,000	53,979	8.87	53,979	Note 2
	Tera Xtal Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	1,276,250	-	0.67	-	Note 2
	StemCytte	-	Financial assets mandatorily classified as at FVTPL	1,500,000	18,870	1.11	18,870	Note 2
	EarthGen Materials Corp.	-	Financial assets mandatorily classified as at FVTPL	1,500,000	-	8.33	-	Note 2
	Fitilink Integrated Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	1,596,500	-	5.47	-	Note 2
	eTurbotouch Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	-	-	3.33	-	Note 2
	Hsu Tzu Electronic Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	-	-	0.00	-	Note 2
	Voltafield Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	1,445,111	3,803	4.01	3,803	Note 2
	OTO Photonics Inc.	-	Financial assets mandatorily classified as at FVTPL	1,578,000	14,324	5.27	14,324	Note 2
	Apexigen, Inc.	-	Financial assets mandatorily classified as at FVTPL	1,643,614	38,228	0.93	38,228	Note 2
	Crystal Applied Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	547,662	-	0.51	-	Note 2
	Wellhead Biological Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	900,000	570	3.00	570	Note 2
	FemCo Steel Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	957,600	25,527	2.28	25,527	Note 2
	ACT Genomics Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	3,500,000	32,039	3.22	32,039	Note 2



Holding Company Name	Type and Name of Marketable Security	Relationship with Holding Company	Accounts Recorded	December 31, 2021				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
Hua Nan Venture Capital Co., Ltd.	Twoway Communications Inc.	-	Financial assets mandatorily classified as at FVTPL	968,000	14,443	1.19	14,443	Note 2
	United Biopharma Holdings Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	867,251	20,216	0.46	20,216	Note 2
	Minima technology Corp.	-	Financial assets mandatorily classified as at FVTPL	2,548,309	57,915	6.53	57,915	Note 2
	Sunnypharmetech Inc.	-	Financial assets mandatorily classified as at FVTPL	3,778,864	57,204	2.73	57,204	Note 2
	Apollo Medical Optics Inc.	-	Financial assets mandatorily classified as at FVTPL	1,666,667	5,486	5.05	5,486	Note 2
	SFI Electronics Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	2,730,000	72,475	6.20	72,475	Note 2
	NaviFUS Corp.	-	Financial assets mandatorily classified as at FVTPL	3,165,000	53,315	5.61	53,315	Note 2
	Innopharmax Inc.	-	Financial assets mandatorily classified as at FVTPL	646,000	8,193	0.74	8,193	Note 2
	Li Ling Film Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	833,000	6,356	1.39	6,356	Note 2
	SmartDisplayer Technology Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	600,000	17,729	2.41	17,729	Note 2
	Msscops Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	785,500	104,459	1.90	104,459	Note 2
	TMY Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	784,631	24,067	1.92	24,067	Note 2
	Clearmind Biomedical Inc.	-	Financial assets mandatorily classified as at FVTPL	714,285	14,859	6.10	14,859	Note 2
	Xian-Guan Mobile Technologies Inc.	-	Financial assets mandatorily classified as at FVTPL	1,266,667	84,323	4.48	84,323	Note 2
	Cayman PressPlay Inc.	-	Financial assets mandatorily classified as at FVTPL	7,083	39,717	4.75	39,717	Note 2
	ADAT Technology Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,502,121	30,042	9.17	30,042	Note 2
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,500,000	49,471	5.88	49,471	Note 2
	Winking Entertainment Ltd.	-	Financial assets mandatorily classified as at FVTPL	2,935,483	38,943	5.01	38,943	Note 2
	INA ENERGY CORPORATION	-	Financial assets mandatorily classified as at FVTPL	2,000,000	43,515	1.00	43,515	Note 2
	Lianyou Metals Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	300,000	24,000	2.08	24,000	
	ACEPODIA Inc.	-	Financial assets mandatorily classified as at FVTPL	403,225	27,885	0.33	27,885	
	Taiwan Specialty Chemicals Corporation	-	Financial assets mandatorily classified as at FVTPL	293,346	1,393	0.21	1,393	
	Digital Economy Limited Partnership	-	Financial assets mandatorily classified as at FVTPL	-	76,372	11.95	76,372	Note 2
	Taiwania Capital Buffalo II Bioventures, LP	-	Financial assets mandatorily classified as at FVTPL	-	81,574	1.53	81,574	Note 2
	Fertasia International Development Corporation	-	Investments accounted for using equity method	9,267,800	99,201	29.80	99,201	Note 2
	Chia-Ta International Development Co., Ltd.	-	Investments accounted for using equity method	8,758,134	89,719	25.56	89,719	Note 2
	Zhi Kang Venture Capital Investment Company Ltd.	-	Investments accounted for using equity method	9,800,000	96,302	49.25	96,302	
Hua Nan Futures Co., Ltd.	<u>Stocks</u> Taiwan Futures Exchange	-	Financial assets measured at cost	6,035,543	320,910	1.44	320,910	Note 2
Hua Nan Asset Management Corp.	<u>Stocks</u> Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	FVTOCI - financial assets	2,500,000	10,875	5.00	10,875	Note 2
Hua Nan Holdings Corp.	<u>Stocks</u> Hua Nan Securities (HK) Limited	Held indirect	Investments accounted for using equity method	79,975,000	US\$ 2,257	100.00	US\$ 2,257	Note 2

Note 1: Net equity was based on the latest audited financial statements.

Note 2: The market value of mutual funds was based on the net asset value as of December 31, 2021. Market value of the listed stocks was based on the closing price as of December 31, 2021. Market value of the unlisted stocks was based on valuation techniques.

TABLE 3

HUA NAN FINANCIAL HOLDINGS CO., LTD.

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Impairment Loss	Collateral Item	Value	Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
1	Hua Nan International Leasing Corporation Ltd.	Sunrise One Energy Ltd.	Other receivable	No	\$ 9,500	\$ -	\$ -	1-10	Short-term financing	\$ -	Operating use	\$ -	-	\$ -	\$ 218,702	\$ 1,458,013
		Lianhuang Co., Ltd.	Other receivable	No	39,625	-	-	1-10	Short-term financing	-	Operating use	-	-	-	218,702	1,458,013
		Megaful Co., Ltd.	Other receivable	No	110,160	110,160	67,360	1-10	Short-term financing	-	Operating use	-	Real estate	61,123	218,702	1,458,013
		Y.B. Leasing Corporation Ltd.	Other receivable	No	27,866	26,000	26,000	1-10	Short-term financing	-	Operating use	-	Real estate	52,800	218,702	1,458,013
		Xi Quan Co., Ltd.	Other receivable	No	41,078	39,899	39,899	1-10	Short-term financing	-	Operating use	-	Real estate	82,471	218,702	1,458,013
		Flagship Square Enterprise	Other receivable	No	88,100	88,100	55,100	1-10	Short-term financing	-	Operating use	-	Real estate	112,082	218,702	1,458,013
		ET Pet Co., Ltd.	Other receivable	No	90,000	84,344	84,344	1-10	Short-term financing	-	Operating use	-	-	-	218,702	1,458,013
		Hsin Chuan Construction Co., Ltd.	Other receivable	No	100,000	42,035	42,035	1-10	Short-term financing	-	Operating use	-	Stock	57,528	218,702	1,458,013
2	Hua Nan Assets Management Co., Ltd.	Teamlend Property Management Corporation	Non-accrual loans	No	82,854	-	-	1-10	Short-term financing	-	Operating use	-	Real estate	133,893	218,702	1,458,013
		Teng Yao Development Engineering Co., Ltd.	Other receivable	No	45,000	45,000	-	4-6	Business dealings	-	-	-	Real estate	119,555	207,296	1,381,974

Note 1: According to Hua Nan International Leasing Corporation Ltd.'s "Operating Procedures of Fund Lending", the credit limits of the lending which arises from business dealings cannot surpass 15% of the lender's recent audited net worth. The credit limits of the lending because of operating use without business dealings cannot surpass 15% of the lender's recent audited net worth. If operating use is of necessity, the credit limits cannot surpass 40% of the lender's recent audited net worth. If the borrowers is Hua Nan International Leasing Corporation Ltd.'s subsidiary, the credit limits cannot surpass 15% of the lender's recent audited net worth. Additionally, the lending amounts under preceding two circumstances cannot surpass 100% of the lenders' recent audited net worth.

Note 2: According to Hua Nan Assets Management Co., Ltd.'s "Operating Procedures of Fund Lending", the credit limits of the lending cannot surpass the lender's recent audited net worth. The credit limits of the lending to the same legal person cannot surpass 15% of the lender's recent audited net worth. The credit limits of the lending to the same related party cannot surpass 20% of the lender's recent audited net worth. Hua Nan Assets Management Co., Ltd.'s recent audited net worth is \$1,381,974 as of December 31, 2021.

TABLE 4

HUA NAN FINANCIAL HOLDINGS CO., LTD.

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Counterparty		Limits on Individual Endorsement/ Guarantee Amounts (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Endorsement/ Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Asset Value of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship							
1	Hua Nan International Leasing Corporation Ltd.	Hua Nan International Leasing Corporation Ltd.	Subsidiary	\$ 7,290,065	\$ 217,700	\$ 217,050	\$ -	\$ -	14.89%	\$ 13,122,117

Note 1: Transactions between parent company and subsidiaries are numbered as follows:

- Parent company: 0.
- Subsidiaries are numbered sequentially from 1.

Note 2: According to Hua Nan International Leasing Corporation Ltd.'s "Operating Procedures to Fund Endorsement and Guarantee", Hua Nan International Leasing Corporation Ltd. can only endorse or guarantee its subsidiaries. The so called subsidiaries refer to the direct investment Hua Nan International Leasing Corporation Ltd.'s or indirect investment which it holds more than 50% voting rights of the invested company. The endorsement limit to single company cannot surpass 5 times Hua Nan International Leasing Corporation Ltd.'s audited net worth. The endorsement limits to all subsidiaries cannot surpass 9 times Hua Nan International Leasing Corporation Ltd.'s audited net worth.



TABLE 5

HUA NAN FINANCIAL HOLDINGS CO., LTD.

CONSOLIDATED ENTITIES

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Main Business and Products	Percentage of Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd.	Banking	100.00	100.00	
	Hua Nan Securities Co., Ltd.	Security	100.00	100.00	
	South China Insurance Co., Ltd.	Insurance	100.00	100.00	
	Hua Nan Investment Trust Corp.	Securities issuance and investment	100.00	100.00	
	Hua Nan Venture Capital Co., Ltd.	Venture capital investments	100.00	100.00	
	Hua Nan Assets Management Co., Ltd.	Acquisition of delinquent loans, evaluation, auction, and management	100.00	100.00	
Hua Nan Commercial Bank, Ltd.	Hua Nan International Leasing Co., Ltd.	Leasing and financing	100.00	100.00	
Hua Nan International Leasing Co., Ltd.	Hua Nan International Leasing Corp.	Leasing and financing	100.00	100.00	
Hua Nan Securities Co., Ltd.	Hua Nan Investment Management Co., Ltd.	Investment consulting	99.95	99.95	
	Hua Nan Futures Co., Ltd.	Futures brokering, management and consulting	99.80	99.80	
	Hua Nan Holdings Corp.	Investment holding	100.00	100.00	
Hua Nan Holdings Corp.	Hua Nan Securities (HK) Limited	Security	100.00	100.00	

TABLE 6

HUA NAN FINANCIAL HOLDINGS CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Hua Nan Commercial Bank, Ltd.	Land and building	September 28, 2020	\$ 1,418,646	Same as contract	Hua Nan Asset Management Corp.	Both are wholly owned subsidiaries of Hua Nan Financial Holdings Co., Ltd.	-	-	-	\$ -	Appraisal report	Operating activities	None

TABLE 7

HUA NAN FINANCIAL HOLDINGS CO., LTD.
DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Acquisition	Pricing Reference	Other Terms
Hua Nan Asset Management Corp.	Land and building	May 19, 2021	February 15, 2020	\$ 326,578	\$ 400,000	Same as contract	\$ 71,877	Yannick Co., Ltd.	Neither an interested party nor a related party	Operating activities	Negotiated price	None
	Land and building	September 28, 2020	August 27, 2012	1,007,944	1,418,646	Same as contract	376,932	Hua Nan Commercial Bank, Ltd.	Both are wholly owned subsidiaries of Hua Nan Financial Holdings Co., Ltd.	Operating activities	Negotiated price	None

Note: The disposal price of \$1,418,646 deducted the output tax of \$33,770 and the carrying amount, resulting in disposal benefits of \$376,932. The benefits arising from transactions between subsidiaries were written off when preparing the consolidated statements.

TABLE 8

HUA NAN FINANCIAL HOLDINGS CO., LTD.
SALE OF NONPERFORMING LOANS
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Date	Counterparty	Contents of Debt Rights	Book Value (Note)	Sale Price	Gain or Loss on Disposal	With Agreed Conditions	Relationship
February 8, 2021	Chailease Consumer Finance Co., Ltd.	Nonguaranteed corporate banking	\$ -	\$ 1,261	\$ 1,205	None	Neither an interested party nor a related party
		Nonguaranteed corporate banking (loan syndication)	-	389	389		
		Nonguaranteed personal banking	-	1,327	1,276		
		Guaranteed personal banking	-	23	23		
August 31, 2021	Mr. or MS. Guo	Guaranteed personal banking	3,803	4,800	992	None	Neither an interested party nor a related party

Note: The book value is the balance of the original debt rights plus the fair value evaluation adjustment.

TABLE 9

HUA NAN FINANCIAL HOLDINGS CO., LTD.
Allowance for service fee to related parties over NT\$5 million
DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

Securities Firms	Name	Relationships	Amounts	Situations and Reasons	Note
Hua Nan Securities Co., Ltd.	Hua Nan Commercial Bank, Ltd.	Both are subsidiaries	\$ 9,630	-	

TABLE 10

HUA NAN FINANCIAL HOLDINGS CO., LTD.
 BUSINESSES OPERATED IN THE FOREIGN COUNTRIES OR REGIONS WITHOUT COMPETENT AUTHORITIES GOVERNING
 SECURITIES BUSINESSES
 DECEMBER 31, 2021

(In Thousands of U.S. Dollars)

Company's Name	Securities Held	Engagement in the Derivative Instruments	Capital Provided by	Revenue from Assets Management	The Major Item of Business	Litigation Event	Financial Position
Hua Nan Holdings Corp.	Table 11	-	Hua Nan Securities Co., Ltd.	\$ -	Holding company business	-	Tables 13 and 14

TABLE 11

HUA NAN FINANCIAL HOLDINGS CO., LTD.
 MARKETABLE SECURITIES HELD BY BUSINESSES OPERATED IN THE FOREIGN COUNTRIES OR REGIONS WITHOUT COMPETENT
 AUTHORITIES GOVERNING WITH NO SECURITIES AUTHORITIES
 DECEMBER 31, 2021

(In Thousands of U.S. Dollars, Except Shares/Units)

Investor	Security	Relationship with the Holder	Accounts Recorded	End of Period				Note
				Shares	Carrying Value	%	Market Value	
Hua Nan Holdings Corp.	Hua Nan Securities (HK) Limited	Indirect holding	Investments accounted for using equity method	79,975,000	US\$ 2,257	100	US\$ 2,257	Eliminated upon consolidation

TABLE 12

HUA NAN FINANCIAL HOLDINGS CO., LTD.
 INFORMATION ON INVESTMENT IN MAINLAND CHINA
 DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Investee's Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Hua Nan Commercial Bank Shenzhen Branch (Including Boan Branch)	Deposits, loans, foreign exchange	\$ 4,799,651 (US\$ 76,990) (CNY 500,000)	Direct investments	\$ 4,799,651 (Notes 1 and 6) (US\$ 76,990) (CNY 500,000)	\$ -	\$ -	\$ 4,799,651 (Notes 1 and 6) (US\$ 76,990) (CNY 500,000)	\$ 63,614 (CNY 14,713)	100	\$ 63,614 (CNY 14,713)	\$ 5,822,248 (CNY 1,341,223)	\$ -
Hua Nan Commercial Bank Shanghai Branch	Deposits, loans, foreign exchange	2,442,748 (US\$ 78,500)	Direct investments	2,442,748 (Note 2) (US\$ 78,500)	-	-	2,442,748 (Note 2) (US\$ 78,500)	(16,410) (CNY 3,795)	100	(16,410) (CNY 3,795)	2,471,832 (CNY 569,415)	-
Hua Nan Commercial Bank Fuzhou Branch	Deposits, loans, foreign exchange	2,561,433 (US\$ 83,000)	Direct investments	2,561,433 (Note 5) (US\$ 83,000)	-	-	2,561,433 (Note 5) (US\$ 83,000)	25,978 (CNY 6,008)	100	25,978 (CNY 6,008)	2,559,955 (CNY 589,715)	-
Hua Nan International Leasing Corporation	Leasing	879,840 (US\$ 29,700)	Direct investments	879,840 (Notes 3 and 4) (US\$ 29,700)	-	-	879,840 (Notes 3 and 4) (US\$ 29,700)	24,213	100	24,213	977,827	-

Accumulated Investment in Mainland China as of December 31, 2021		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment	
\$	10,683,672	\$	10,683,672		
(US\$	268,190)	(US\$	268,190)	\$	126,288,080
(CNY	500,000)	(CNY	500,000)		

Note 1: According to the Investment Commission of the Ministry of Economic Affairs October 11, 2010 audited (Ref. No. 09900349890) approved investment amount (CNY300 million) and the Investment Commission of the Ministry of Economic Affairs March 30, 2012 audited (Ref. No. 10100014380) approved investment amount (CNY200 million), by the remittance date of announcement of the Peoples Bank of China reference exchange rates, the working capital for the establishment of registration branch is US\$76,990 thousand.

Note 2: According to the Investment Commission of the Ministry of Economic Affairs February 5, 2014 audited (Ref. No. 10300024640) approved investment amount (US\$78.50 million).

Note 3: According to the Investment Commission of the Ministry of Economic Affairs August 13, 2012 audited (Ref. No. 10100314860) approved investment amount (US\$20 million).

Note 4: According to the Investment Commission of the Ministry of Economic Affairs March 26, 2012 audited (Ref. No. 10300067600) approved investment amount (US\$9.7 million).

Note 5: Accounting to Investment Commission of Ministry of Economic Affairs April 22, 2014 audited (Ref. No. 10300056440) approved investment amount (US\$83 million).

Note 6: Accounting to Investment Commission of Ministry of Economic Affairs April 23, 2015 audited (Ref. No. 10400038880) approved investment amount (CNY500 million).

TABLE 13

HUA NAN HOLDINGS CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In U.S. Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 249,408	10	\$ 180,243	2
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	2,257,110	90	10,836,925	98
TOTAL	\$ 2,506,518	100	\$ 11,017,168	100
LIABILITIES AND EQUITY				
LIABILITIES				
Other payables	\$ 1,078	-	\$ 1,032	-
EQUITY				
Share capital	100,000	4	4,300,000	39
Unappropriated earnings	3,950,754	157	7,218,458	65
Net loss for the year	(1,464,294)	(58)	(467,703)	(4)
Exchange differences on translating the financial statements of foreign operations	(81,020)	(3)	(34,619)	-
Total equity	2,505,440	100	11,016,136	100
TOTAL	\$ 2,506,518	100	\$ 11,017,168	100



TABLE 14

HUA NAN HOLDINGS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In U.S. Dollars)

	2021		2020	
	Amount	%	Amount	%
REVENUE				
Interest revenue	\$ 122	-	\$ 17,621	4
Share of loss of subsidiaries and associates	(1,469,594)	(101)	(476,121)	(104)
Foreign exchange gain (loss)	10,553	1	(1,082)	-
Total revenue	(1,458,919)	(100)	(459,582)	(100)
EXPENSES				
Operating expenses	(5,375)	-	(8,121)	2
NET LOSS FOR THE YEAR	(1,464,294)	(100)	(467,703)	(98)
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating the financial statements of foreign operations	(46,402)	(3)	82,735	18
Unrealized gain on financial assets at fair value through other comprehensive income	-	-	2,214,918	483
Total other comprehensive income (loss)	(46,402)	(3)	2,297,653	501
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$(1,510,696)	(103)	\$ 1,829,950	399

TABLE 15

HUA NAN FINANCIAL HOLDINGS CO., LTD.
RELATED PARTY RECEIVABLES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

The Company	Counterparty	Relationship	Balances	Turnover	Related Party Receivables		Received after the Period	Allowance Amounts
					Amounts	Processing Method		
Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd.	Subsidiaries	\$ 1,253,888 (Note)	-	\$ -	-	\$ -	\$ -
	Hua Nan Securities Co., Ltd.	Subsidiaries	569,299 (Note)	-	-	-	-	-

Note: Amounts of linked tax of related party. All of them had been written off in the consolidated financial statements.

TABLE 16

HUA NAN FINANCIAL HOLDINGS CO., LTD.
BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE COMPANY AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenues or Total Consolidated Assets (Note 3)
	For the year ended December 31, 2021						
0	Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Cash and cash equivalents	\$ 404,112	Note 4	0.01
		Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Receivables	1,253,888	Note 4	0.04
		Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Lease liabilities	111,905	Note 4	-
		Hua Nan Securities Co., Ltd. and subsidiaries	a	Receivables	569,299	Note 4	0.02
		Hua Nan Investment Trust Corp.	a	Receivables	105,969	Note 4	-
		South China Insurance Co., Ltd.	a	Receivables	128,686	Note 4	-
1	Hua Nan Commercial Bank, Ltd. and subsidiaries	Hua Nan Financial Holdings Co., Ltd.	b	Payables	1,253,888	Note 4	0.04
		Hua Nan Financial Holdings Co., Ltd.	b	Deposits and remittances	404,112	Note 4	0.01
		Hua Nan Securities Co., Ltd. and subsidiaries	c	Deposits and remittances	7,653,928	Note 4	0.22
		Hua Nan Securities Co., Ltd. and subsidiaries	c	Deposits and remittances	766,007	Note 4	0.02
		South China Insurance Co., Ltd.	c	Deposits and remittances	1,255,215	Note 4	0.04
		Hua Nan Asset Management Corp.	c	Deposits and remittances	642,412	Note 4	0.02
		Hua Nan Asset Management Corp.	c	Property and equipment	1,486,100	Note 4	0.04
2	Hua Nan Securities Co., Ltd. and subsidiaries	Hua Nan Financial Holdings Co., Ltd.	b	Payables	569,299	Note 4	0.02
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other assets	7,590,520	Note 4	0.22
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other financial assets	766,007	Note 4	0.02
3	South China Insurance Co., Ltd.	Hua Nan Financial Holdings Co., Ltd.	b	Payables	128,686	Note 4	-
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Cash and cash equivalents	1,164,487	Note 4	0.03
4	Hua Nan Venture Capital Corp.	Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other financial assets	108,500	Note 4	-
5	Hua Nan Investment Trust Corp.	Hua Nan Financial Holdings Co., Ltd.	b	Payables	105,969	Note 4	-
6	Hua Nan Asset Management Corp.	Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other assets	642,412	Note 4	0.02
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other liabilities	1,007,945	Note 4	0.03
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Proceeds from disposal of investments properties	376,932	Note 4	0.74

Note 1: Transactions between parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Three types of transactions with related parties are classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and revenue or expense account is divided by the total consolidated net revenues of the same period.

Note 4: The terms for the transactions between the Company and related parties are similar to those with third parties.

Note 5: The significant transactions among the parent company and subsidiaries have been eliminated in the consolidated financial statements.



TABLE 17

HUA NAN FINANCIAL HOLDINGS CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Thousands Shares	Percentage of Ownership (%)
Bank of Taiwan Co., Ltd. (BOT)	2,801,282,059	21.23

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

TABLE 18

HUA NAN FINANCIAL HOLDINGS CO., LTD.
DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2021

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 489,852,992	263.37
National Treasury Agency	79,731,252	42.87
Taiwan Power Company	56,403,283	30.33
Federal Government of the United States	53,848,455	28.95
CPC Corporation, Taiwan	24,566,444	13.21
Tainan City Government	19,600,000	10.54
Taiwan High Speed Rail Corp.	18,507,611	9.95
New Taipei City Government	15,000,000	8.06
Grand Industrial Limited Company of Baofeng	14,620,000	7.86
Taiwan Semiconductor Manufacturing Co., Ltd.	14,295,750	7.69
Kaohsiung City Government	10,741,045	5.77
Government National Mortgage Association	10,265,310	5.52
First Financial Holdings Co., Ltd.	8,985,226	4.83
Cathy Real Estate Development Co., Ltd.	8,640,000	4.65
EVA Airways Corporation	8,612,679	4.63
Far Eastern Department Stores Co., Ltd.	8,000,000	4.30
Highwealth Construction corp.	7,458,749	4.01
China Airlines Corp.	7,317,238	3.93
Taiwan Railways Administration, MOTC	6,919,839	3.72
Kingston Technology Internation	6,913,750	3.72
Huaku Development Co., Ltd.	6,861,046	3.69
China Development Financial Holding Corporation	5,989,096	3.22
Nanzong Construction Developments, Co., Ltd.	5,905,467	3.18
Taiwan Cement Corp.	5,706,105	3.07
Fubon Financial Holding Co., Ltd. with same affiliate	5,534,707	2.98
Hotai Finance Co., Ltd.	5,494,726	2.95
Cathay Financial Holding Co., Ltd.	5,382,597	2.89
Chailase Finance	5,354,986	2.88
Wistron Corporation	5,172,467	2.78
Inventec Corp.	5,003,250	2.69
HSBC Bank (Taiwan) Co., Ltd.	4,950,480	2.66
Nankang Rubber Tire Corp., Ltd.	4,917,418	2.64
Evergreen Marine Corp. (Taiwan) Ltd.	4,697,509	2.53

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
FINA FINANCE & TRADING CO., LTD.	4,622,841	2.49
Walsin Lihwa Corporation	4,477,989	2.41
Formosa Ha Tinh Steel Corporation	4,287,963	2.31
FORMOSA HA TINH (CAYMAN) LIMITED	4,286,525	2.30
Pao Hung Construction Co., Ltd.	4,080,000	2.19
Taiwan Stock Exchange	4,010,152	2.16
Mayfull Corp.	4,001,000	2.15
Shinkong-synthetic Fibers Corporation	3,956,971	2.13
Synnex Technology International Corporation	3,904,545	2.10
Westpac Banking Corporation	3,877,454	2.08
Compal Electronics, Inc.	3,871,700	2.08
Chunghwa Telecom Co., Ltd.	3,821,926	2.05
WIN Semiconductors Corp.	3,816,100	2.05
SHEN MAO TECHNOLOGY INC.	3,801,090	2.04
Unimicron Technology Corp.	3,776,628	2.03
Far Eastern Construction Co., Ltd.	3,771,967	2.03
Powertech Technology Inc.	3,736,194	2.01
Yulon Finance Corporation	3,717,397	2.00
Federal Corporation	3,713,650	2.00
Taiwan Glass Ind. Corp.	3,650,000	1.96
FORMOSA HEAVY INDUSTRIES CORPORATION	3,601,437	1.94
GLORIA MATERIAL TECHNOLOGY CORP.	3,600,709	1.94
Yang Ming Marine Transport Corporation	3,507,134	1.89
Lien Jade Construction Co., Ltd.	3,500,000	1.88
Tong Hwei Enterprise Co., Ltd.	3,447,531	1.85
IBF Securities Co., Ltd.	3,399,754	1.83
CTCI Corporation	3,374,054	1.81
Chinese Television System Corporation	3,245,712	1.75
Taiwan Mobile Co., Ltd.	3,236,764	1.74
Commonwealth Bank of Australia	3,218,942	1.73
BANQUE FED CRED MUTUEL	3,203,859	1.72
Hon Hai Precision Industry Co., Ltd.	3,192,145	1.72
Ezplace Co., Ltd.	3,099,663	1.67
National Australia Bank Limited	3,004,315	1.62
2. With the same related person		
Mr. Shih with same related parties	18,510,165	9.95
Mr. Miao with same related parties	18,507,714	9.95
Mr. Tsai with same related parties	12,926,717	6.95
Mr. Lin with same related parties	11,112,583	5.97
Mr. Tsai with same related parties	8,685,000	4.67
Mr. Pan with same related parties	8,646,313	4.65
Mr. Zhang with same related parties	6,031,815	3.24
Mr. Tsai with same related parties	5,796,219	3.12
Mr. Tsai with same related parties	5,793,597	3.11
Mr. Tang with same related parties	5,610,924	3.02
Mr. Jhuo with same related parties	5,006,277	2.69
Mr. Zhan with same related parties	4,979,418	2.68
Mr. Liu with same related parties	4,641,330	2.50
Mr. Wu with same related parties	4,488,849	2.41
Mr. Lan with same related parties	4,028,243	2.17
Mr. Wang with same related parties	3,930,457	2.11
Mr. Chen with same related parties	3,885,376	2.09
Mr. Chen with same related parties	3,846,272	2.07
Mr. Du with same related parties	3,324,821	1.79
Mr. Deng with same related parties	3,295,709	1.77
Mr. Huang with same related parties	3,230,952	1.74
3. With the same affiliate		
Taiwan Semiconductor Manufacturing Co., Ltd. with same affiliate	16,937,338	9.11
CHALEASE HOLDING COMPANY LIMITED with same affiliate	15,370,770	8.26



Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFHC's Equity (%)
Nankang Rubber Tire Corp., Ltd. with same affiliate	14,602,004	7.85
Eva Airways Corp. with same affiliate	11,183,998	6.01
Yulon General Motors Ltd. with same affiliate	11,085,107	5.96
China Development Financial Holding Corporation with same affiliate	10,347,972	5.56
Highwealth Construction Corp. with same affiliate	9,486,107	5.10
Taiwan Cement Corp. with same affiliate	9,436,580	5.07
First Financial Holding Co., Ltd. with same affiliate	9,162,788	4.93
Far Eastern New Century Corp. with same affiliate	9,141,359	4.91
Cathy Real Estate Development Co., Ltd. with same affiliate	8,990,535	4.83
Yuanta Financial Holding Co., Ltd. with same affiliate	8,780,694	4.72
FORMOSA HA TINH (CAYMAN) LIMITED with same affiliate	8,574,488	4.61
Far Eastern Department Stores Co., Ltd. with same affiliate	8,350,496	4.49
China Airlines Corp. with same affiliate	8,166,614	4.39
Chung Hsing Land Development Co., Ltd. with same affiliate	7,448,905	4.00
Walsin Lihwa Corporation with same affiliate	7,268,408	3.91
Huaku Development with same affiliate	7,046,416	3.79
Fubon Financial Holding Co., Ltd. with same affiliate	6,997,317	3.76
HSBC Holdings PLC with same affiliate	6,543,578	3.52
CHOW TAI FOOK ENTERPRISES LIMITED with same affiliate	6,034,881	3.24
Synnex Technology International Corp. with same affiliate	5,963,845	3.21
Hotai Finance Corporation with same affiliate	5,856,476	3.15
Shinkong-Synthetic Fibers Corporation with same affiliate	5,762,514	3.10
AU Options Corp. with same affiliate	5,674,363	3.05
MACQUARIE BANK LTD with same affiliate	5,646,183	3.04
WPG Holdings Limited with same affiliate	5,637,895	3.03
Cathay Financial Holding Co., Ltd. with same affiliate	5,513,746	2.96
Inventec Corp. with same affiliate	5,497,762	2.96
Wistron Corporation with same affiliate	5,272,927	2.83
China Steel Corp. with same affiliate	4,959,374	2.67
Tong Hwei Enterprise Co., Ltd. with same affiliate	4,806,618	2.58
Powertech Technology Inc. with same affiliate	4,536,194	2.44
Wistron Corporation with same affiliate	4,445,413	2.39
Formosa Chemicals & Fibre Corp. with same affiliate	4,429,225	2.38
Compal Electronics, Inc. with same affiliate	4,380,805	2.36
YFY Inc. with same affiliate	4,359,600	2.34
NAN YA PLASTICS CORPORATION with same affiliate	4,261,127	2.29
Fong Yi Construction Co., Ltd.	4,249,010	2.28
CHENG LOONG CORPORATION with same affiliate	4,241,758	2.28
Taiwan Glass Ind. Corp. with same affiliate	4,235,733	2.28
Asia Cement Corp. with same affiliate	4,191,542	2.25
Farglory Construction Corp. with same affiliate	4,164,385	2.24
Win Semiconductors Corporation with same affiliate	4,134,132	2.22
Yieh Phui Enterprise Co., Ltd. with same affiliate	3,979,744	2.14
CHIA SHENG HSING Enterprise Co., Ltd. with same affiliate	3,800,000	2.04
Yangming Marine Transport Corp. with same affiliate	3,743,385	2.01
Federal Corp. with same affiliate	3,716,359	2.00
Linde Lienhwa Industrial Gases Co., Ltd. with same affiliate	3,707,855	1.99
China Times Inc. with same affiliate	3,699,545	1.99
Taiwan Mobile Co., Ltd with same affiliate	3,646,764	1.96
Continental Engineering Corporation with same affiliate	3,616,659	1.94
Wisdom Marine Lines Co., Limited with same affiliate	3,551,482	1.91
CTCI Corporation with same affiliate	3,479,192	1.87
ASE Technology Holding Co., Ltd. with same affiliate	3,432,857	1.85
IBF Financial Holdings Co., Ltd. with same affiliate	3,399,754	1.83
Shinhan Bank Co., Ltd. with same affiliate	3,317,215	1.78
Chang Chun Petrochemical Co. with same affiliate	3,292,293	1.77
Pan German Universal Motors Ltd. with same affiliate	3,286,146	1.77
Jpmorgan Chase with same affiliate	3,177,699	1.71
KB Kookmin Bank with same affiliate	3,139,243	1.69
Mega Financial Holding Company Ltd. with same affiliate	3,052,828	1.64
JIH SUN International Leasing & Finance Co., Ltd. with same affiliate	3,026,579	1.63
Quanta Computer Inc. with same affiliate	3,012,321	1.62

V. Disclosure of other financial status: The financial holding company and its affiliated companies have not experienced financial turnover difficulties in the most recent year and as of the date of publication of the annual report.

VII ▶ Risk Management and Analysis on Financial Status and Operating Results

I. Financial Status: Major reason and impact for material changes in assets, liabilities, and stockholders' equity in the past two years. Future responsive actions shall be described if the impact is significant

Item	Year	2021	2020	Difference	
				Amount	Ratio
CASH AND CASH EQUIVALENTS		42,752,408	37,562,976	5,189,432	14%
DUE FROM THE CENTRAL BANK AND OTHER BANKS		237,798,118	223,421,083	14,377,035	6%
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		111,925,660	50,884,829	61,040,831	120%
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		327,146,365	241,125,406	86,020,959	36%
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST, NET		609,544,831	613,905,747	(4,360,916)	-1%
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL		2,449,190	959,220	1,489,970	155%
RECEIVABLES, NET		60,275,356	51,486,371	8,788,985	17%
CURRENT TAX ASSETS		222,141	450,435	(228,294)	-51%
DISCOUNTS AND LOANS, NET		1,985,934,147	1,784,641,366	201,292,781	11%
REINSURANCE CONTRACTS ASSETS, NET		5,381,961	5,648,093	(266,132)	-5%
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET		360,138	179,552	180,586	101%
OTHER FINANCIAL ASSETS, NET		21,025,010	35,667,659	(14,642,649)	-41%
INVESTMENT PROPERTIES, NET		12,117,002	11,411,897	705,105	6%
PROPERTY AND EQUIPMENT, NET		32,390,449	31,777,373	613,076	2%
RIGHT-OF-USE ASSETS-NET		1,960,405	1,987,287	(26,882)	-1%
INTANGIBLE ASSETS, NET		942,413	933,108	9,305	1%
DEFERRED TAX ASSETS		3,571,080	3,432,040	139,040	4%
OTHER ASSETS, NET		5,157,244	5,607,796	(450,552)	-8%
TOTAL ASSETS		3,460,953,918	3,101,082,238	359,871,680	12%
DUE TO THE CENTRAL BANK AND OTHER BANKS		121,391,552	120,918,211	473,341	0%
LOANS FROM THE CENTRAL BANK AND OTHER BANKS		34,478,600	19,091,190	15,387,410	81%
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		3,427,549	7,475,164	(4,047,615)	-54%
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE		26,305,596	41,957,804	(15,652,208)	-37%
COMMERCIAL PAPER PAYABLE, NET		19,305,630	15,578,122	3,727,508	24%
PAYABLES		44,198,933	40,262,838	3,936,095	10%
CURRENT INCOME TAX LIABILITIES		2,517,810	2,617,347	(99,537)	-4%
DEPOSITS AND REMITTANCES		2,835,359,989	2,524,483,706	310,876,283	12%
BONDS PAYABLE		67,891,382	60,688,999	7,202,383	12%
OTHER BORROWINGS		2,340,340	1,490,500	849,840	57%
PROVISIONS		22,986,431	23,747,147	(760,716)	-3%
OTHER FINANCIAL LIABILITIES		56,902,334	39,388,701	17,513,633	44%
LEASE LIABILITIES		1,984,400	1,954,177	30,223	2%
DEFERRED INCOME TAX LIABILITIES		6,100,474	6,140,434	(39,960)	-1%
OTHER LIABILITIES		15,056,091	5,883,733	9,172,358	156%
TOTAL LIABILITIES		3,260,247,111	2,911,678,073	348,569,038	12%
SHARE CAPITAL		131,941,450	128,547,788	3,393,662	3%
CAPITAL RESERVE		17,758,986	17,758,986	-	0%
RETAINED EARNINGS		44,723,567	33,650,292	11,073,275	33%
OTHER EQUITY INTEREST		6,280,718	9,445,096	(3,164,378)	-34%



Item	Year	2021	2020	Difference	
				Amount	Ratio
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT		200,704,721	189,402,162	11,302,559	6%
NON-CONTROLLING INTEREST		2,086	2,003	83	4%
TOTAL EQUITY		200,706,807	189,404,165	11,302,642	6%
TOTAL LIABILITIES AND EQUITY		3,460,953,918	3,101,082,238	359,871,680	12%

1. The financial assets at fair value through profit and loss increased from the previous year, mainly because investments in bills increased from the previous year.
2. The Increase in financial assets at fair value through profit and loss from the previous year is mainly attributed to the Increase in investments in bills and bonds from the previous year.
3. The increase in reverse repurchases bills and bond investments this year from the previous year is mainly attributed to the increase in investments in government bonds.
4. The decrease in current tax assets from the previous year is mainly attributed to the decrease in current tax assets - other items from the previous year.
5. The investment using equity method - net increased year on year, mainly because Hua Nan Venture Capital acquired a 49.25% stake of Zhi-Kang Venture Capital Investment for NT\$98,000 thousand in April 2021.
6. The other financial assets - net decreased year on year this year, mainly because the time deposit that are not cash equivalents decreased from last year.
7. The funds borrowed from the Central Bank and interbank increased year on year, mainly because the other funds borrowed from the Central Bank from last year.
8. The decrease in financial liabilities at fair value through profit and loss from the previous year is mainly attributed to the decrease in financial liabilities at fair value through profit and loss from the previous year.
9. The decrease in income tax liabilities of this year is mainly attributed to the decrease in payable income tax liabilities from the previous year.
10. The commercial paper payable - net increased year on year, mainly because the commercial paper payable to SinoPac Commercial Bank increased from last year.
11. The other borrowing increased year on year, mainly because the short-term credit borrowing increased from last year.
12. The other financial liabilities increased year on year, mainly because the structured products received more principals than last year.
13. The other liabilities increased year on year, mainly because the guarantee deposit received for borrowings and receipts under custody - underwriting share payment increased from last year.
14. The retained earnings increased year on year, mainly because the net profit after tax increased from last year.
15. The other equity decreased year on year, mainly because the FVTOCI debt instrument losses increased relative to gains last year.

II. Financial performance: Significant changes in net revenue and income before tax for past two years, the main reason for the change, expected operating goals and the basis of the goals, the possible impact and responsive action on financial holding company's future financial business.

Unit: NT\$1,000

Item	Year	2021	2020	Difference	
				Amount	Ratio(%)
NET INTEREST		28,000,367	24,642,539	3,357,828	14%
NET REVENUE OTHER THAN INTEREST		23,072,171	15,321,985	7,750,186	51%
TOTAL NET REVENUE		51,072,538	39,964,524	11,108,014	28%
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES		(2,749,701)	(2,061,723)	(687,978)	-
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET		(692,380)	(911,675)	219,295	-
OPERATING EXPENSES		(28,093,730)	(25,801,321)	(2,292,409)	-
NET INCOME BEFORE TAX		19,536,727	11,189,805	8,346,922	75%
INCOME TAX BENEFITS (EXPENSES)		(2,330,406)	(2,536,322)	205,916	-
NET PROFIT AFTER TAX FOR THE YEAR		17,206,321	8,653,483	8,552,838	99%
OTHER COMPREHENSIVE INCOME (LOSS)		(2,497,076)	(1,129,275)	(1,367,801)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,709,245	7,524,208	7,185,037	95%

Analysis of Movement:

1. The increase in non-interest net revenue from the previous year is mainly attributed to the relative decrease in losses on financial assets (liabilities) at fair value through profit or loss from the previous year.
2. The increase in net income before tax and net income after tax from the previous year is mainly attributed to the increase in net income from the previous year.
3. The relative increase in losses on other comprehensive income from the gains in the previous year is mainly attributed to the relative increase in losses on equity instruments at fair value through profit or loss from the previous year.

III. Cash Flow

(I) Cashflow analysis for past two years

Unit: Percentage

	2021	2020	Percentage of Increase or Decrease
Cashflow ratio	Note 1	28.49%	-
Cashflow adequacy ratio	90,22%	Note 2	-
Cashflow Reinvestment Ratio	Note 1	1,881.47%	-

Note:

1. As the cash outflows in business activities were net cash outflows, the cash flow ratio and cash flow adequacy ratio in 2021 are not disclosed.
2. 2020 cash flow allowance ratio will not be disclosed because of the net outflow of cash flow from operating activities in the last 5 years.

(II) Cash liquidity analysis for the next year

Unit: in Thousand NT\$

Beginning cash balance	Projected Net Cash inflow from Operating Activities for the Year	Projected Net Cash inflow from Investing and Financing Activities for the Year	Projected Cash Balance or Insufficient Amount	Corrective Actions for the Projected Insufficient Balance	
				Investment Plan	Financing Plan
42,752,408	17,081,256	(3,399,243)	56,434,421	-	-

IV. Major Capital Expenditure for the Most Recent Year and Its Effect on Financial Position and Operation of the Company: None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year

(I) Investment policy for the most recent year

According to the equity investment management guidelines established by the Company, the purpose of the guidelines is to expand the economies of scale and the scope of economic activities and optimize overall synergy to increase investment efficiency.

(II) Main causes for profits or losses and improvement plans for the most recent year

In 2021, the Company generated net income after tax of NT\$17.206 billion with an EPS of NT\$1.3. Description of major subsidiaries as the follows:

1. HNCB had the net profit after tax for NT\$14.594 billion, mainly because the spreads were stabilized, and the lending volume grew, and the net interest income and service charge increased.
2. Hua Nan Securities had the net profit after tax for NT\$2.524 billion, mainly benefitted from the 88.7% grow of average daily trading volume of Taiwan equities, and thus the brokerage service fee and interest income increased.
3. South China Insurance had the net profit after tax for NT\$900 million, mainly because the financial products were regulated in the bull equity and bond markets, leading more income from the fund utilization.

(III) Investment plan for the next year

New southbound area: In response to the New Southbound Policy, the Group will closely watch the development trend and policy for foreign investment in the ASEAN countries, prudently review possibility of setting up branch offices, merge, or joint venture.



VI. Risk management

Risk management analysis in overall consolidated financial statements. Operating status for last year and up to the date of annual report:

(I) The risk management organization structure and policy for the financial holding company and its subsidiaries:

1. Hua Nan Financial Holdings

(1) The risk management organization structure of the Group

The important committees that have risk management function include Board of Directors' meeting, Asset & Liability Management Committee, and Risk Management Committee. The Board of Directors is responsible to approve the Group's risk management guidelines and Group risk policy for all kinds. The Board of Directors also decide the risk appetite. Asset & Liability Management Committee is responsible for the interest risk, liquidity risk, exchange rate risk, investment portfolio management, fund transfer pricing, and risk capital management in the Group bank book (non-trading book) and related topics. The Risk Management Committee holds important meetings for the Group's risk management. It handles market risk, credit risk, operational risk, or other risk related topics.

The Company's responsible department for risk management is Risk Management Department. The department is responsible for risk management related affairs. Five teams are under the department, which are credit risk team, market risk team, operational risk team, risk measurement team, and risk integration team. Subsidiaries set up independent risk management department or function according to business nature and practical need. The main functions of Group risk management are:

- A. Group risk integration
- B. Formulate, approve and control Group risk-related policies
- C. Set, approve and control Group risk limits
- D. Coordinate and manage risk issues across subsidiaries

(2) Risk management policy

The Company's risk management policy is to establish a standard that can be applied uniformly to all members of Hua Nan Financial Holding Group, and identify, evaluate, control, undertake, and manage risk to ensure all operating risks are controlled within acceptable range and reflect the business objectives and corporate value of the Group.



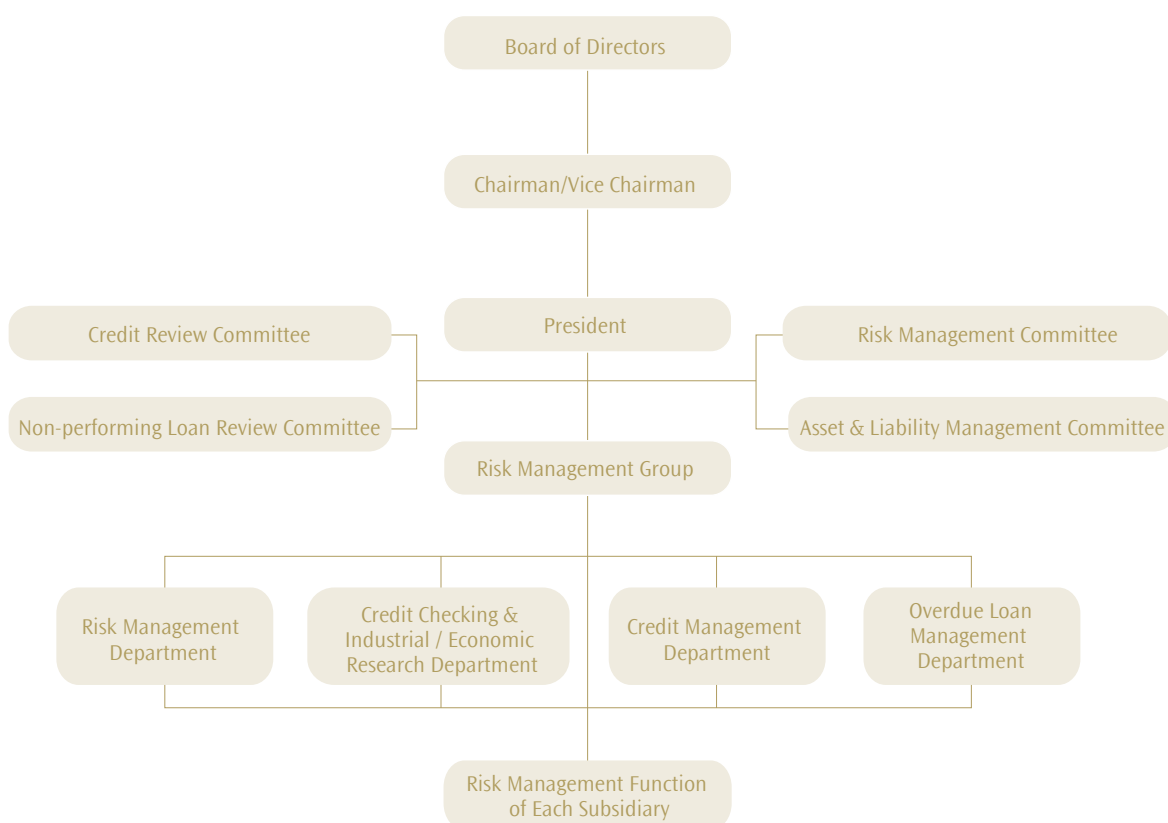
2. Hua Nan Commercial Bank

(1) Important committees under the President of Hua Nan Commercial Bank:

- A. Risk Management Committee: Centralize various risk management to plan a healthy risk management system and culture.
- B. Asset & Liability Management Committee: Execute the asset & liability management policy.
- C. Credit Review Committee: Evaluate credit risk cases in large amounts to ensure the safety of claim.
- D. Non-performing Loan Review Committee: Review the action plan on significant and complex cases and bad debt write off cases to assist cleaning of overdue loan.

(2) Hua Nan Commercial Bank has risk management group and four departments under the group. The responsibility of the departments are as follows:

- A. Risk Management Department: Responsible for the Credit Risk, Market Risk, and Operational Risk of the entire bank and asset & liability planning and management.
- B. Credit Management Department: Responsible for the review of credit risk for the entire bank and the planning and management of secondary review.
- C. The Industry and Economic Research Department of Credit Granting: Responsible for domestic and overseas financial, economic, industrial research and study, collection of general corporate credit ratings and financial analysis, and editing and publishing related publications.
- D. Claim Management Department: The management of overdue credit asset risk evaluation and categorization and collection, and cleaning of non-performing loan.





3. Hua Nan Securities

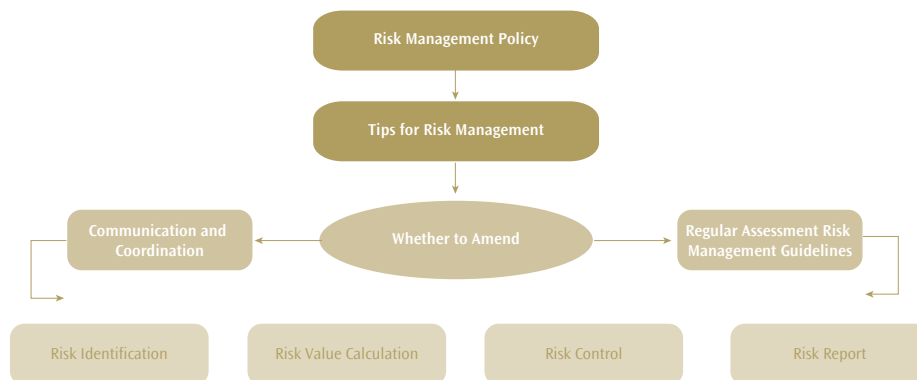
(1) Risk Management Strategy and Process

A. Risk Management Strategy

Hua Nan Securities is the subsidiary of Hua Nan Financial Holdings. In order to implement Hua Nan Financial Group's risk management policy and strategy, the risk management of Hua Nan Securities is to follow the risk management guidelines and policy of Hua Nan Financial Holdings, stipulate the Company's risk management policy and precautions of risk management for all departments as the Company's risk management guideline.

B. Risk Management Process

The risk management process of Hua Nan Securities is as below:



(2) Risk Management Organization and Framework

The risk management organizational framework of Hua Nan Securities includes the Board of Directors, Risk Management Committee, and Risk Management Department. In order to ensure the effectiveness and efficiency of risk management, the Board of Directors has established a Risk Management Committee. According to the Company's risk management organizational framework (Refer to figure 1)

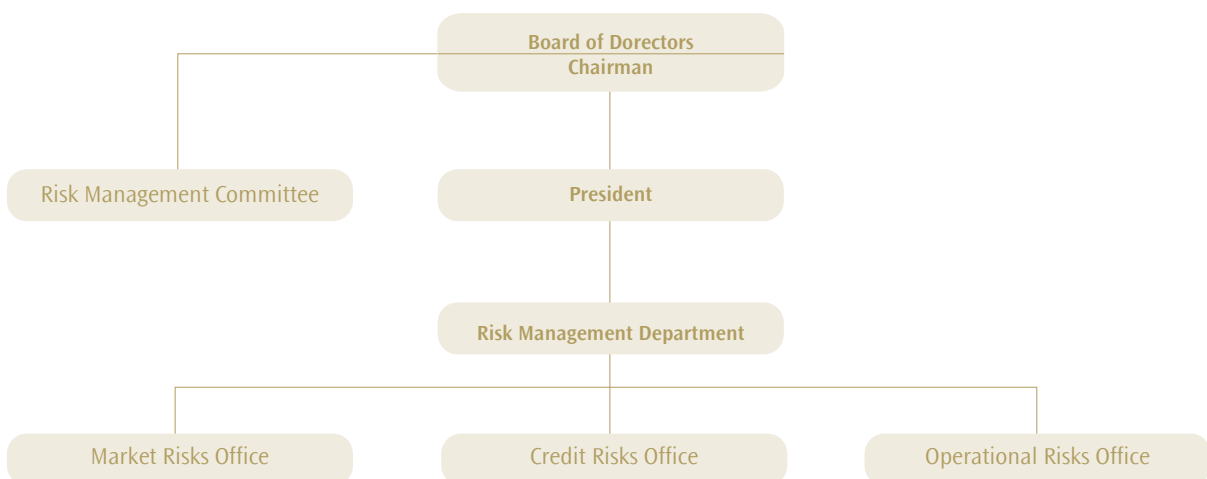


Figure 1 Risk management organization structure of Hua Nan Securities.

Various risk management mechanism of Hua Nan Securities by the Risk Management Department:

A. Market risks

- a. Establishment and modification of related market risk policies.
- b. Trading strategies for all operating units and determination and management of transaction limit for dealers.
- c. Development and maintenance of market risk evaluation model.
- d. Review of product plans for the new financial products developed by all operating units.
- e. Back testing and stress testing.

B. Credit risks

- a. Establishment and modification of credit risk policies.
- b. Determination and management of transaction limit for dealers.
- c. Credit risk evaluation and monitoring.
- d. Inspect the table of stocks placed on alert and table of stocks under risk control.
- e. Inspect the credit evaluation status of the position.
- f. Inspect the pre-settlement risks of trading counterparties.

C. Operational risks

- a. Establishment and modification of operational risk policies.
- b. Development and maintenance of various operational risk management tools, methodology, and framework.
- c. Assist all departments to execute various management tools.
- d. Risk culture awareness training.

D. Liquidity risks

- a. Control over position limit and liquidity risk of positions held.
- b. Set up controlled stocks according to the TCRI level and monthly average trading volume of the target.
- c. Monitor overall position limit.
- d. Real-time alerts during trading hours and fund liquidity gap analyses.

E. Legal risks

- a. All contracts shall be reviewed by Internal Audit Office. The Legal Compliance Department shall issue opinion on the contracts.
- b. Set up standard operating procedures for all possible legal disputes to make related personnel fully understand the rights and obligations.
- c. The Legal Compliance Department assists all departments in reviewing the account opening and contracts that require company seal.
- d. The Legal compliance department provides related documents for the Company's lawsuit and updates the latest progress.

4. South China Insurance

(1) Risk management organizational framework:

A. Risk Management Committee:

To ensure all risk management activities meet the operation objectives and strategy of the Board of Directors, the Board of Directors takes final responsibility for the effectiveness of risk management. South China Insurance established the Risk Management Committee that reports to the Board of Directors. An Independent Director serves as the chairman. No committee members are directors responsible for business operations.



B. Risk Management and Asset & Liability Management Meeting:

To conduct the risk management activity in all departments and facilitate cross department interactions and communications, implement top-down risk management mechanism and risk management culture, South China Insurance established the Risk Management and Asset & Liability Management Meeting that reports to the President. The President is responsible for calling and chairing the meeting. Vice Presidents, Risk Management Department manager, actuary, and headquarter legal compliance head serve as members of the meeting.

C. Risk Management Department

To effectively manage and handle all risk management related affairs, South China Insurance Established Risk Management Department that reports to the President. It also established the Insurance Risk Section, Operation Risk Section, and Integrated Risk Section.

- The related responsibility and status of risk management execution by all levels of organization in South China Insurance are described as below:

Organization Level	Major Responsibility
Board of Directors	(1) The approval of all risk management and asset & liability management policy. (2) The approval of risk appetite and risk limit. (3) The review of all material risk management reports. (4) Recognize all risks that should be borne by the operation, ensure the effectiveness of risk management and take final responsibility for overall risk management.
Risk Management Committee	(1) The study of risk management policy, structure, organization function, and qualifying and quantifying management standard. Periodically provides reports to Board of Directors, timely reports risk management execution status, and provides necessary suggestions for improvement. (2) Executes risk management policy decided by the Board of Directors. Reviews the development, establishment, and efficacy of execution for the Company's overall or respective risk management mechanism. (3) Ensures healthy, effective, and real-time risk management information. Provides periodic management report to assist and monitor the risk management activities by all departments. (4) Studies the Company's risk appetite under existing strategy and budget. Adjusts risk category, risk limit allocation, and undertaking approach according to macro economic environment. (5) Coordinates cross-department interaction and communication of risk management functions. (6) The study of stress test. (7) The study of other potential risks and material issues such as material investment project or strategic transaction as well as potential risk for high complexity, high profit, or high trading volume products. (8) Assists and monitors the establishment of sound risk management culture and ensures risk management personnel can execute risk management operation in an independent manner. (9) Takes charge of the Company's overall risk management, which means monitoring the implementation of department risk management mechanisms.
Risk Management and Asset & Liability Management Meeting	(1) The study of various risk management and asset & liability management related affairs. (2) The study of various risk management and asset & liability management related mechanism. (3) The study of respective limit on various types of insurance and financial products. (4) The study of new insurance or financial product plan. (5) The study of establishment and planning of significant risk management system. (6) The handling of various risk management and asset & liability management related issues. (7) Other risk management and asset & liability management related affairs assigned or authorized by Risk Management Committee.
Risk Management Department	(1) The establishment or modification of various risk management policy and asset & liability management policy. (2) The establishment or modification of various risk management and asset & liability management precautions. (3) The stipulation, amendment, and control of various risk and asset & liability limits. (4) The evaluation of establishing various risk management and asset & liability management system. (5) The planning and execution of various risk management and asset & liability management mechanisms. (6) Summarizes risk information provided by all operating units, coordinates and communicates with all operating units to execute the policy and limit. Provides periodic risk management reports. (7) The handling of various risk management and asset & liability management issues.

(2) Risk Management Policy:

South China Insurance stipulated various risk management and asset & liability management policies for possible major risks during operation such as market risk, credit risk, operational risk, insurance risk, and asset & liability management. The Company ensures all risks are controlled within acceptable range through management processes such as risk identification, risk evaluation and assessment, risk control, risk monitoring and reports, and in the end achieve the objective of maximizing shareholder value.

5. Hua Nan Investment Trust (HNIT)

- (1) For the long-term stable operation and profit growth, the Company stipulated risk management policy to effectively identify, evaluate, control, and manage various risks, and control potential risks within acceptable range to achieve the objective of maximizing shareholder value.
- (2) The organization and responsibility of the Company's risk management strategy lies in Board of Directors level and President level respectively. Risk Management Department is established to independently monitor risk management affairs within the Company to ensure the effective implementation of risk management policy.

6. Hua Nan Venture Capital (HNVC)

(1) Organization structure:

The Company's chief risk officer is the Vice President. The management department or other related departments are responsible for the execution of risk management. Risk management personnel or function independent of operating units shall be established by the nature of operation and practical need.

(2) Policy:

The Company shall effectively identify, evaluate, control, and manage various risks in order to control potential risks within acceptable range when conducting various businesses to achieve the objective of maximizing shareholder value.

7. Hua Nan Assets Management Company (HNAMEC)

(1) The risk management organization structure of HNAMEC:

The Company's chief risk officer is the president. The president is responsible for the instruction and monitoring of risk management affairs. The Risk Management Department is responsible for the execution.

(2) HNAMEC's Risk Management Policy:

Hua Nan Asset Management Co. shall effectively identify, evaluate, control, and manage various risks when conducting various businesses and control potential risks within acceptable range to achieve the objective of maximizing shareholder value.

(II) The risk control approach and risk exposure quantifying information for the financial holding company and its subsidiaries:

1. Hua Nan Financial Holdings

(1) Credit risk

A. Important control mechanisms

When engaging in the corporate finance business, each subsidiary shall follow the Group's 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 credit risk limit and periodically assess the asset credit portfolio. 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.



B. Risk Management Reports

The Group Credit Risk Management Report shall be submitted regularly. It shall be reported to the Chairman each month and reported to the Group Risk Management Committee and the Board of Directors each quarter.

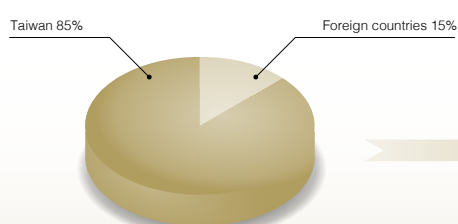
a. Credit exposure limit

The total credit exposure of the Group at the end of 2021 was NT\$3.34 trillion. Credit granting business accounted for 65%, bond and notes business accounted for 30%, and other businesses accounted for 5%. Total credit exposure increased NT\$4,026 billion comparing to the end of 2020. Major increase came from the increase of bond and notes business in the amount of about NT\$241.6 billion and the increase of credit business in the amount of about NT\$133.9 billion.

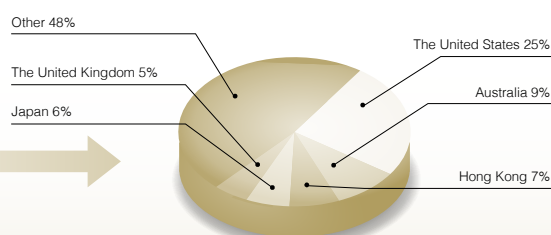
b. Concentration risk management

If classified by country, 86% of the Company's credit exposure amount comes from Taiwan, whereas the remaining 15% comes from foreign countries. Among the foreign countries, the United States, Australia, China, Hong Kong, Japan the United Kingdom are the top six nations, accounting for 52% of the total foreign exposure amount. The other countries take up less than 5% each.

Local and Foreign exposure



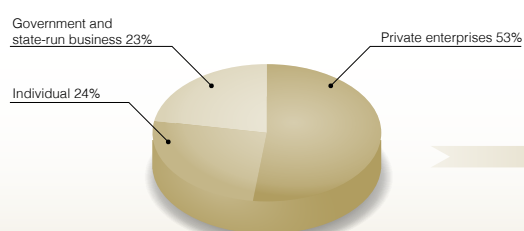
Foreign exposure



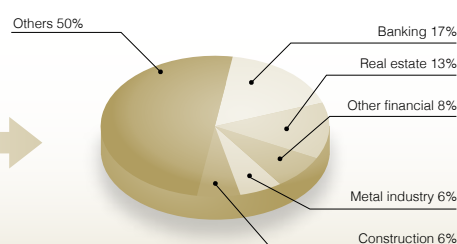
If divided by sector, 53% of the Company's credit exposure amount comes from private enterprises, 24% from individuals, and 23% from government and state-run businesses.

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 construction industry and the metal industry, which account for 50% of the total credit exposure for the private enterprises. Other individual industries take up less than 5% each.

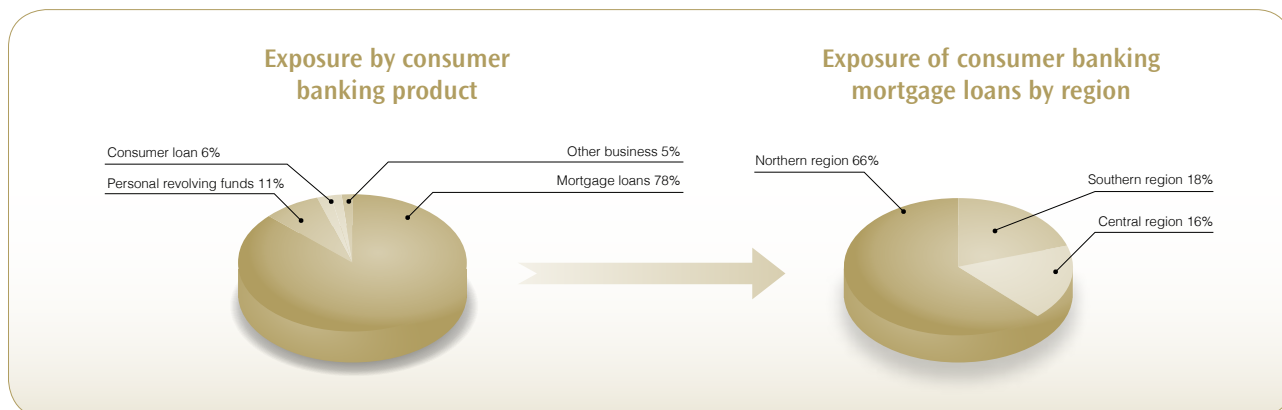
Exposure by segments



Exposure by corporate financial industry

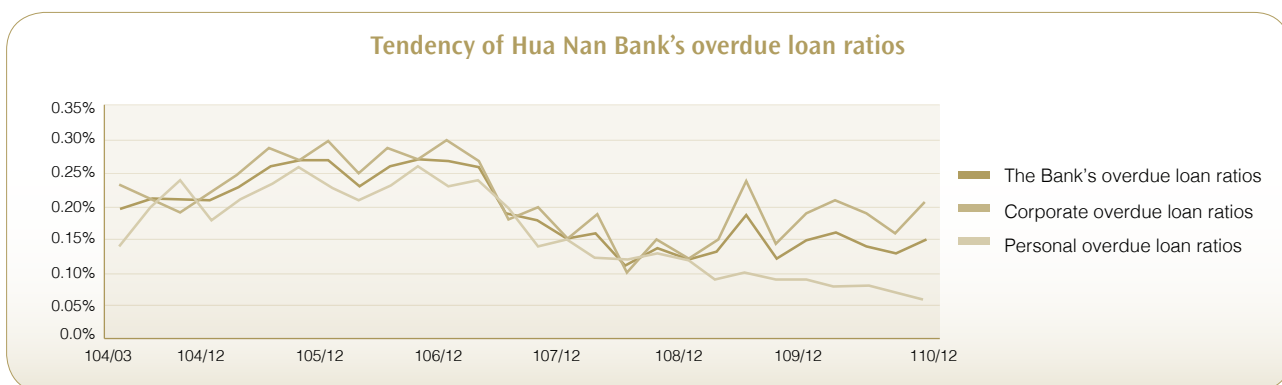


On the consumer front, mortgage loans make up the majority at 78%. They are distantly followed by personal revolving funds at 11%, consumer loans at 6%, and other retail finance products (credit cards, car loans, sole proprietorship or partnership revolving funds, cash cards, and personal securities financing) at approximately 5%. In reference to the exposure ratio of housing mortgages according to region, the northern region takes the highest ratio of 66%, distantly followed by the southern region at 18%.



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. Hua Nan Commercial Bank's overdue loan ratio has continued to decline in recent years. As of the end of 2020, its overdue loan ratio was 0.15%.



(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 plan for review in order to identify the risk of the new financial product.

b. Post-trading risk control: Limit management

To control transaction position loss of all subsidiaries within a tolerable range and avoid excess impact on the Group's capital, the Group's subsidiaries shall set up market-risk-related limits in conjunction with the annual budget procedure to control market risk on a daily basis.



B. Risk Management Reports

Considering the rapid changes in the capital market, in addition to subsidiaries' daily control of the market-risk-related limits, the financial holding company shall also compile the exposure status of the Group's trading book on daily basis. In case of any irregularity, it shall immediately take required measures.

The Group Market Risk Management Report shall be submitted regularly. It shall be reported to the Chairman each month and reported to the Group Risk Management Committee and the Board of Directors each quarter.

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

a. The methodology adopted for calculating the VaR and the parameters established by the Group are as follows:

- (a) "Methodology": Adopts the historical simulation method.
- (b) "Confidence level": Adopts the 99% confidence level.
- (c) "Length of the holding period": Estimation of the maximum loss that may occur in the coming day.
- (d) "Period of historical data": Observation of the historical data of the past year (about 250 transaction days).

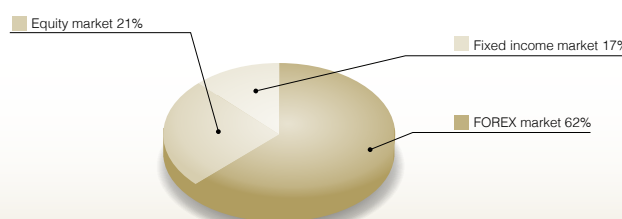
b. The trend of changes in the VaR of the Group's 2021 trading book position

The lowest, highest, and average VaR in 2021 for the Group's trading book position were NT\$17.44 million, NT\$100.75 million, and NT\$41.65 million, respectively. The VaR of the Group's trading book position at the end of 2021 was NT\$21.84 million, an increase of NT\$77.20 million from NT\$55.36 million in 2020.

c. Summary of the VaR of the Group's trading book position at the end of 2021

The VaR of the Group's trading book positions at the end of 2021 (NT\$21.84 million) took up 0.01% of the Group's net value at the end of 2021, which was within the Group's tolerable range. If classified by risk factors, the foreign exchange products accounted for the largest share (62%), followed by equity products (21%), and fixed income products (17%).

Trading Portfolio VaR by Risk Type



d. 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. The Group Asset & Liability Management Report is submitted regularly to the Chairman each month and reported to the Group Risk Management Committee and the Board of Directors each quarter.

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

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 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, 2021, 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 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 10.7% 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 11.6%.

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	+10.7%
Gradually decline by 100 basis points	-11.6%



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 5.8% 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	-6.5%
Gradually decline by 100 basis points	+7.5%

B. Liquidity risks

Liquidity risk refers to the risk in impairment of earnings or shareholders' equity 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 funding source at the cost of suffering great loss.

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

The tools adopted by the Company to measure liquidity risk include the balance sheet liquidity ratio, cash flow gap report, funding source diversification analysis, and the ratio of highly liquid assets to net asset value of funds. Different measurement tools have been adopted according to each subsidiary's business 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 incremental and cumulative cash flow gap for each time bucket so as to establish responsive strategies and plan optimal funding sources.

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.

(4) Insurance risk management

The Group has helped the subsidiary South China Insurance in instituting its insurance risk management policies, defining the intact management procedures and monitoring as well as early-warning mechanisms for the underwriting risk, reserves risk and reinsurance risk, in the hope of controlling the insurance risk within 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 the features of insurance products and target 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 to manage both profit and risks.

Limit management: To maintain the insurance risk within the tolerable range and avoid excess impact on the Group's capital, the Company has set up early-warning values for insurance risk management indicators for reviewing the gross loss ratio and net loss ratio. When the indicator reaches the early-warning value standard, the units involved shall submit the response plans.

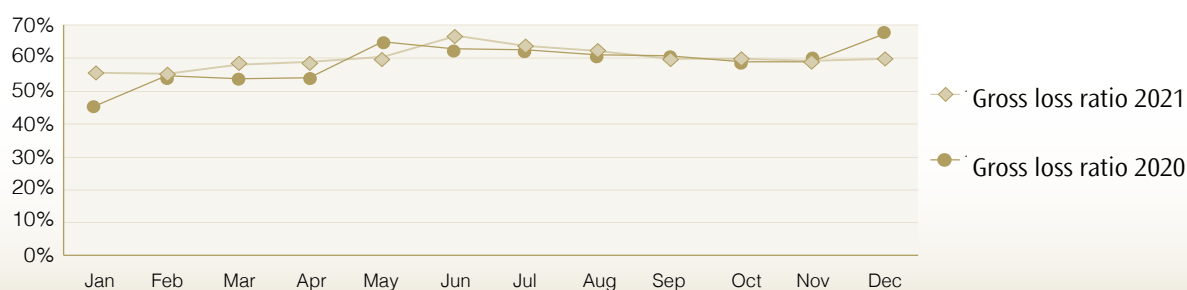
B. Insurance risk reports

The Group Insurance Risk Management Report shall be submitted regularly. It shall be reported to the Chairman each month and reported to the Group Risk Management Committee and the Board of Directors each quarter.

a. Gross loss ratio

The gross loss ratio is the ratio of written operating expense to written premium which is mainly used to review the quality of underwriting businesses. As there were less major claims in 2021, the gross loss ratio decreased from levels in 2020.

Trend of Gross Loss Ratios

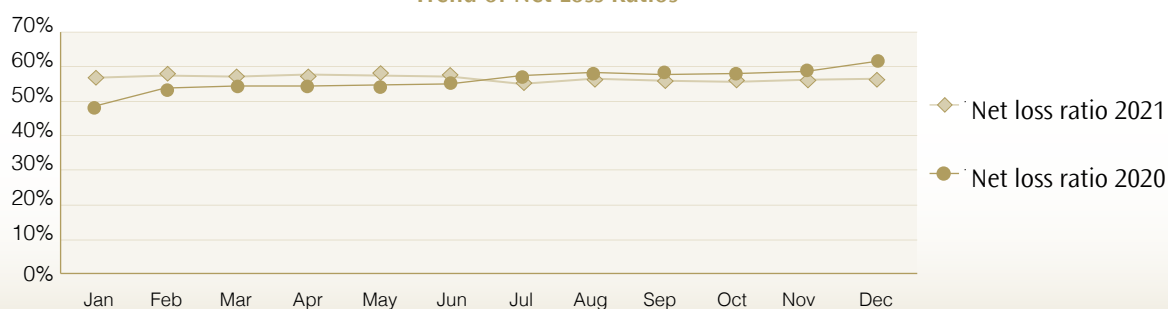


Note: The calculation of the indicators in the above chart does not cover compulsory auto insurance, nuclear insurance and policy-oriented earthquake insurance.

b. Net loss ratio

The net loss ratio is the ratio of written operating expense to written premium which is mainly used to review the quality of underwriting businesses. As there were less major claims in 2021, the gross loss ratio decreased from levels in 2020.

Trend of Net Loss Ratios



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

(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. With these policies, subsidiary business category and size shall be concurrently considered in implementation 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.

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)

The key risk indicator 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.

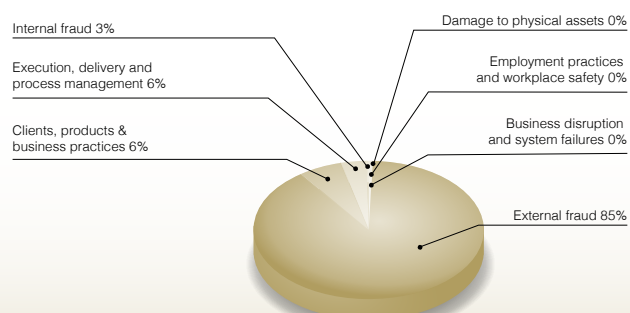
B. Risk Management Reports

The Group Operational Risk Management Report shall be submitted regularly. It shall be reported to the Chairman each month and reported to the Group Risk Management Committee and the Board of Directors each quarter.

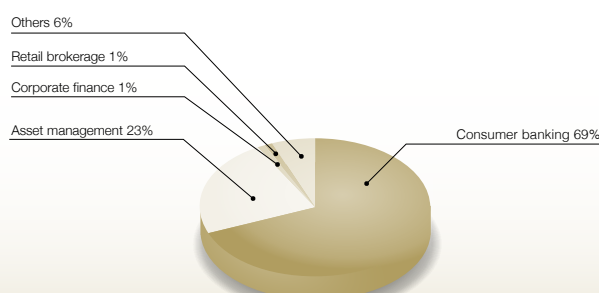
a. By executing the operational risk management tools or mechanisms, if any defect is found, the business unit in question shall promptly review and improve the defect and periodically submit the improvement status.

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:

The ratios of the Basel event categories classified according to the internal operational loss data



The ratios of the Basel business categories classified according to the internal operational loss data



2. Hua Nan Commercial Bank

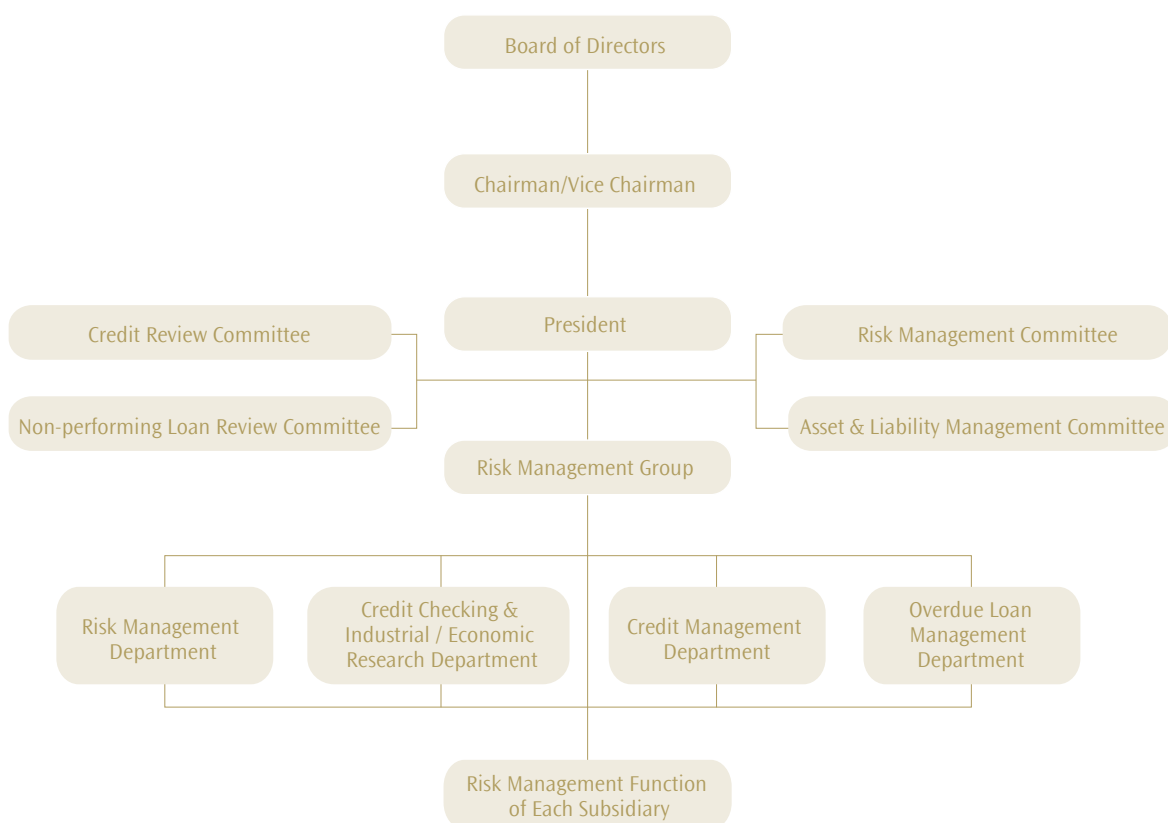
(1) Risk management organization structure

A. Important committees under the President of Hua Nan Commercial Bank:

- a. Risk Management Committee: Centralize various risk management to plan a healthy risk management system and culture.
- b. Asset & Liability Management Committee: Execute the asset & liability management policy.
- c. Credit Review Committee: Evaluate credit risk cases in large amounts to ensure the safety of claim.
- d. Non-performing Loan Review Committee: Review the action plan on significant and complex cases and bad debt write off cases to assist cleaning of overdue loan.

B. Hua Nan Commercial Bank has risk management group and four departments under the group. The responsibility of the departments are as follows:

- a. Risk Management Department: Responsible for the Credit Risk, Market Risk, and Operational Risk of the entire bank and asset & liability planning and management.
- b. Credit Management Department: Responsible for the review of credit risk for the entire bank and the planning and management of secondary review.
- c. The Industry and Economic Research Department of Credit Granting: Responsible for domestic and overseas financial, economic, industrial research and study, collection of general corporate credit ratings and financial analysis, and editing and publishing related publications.
- d. Claim Management Department: The management of overdue credit asset risk evaluation and categorization and collection, and cleaning of non-performing loan.





(2) Risk management objectives, policies, and management methods

A. Credit risks

Item	Description
1. Credit risk management strategy and process	<p>(I) Credit risk management strategy The ultimate objective of the Bank's credit risk management is to establish the optimal fund allocation policy and evaluate credit risk assets by progressive internal evaluation approach for internal management in order to meet international credit risk management best practice and pursue the maximum profit within the tolerable range of risk. The Bank has established a consistent credit risk management culture and established the "Hua Nan Commercial Bank Corporate Finance Credit Risk Management Policy" and "Hua Nan Commercial Bank Personal Finance Credit Risk Management Policy" as guidance for credit risk related affairs. Guidelines and precautions regarding important items were also stipulated for compliance.</p> <p>(II) Credit risk management process The Bank's credit risk management process includes stages like credit investigation, collateral appraisal, credit rating, application, analysis and review, acquiring receipt, registering credit lines, draw down, credit monitoring, and secondary review on pre-warning. It is controlled through various management reports generated by IT system in order to get hold of authentic risk of the transaction counterparty and achieve the objective of risk management.</p>
2. Organization and structure of credit risk management system	<p>(I) Board of Directors It is the highest decision-making unit of the Bank and is responsible for the Bank's credit risk management policy and related affairs.</p> <p>(II) Related Committees for risk management 1. Risk Management Committee: Study credit risk related issues of the Bank to strengthen the Bank's credit risk management system and culture. 2. Credit Review Committee: Evaluate the Bank's large-scale credit risk cases to protect creditor rights. 3. Overdue Loan Review Committee: Review significant and complex case action plan and bad debt write off cases to enhance the collection and cleaning of overdue loan.</p> <p>(III) Industry and Economic Research Department of Credit Granting: In charge of credit investigation, financial analysis, and industry and economy studies.</p> <p>(IV) Credit Granting Management Department: Responsible for credit review, planning, and management as well as the pre-warning and secondary review management on credit granting.</p> <p>(V) Claim Management Department: Responsible for the collection and cleaning of overdue loan (including bad debt) and the evaluation, categorization, and management of overdue credit assets.</p> <p>(VI) Risk Management Department: Responsible for credit risk planning and management.</p>
3. Scope and characteristics of credit risk report and evaluation system	<p>(I) Set up the report format and frequency of various credit risk reports by different report readers. The items in the report include asset combination risk evaluation, credit rating report, industry study report, credit loss, and competent authority audit report.</p> <p>(II) In order to evaluate clients' credit risk and estimate expected loss, the Bank has established internal credit rating model to effectively evaluate the client's default rate as reference indicators for the Bank to decide credit granting level of authority, asset combination management, and credit product pricing. The Bank also studies the collection of all computerized data as a computation standard for evaluating client default loss rate and default exposure for the future.</p> <p>(III) Establish "Equity capital and risk asset capital provision system for the bank". Periodically calculate credit weighted risk asset and statutory capital. Use the calculated result as a reference for internal management.</p>
4. Credit risk hedge and risk offset policy. Strategy and process for monitoring the continuous effectiveness of hedge and offset tools.	<p>(I) To prevent the Bank from loss due to default of borrower or trading counterparty, the Bank requires collaterals and guarantor as well as credit guarantee from credit guarantee fund in credit risk management related rules. The Bank intends to reduce credit exposure or potential credit risk exposure through assets, rights, or guarantee provided by the client itself or third party.</p> <p>(II) In order to continuously ensure the effectiveness of risk offset tool, the Bank stipulates below rules: 1. The Bank sets rules governing the management of collateral and guidelines for the appraisal and re-appraisal of collateral it has obtained. Should the collateral depreciate in value or if there are concerns of a possible depreciation in value, the Bank will immediately seek an increase in collateral or recover a portion of the disbursed loan. 2. The Bank's credit risk management regulations include qualifications for a guarantor and monitoring of the credit status of that guarantor. Should the economic or credit status of the guarantor deteriorate, making that person unsuited to act as a guarantor, the Bank will seek to have the guarantor replaced with a more appropriate person. 3. The credit risk management rule stipulated by the Bank requires inspection upon sending for guarantee, draw down, and interim review to ensure the case sent for guarantee meets the rules of the Bank and guarantee fund so as to ensure the effectiveness of the guarantee.</p>

B. Liquidity risks

Item	Description
1. Liquidity Risk Management Strategies and Procedures	<p>(I) The purpose of liquidity risk management is to prevent loss to current or future earnings or shareholder equity due to insufficient liquidity and consider the balance between reducing capital cost and increasing profit from asset. Adequate liquidity shall be maintained in case any emergency happens.</p> <p>(II) The Bank has stipulated related rules for risk identification, evaluation, monitoring, and reporting process flow and established risk limit monitoring mechanisms to periodic report risk information to Asset & Liability Management Committee and Board of Directors.</p>
2. Organization and structure of liquidity risk management system	<p>(I) Board of Directors: It is the highest decision-making unit of liquidity risk management and is responsible for the approval of management policy, management framework, and risk limit as well as the review of material risk report.</p> <p>(II) Asset & Liability Management Committee: It is the adviser unit that studies and monitors the execution of risk management mechanism. Its main responsibilities include studying risk management charters and risk limit, periodic reviewing risk exposure, and discussing responsive actions on risks.</p> <p>(III) Risk Management Department and capital management unit: Risk Management Department studies liquidity risk management related rules and regularly submits risk reports. Capital management unit maintains appropriate short-term liquidity position according to daily liquidity requirement for operation.</p>
3. Scope and characteristics of liquidity risk report and evaluation system	<p>(I) Risk assessment is carried out on two levels, namely on a usual business basis and on stress testing. The main tools include setting the standards of liquidity ratio and cash flow gaps, analyzing changes in funding source diversification, and stress tests. In addition, rules for emergent fund appropriation is stipulated in case of liquidity crisis.</p> <p>(II) Periodically prepare risk report to disclose major risk information and risk limit compliance status and submit the report to Asset & Liability Management Committee. The report is submitted to Board of Directors on quarterly basis as a reference for decision-making.</p>
4. Liquidity risk hedge and risk offset policy, Strategy and process for monitoring the continuous effectiveness of hedge and offset tools.	To maintain adequate control over risk exposure and respond immediately, the Bank has established liquidity risk limit control mechanisms to set the limit for all management indicators and monitor periodically. If there is a case of over-limit, responsible units shall study ensuing countermeasures, report to the Asset & Liability Management Committee, and execute the countermeasures after approval.

C. Market risks

Item	Description
1. Market risk management strategy and process	<p>(I) Management strategy: 1. The Bank establishes market risk management regulations in accordance with the regulator's requirements, the Group's risk management guidelines, and market risk management policies as well as the Bank's internal control system. 2. The Bank has a comprehensive financial product pre-trade management and post-trade risk monitoring mechanism to effectively utilize and manage capital. This ensures that market risk exposure is maintained with levels acceptable to the Bank and that the Bank reaches its profit target.</p> <p>(II) Management process: Set up and execute market risk management process, mechanism, and tools according to related regulations, including identifying, evaluating, controlling, and disclosing. The Risk Management Department periodically reports to Risk Management Committee and top management. Top management continuously monitors and provides guidance to evaluate whether the transaction performance meets operating strategy and whether market risk is under tolerable range.</p>
2. Market risk management organization and structure	<p>(I) Board of Directors: It is the highest decision-making unit responsible for the approval of market risk management policy, management framework, and market risk limit as well as monitoring the execution of market risk management functions.</p> <p>(II) Risk Management Committee: It is the advisor unit that monitors the execution of market risk management mechanism. Its major responsibilities are studying market risk management related rules and market risk limit, discussing market risk related issues, periodically inspecting risk exposure and reviewing responsive actions on market risk.</p> <p>(III) Risk Management Department: In charge of the planning and management of market risk. 1. Set up related rules for market risk management. 2. Plan and execute related control mechanism for market risk. 3. Establish related systems for market risk management. 4. Report market risk exposure information or related significant issues for the entire bank's financial transactions.</p>
3. Scope and characteristics of market risk report and evaluation system	<p>(I) The Bank carries out risk exposure measurement and analysis on all market risk factors in risk reports, such as interest rates, foreign exchange rates, and equities associated with financial transactions made by the Bank. These reports are compiled regularly to disclose Bank-wide market risk information and provide top management with data for reference in their decision-making.</p> <p>(II) The objective of market risk measurement is to set forth clear standards to define and measure the market risk of the Bank's trading book and to employ a standardized framework to measure market risk exposure. This enables the ability to make effective comparisons, monitor risks and analyze all activities that exhibit market risks.</p> <p>(III) Establish VaR system to daily compute market risk exposure for all financial transactions and implement the control mechanism for financial transaction related market risk limit over the entire bank. The "Bank self-owned fund and risk asset fund provision system" is in place to periodically calculate weighted market risk asset and legal required fund according to requirement from competent authority. Related information is also used for internal management.</p>
4. The market risk hedge or risk offset policy, and strategy and process for monitoring the effectiveness of risk hedge and offset tools	<p>(I) Establish market risk related limits and management mechanisms.</p> <p>(II) If transaction is expected to exceed the approved limit, operating unit shall apply to increase the limit or apply for a temporary limit beforehand, or take risk-offset measures.</p> <p>(III) The holding period for primary market underwriting position for marketable securities on trading book and positions bought from the secondary market are all controlled to reduce accumulated positions with low liquidity.</p>



D. Operational risks

Disclosure Items	Description
1. Operational risk management strategy	<p>(I) Management strategy: Set up operational risk management related rules approved by the Board of Directors, including the related operational risk policy, approach, and process for managing major products, activities, processes, and system. Develop appropriate operational risk management environment. Board of Directors and top management proactively participate the establishment of operational risk management structure and mechanism, and implement the management mechanism into daily operation of the entire bank.</p> <p>(II) Management process: Develop related operational risk management tools and mechanisms according to the operational risk management cycle of "identify, evaluate, control, and monitor".</p>
2. Operational risk management system organization and structure	<p>The Bank's risk management organization structure includes Board of Directors, Risk Management Committee, Headquarter Business Group and Management Group, Headquarter Risk Management Department, and Audit Department of the Board of Directors. The Audit Department of Board of Directors is responsible for the independent audit.</p> <p>(I) Board of Directors: Review the operational risk management framework, and ensure that top management adopts various operational risk management mechanisms and tools to identify, evaluate, measure, control, supervise and report operational risks.</p> <p>(II) Risk Management Committee: Study guidelines for operational risk management and related rules, discuss operational risk related issues, monitor operational risk framework and the execution of mechanism, and provide suggestions to the result of execution.</p> <p>(III) Headquarter business groups and management groups: The group head is responsible for monitoring the implementation of operational risk management policy and precautions as well as the execution of all operational risk management mechanism and tools. Management of all units overseas the employees in evaluating and managing of operational risk within their duty in order to ensure the operational risk can be reduced to acceptable level.</p> <p>(IV) Risk Management Department: Stipulate and establish operational risk management related rules, set up operational risk management execution plan, plan the execution of operational risk management mechanism and tools, communicate and strengthen the Bank's operational risk management awareness and ability, periodically report to Risk Management Committee and Board of Directors regarding significant operational risk loss incidents and operational risk related information.</p>
3. Scope and characteristics of operational risk report and evaluation system	<p>(I) The Bank has established the "Operational risk loss database". All units report in the database to evaluate the operational risk loss incurred by the Bank. According to "The description of bank equity capital and risk assets calculation approach and the table" released by the Banking Bureau, FSC, AMA shall collect the name of the incident, description of the incident, incurred unit, responsible unit, location of incurrence, type of the incident, business affected by the incident, date incurred, date discovered, end date, follow up actions, amount of loss, detail of the loss, recovered amount, recover method, and detail of the insurance.</p> <p>(II) The character is to increase all units' risk awareness through the reporting activity and training of operational risk loss reporting system, systematically track operational risk related information and progress of the follow up actions, and strengthen capability and quality in operational risk management.</p> <p>(III) Risk Management Department periodically review the detail and action plan for operational risk loss incidents and report to Risk Management Committee and Board of Directors.</p>
4. Policy in operational hedge or risk offset, and the strategy and process for monitoring the continuous effectiveness of hedge and risk-offset tools	<p>(I) Operational risk hedge or risk offset policy: The Bank analyzes according to the "impact" and "possibility" of the operational risk, considers the cost and benefit of risk offset, and adopts operational risk countermeasures such as risk avoidance, risk transfer, risk control, or risk undertaking.</p> <p>(II) The strategy and process for monitoring the continuous effectiveness of risk avoidance and offset tools: The Bank adopts risk avoidance or risk offset tools according to actual need when conducting all operational risk management mechanism and tools. The risk offset tools such as action plans are implemented by execution units and progress is followed up. Risk Management Department quarterly reports to Risk Management Committee and Board of Directors to ensure the offset tools are continuously and effectively executed.</p>

(3) Quantifying risk exposure information

A. Credit risks

Statistics on Risk Exposure Allocation after Risk Offset through Credit Risk Standard Approach

December 31, 2021

Unit: Thousand NTD

Type of Exposure	Risk Exposure Amount after Risk Mitigation	Percentage	Weighted Credit Risk Asset	Percentage
Sovereign country (A)	789,293,785	23.63%	2,813,652	0.16%
Non-central government public department (B)	114,206,096	3.42%	42,582,723	2.45%
Banks (including multilateral development banks)(C)	296,977,104	8.89%	113,154,366	6.52%
Corporations (including securities and insurance companies)(D)	597,893,860	17.90%	553,155,929	31.88%
Retail debentures(E)	130,420,008	3.90%	59,217,022	3.41%
Real estate in housing (F)	1,321,438,699	39.55%	864,860,657	49.85%
Equity securities investment (G)	41,306,940	1.24%	41,306,940	2.38%
Equity securities investment by funds and venture capital businesses (H)	346,115	0.01%	4,326,433	0.25%
Other Assets(I)	48,995,113	1.47%	53,568,644	3.09%
Total(J)	3,340,877,718	100.00%	1,734,986,367	100.00%

B. Liquidity risks

a. Structure Analysis on Maturity Date in NTD

December 31, 2021

Unit: Thousand NTD

	Total	Amount in each Maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over one year
Major fund inflow upon maturity	2,879,865,653	304,358,985	447,336,170	241,762,795	208,745,924	251,231,768	1,426,430,011
Major fund outflow upon maturity	3,653,720,943	102,377,124	180,859,530	366,284,605	373,754,045	625,050,600	2,005,395,039
Maturity gap	-773,855,290	201,981,861	266,476,640	-124,521,810	-165,008,121	-373,818,832	-578,965,028

b. Structure Analysis on Maturity Date in USD

December 31, 2021

Unit: Thousand USD

	Total	Amount in each Maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over one year
Major fund inflow upon maturity	34,570,190	11,634,092	5,585,528	3,396,365	3,762,406	10,191,799
Major fund outflow upon maturity	37,966,150	12,788,193	6,504,479	4,193,726	4,486,915	9,992,837
Maturity gap	-3,395,960	-1,154,101	-918,951	-797,361	-724,509	198,962

C. Market risks

Market Risk Asset

December 31, 2021

Unit: Thousand NTD

Type of Risk	Risk Asset
Interest risk	26,691,736
Equity securities risk	400,891
Foreign exchange risk	11,951,273
Commodities risk	0
Option applied by simple method	0
Total	39,043,900

3. Hua Nan Securities

(1) Scope and characteristics of risk report and evaluation system

A. Risk report

Hua Nan Securities daily generates position information, profit and loss status, and VaR by the whole company, by department, by trading strategy, and by trader after market is closed for the president and all levels of management to grasp the risk information for their position. The review access is set up according to VaR system user level. Risk Management Department daily prepares risk related reports.

B. Scope for risk evaluation

Risk management for all businesses engaged by Hua Nan Securities, whether it is on or off balance sheet, are included in the scope of management, including market risk, credit risk, operational risk, liquidity risk, and legal risk. They are respectively managed by corporate level, department level, or trader's level.



a. Market risks

In order to effectively manage market risk, Hua Nan Securities adopted the Risk Metrics system established by the financial holding to calculate position VaR. The risk management department measures and control the exposures to market risks and the income of the whole Company and each BU daily, to effectively implement the market risk management mechanism of Hua Nan Securities.

b. Credit risks

As for the credit management of trading counterparty, according to “Hua Nan Securities Credit Risk Management Policy”, operating units shall periodically review trading counterparty’s credit status by external credit ratings (Taiwan Ratings or Taiwan Economic Journal TCRI rating), continuously monitor the credit risk from trading, and control equivalent credit risk of derivative financial products. Equivalent credit risk is the total of current exposure (CE) and potential future exposure (PFE). If total current exposure of unmatured contracts for a client reach a certain percentage of the credit lines granted to the client, the operating department shall immediately review and adopt measures such as suspend the client’s transaction credit or require the client to provide additional collaterals. Credit risk from margin trading and short selling customers. The credit line shall be granted according to the customer’s financial status. The customer’s credit status shall be periodically reviewed. The default risk by the Company’s customers shall be continuously monitored. The Audit Office audits the execution status of all broker business units. It is focused on specific customers and specific marketable securities. Effectively control the credit risk of customer credit and the marketable securities, real-time monitor during trading hours, and manage by report after market is closed.

c. Operational risks

Five operational risk management tools such as risk self assessment (RSA), operational risk assessment process (ORAP), key operational risk control (KORC), key risk indicator (KRI), and corporate loss database (CLD) are implemented according to “Hua Nan Securities Operational Risk Management Policy” and Group operational risk related management tools and precautions in order to enhance the Company’s operational risk awareness and culture.

d. Liquidity risks

In order to effectively manage liquidity risk, Hua Nan Securities stipulated precautions for liquidity risk management. The Finance Department periodically forecasts future fund demand and supply and monitor the fund management status.

e. Legal risks

Hua Nan Securities has established operating procedures against legal risk. All contracts to be signed shall be reviewed by internal audit office. Opinion from legal compliance department shall be obtained to avoid legal risk.

- (2) The risk hedge and risk offset policy. Strategy and process for monitoring the continuous effectiveness of hedge and offset tools. The positions held by Hua Nan Securities’ operating units are categorized by trading position and hedge position. Position risk control is done by each unit according to risk management precautions. When loss from trading position reaches the limit, all units shall immediately stop loss or take necessary actions. In addition, the hedge position established by Hua Nan Securities in order to hedge risk shall be appropriately adjusted according to market fluctuation. The gains and losses of hedge position shall be periodically evaluated to ensure the hedge position can effectively hedge related risk.

(3) Risk management mechanism, approach, and quantifying exposure information

A. Risk management mechanisms

The matrix risk management mechanisms of Hua Nan Securities are illustrated as below: The risk management mechanisms help the Company obtain maximum profit, expand business under tolerable risk levels, and continue to strengthen Hua Nan Securities’ risk management mechanisms for all types of risks.



B. Risk management approach

Risks derived from various types of businesses of Hua Nan Securities include market risk, credit risk, operational risk, liquidity risk, and legal risk. The management approach for each type of risk is as below:

Type of Risk	Management Objectives	Management Approach
Market Risks	Avoid the risk of gain or loss incurred by market price fluctuation for the position held	(1) The estimation of the risk value of the position (investment portfolio) held by the operating department (2) The estimation of overall position VaR of the Company (3) Set up VaR limit (4) Monitoring mechanism during trading hours (5) The execution of stop loss mechanisms (6) Control of stop loss in operating department (7) Review of product proposals
Credit Risks	Avoid the risk of loss caused by default of trading counterparty.	(1) Client credit check (2) Conduct credit evaluation based on the result of client credit check (3) Grant credit lines according to credit evaluation result (4) Real-time alert and control of credit lines during trading hours
Operational Risks	Avoid the risk of loss caused by internal operation, personnel, system and mistakes, or external incidents.	(1) Establish standard operating procedure and internal control for all operations (2) Implement five major management tools for operational risks <ul style="list-style-type: none"> a. Risk Self-Assessment (RSA) b. Operational Risk Assessment Process (ORAP) c. Key Operational Risk Control (KORC) d. Key Risk Indicator (KRI) e. Corporate Loss Database (CLD) (3) Operational risk awareness training (4) Inspection and modification of operating procedures
Liquidity risks	Prevent stop trading due to insufficient market liquidity on held positions	(1) Held position limit for the investment (2) Liquidity of the investment (3) Overall position limit (4) Real-time early-warning of limit during trading hours (5) Fund liquidity gap analysis (6) Maturity management on held positions
Legal risks	Unfavorable rights and obligations to the Company due to the signing of contracts	All contracts to be signed shall be reviewed by the internal audit office. Legal compliance department shall issue opinion on the contracts. Standard operating procedures shall be stipulated for all kinds of possible legal disputes and make related personnel aware of the rights and obligations.

C. Quantifying risk exposure information

a. Market risks

Hua Nan Securities periodically discloses related market risk information in financial statements. The highest, lowest, and average VaR for market risk in 2021 are NT\$ 92,389 thousand, NT\$26,384 thousand, and NT\$ 51,047 thousand, respectively, which complied with the Company's existing rules.

Unit: Thousand NTD

	2021			2020		
VaR for the entire Company	Average	Highest	Lowest	Average	Highest	Lowest
	\$ 51,047	\$ 92,389	\$ 26,384	\$ 126,342	\$ 874,880	\$ 31,183



b. Credit risks

The securities credit risk related information for Hua Nan Securities at the end of 2021 were: Overall exposure for margin trading was NT\$16,954,951 thousand. Average TCRI level is 4.928. Possibility for default was 0.183%. For unrestricted-use capital loan, outstanding loan balance was NT\$1,534,260 thousand. The average TCRI level for collaterals was 4.230. Expected default rate was 0.123%. Risks in bond and notes positions, derivative instrument positions, overall risk exposure, and risk before settlement with trading counterparty were managed in accordance with regulations and met the Company's limit regulations.

c. Operational risks

Hua Nan Securities has completed related department operational risk self assessment for this year according to operational risk management execution plan. Operational risk loss database is routinely updated and maintained. Going forward, the Company will continue to conduct the next stage operational risk execution plan with the Group.

d. The equivalent amount of risk for capital adequacy ratio at the end of December 2021 is as below.

Unit: in Thousand NT\$

Risk Items	Equivalent Risk Amount
Market Risks	733,716
Credit Risks	1,413,647
Operational Risks	505,153
Operating risks	2,652,516

e. Calculation of statutory capital adequacy ratio

Hua Nan Securities adopts capital adequacy ratio as the evaluation indicator for the Company's overall operating risk to inspect whether the Company's capital can cover potential losses during operation. The highest, lowest, and average capital adequacy ratio for Hua Nan Securities in 2021 are 398%, 289%, and 354%, respectively, which all complied with legal requirement.

Unit: Percentage

	2021			2020		
	Average	Highest	Lowest	Average	Highest	Lowest
Overall Company Capital Adequacy Ratio	354%	398%	289%	282%	371%	249%

4. South China Insurance

(1) Strategy and process

South China Insurance is engaged in all kinds of property insurance. In order to effectively control various risks and control future potential risk within tolerable range, the Company's strategy and process are as below:

A. Market risks

a. Strategy side:

- Implement the limit control and market risk evaluation according to market risk management policy to achieve the objective of controlling market risk.
- Establish market risk control mechanism to ensure market risk exposure is controlled within tolerable range and achieve target profit.
- Establish internal management system on risk adjusted return on capital (RAROC)

b. Process flow:

The management of process flow is mainly conducted through the ex-ante management prior to trading and post-trading risk tracking of financial products and the establishment of appropriate control mechanisms.

B. Credit risks:

a. Strategy side:

- (a) Implement the limit management and credit risk evaluation defined by credit risk management policy to achieve the objective of controlling credit risks.
- (b) Establish credit risk control mechanism to ensure credit risk exposure is maintained within a tolerable range to achieve target profit.

b. Process flow:

The management of process flow is mainly conducted through the credit evaluation before engaging in businesses and credit risk monitoring after business is engaged and establishing appropriate control mechanisms.

C. Operational risks:

a. Strategy side:

- (a) Implement various operational risk management tools defined in operational risk management policy to achieve the objective of controlling operational risk.
- (b) Establish operational risk control mechanism to ensure operational risk exposure is controlled within tolerable range to achieve target profit.
- (c) Establish operational risk loss database with the Group as the major source of operational risk loss data analysis and report, and fulfill the need for calculating future operational risk economic capital.

b. Process flow:

The management process is mainly conducted through the control mechanism of various management tools. "Operational risk management cycle" is established to assist all levels of management to control the operational risk of daily operating activities, establish a consistent operational risk management structure and mechanism within the Company to strengthen risk management culture and awareness.

D. Insurance risks:

a. Strategy side:

- (a) Implement the pre-warning indicator management and insurance risk evaluation defined by insurance risk management policy to achieve the objective of controlling insurance risks.
- (b) Establish insurance risk control mechanism to ensure the insurance risk exposure is within a tolerable range to achieve target profit.
- (c) Establish internal management system on risk adjusted return on capital (RAROC)

b. Process flow:

The management process is mainly through the pre-insure new product management and post-insure pre-warning management and establishment of appropriate control mechanism.

E. Asset & liability management:

a. Strategy side:

- (a) Implement the limit control and related risk evaluation defined by asset & liability management policy to achieve the objective of asset & liability management.
- (b) Establish asset & liability control mechanism to maintain the liquidity risk, foreign exchange risk, non-trading book portfolio risk exposure and capital adequacy ratio within tolerable range to achieve target profit.
- (c) Establish emergency fund raising rule as action blueprint of emergency actions in case insufficient liquidity happens or unable to obtain fund with reasonable cost.

b. Process flow:

The management process is mainly through the ex-ante management prior to trading and post-trading risk tracking for financial products and the establishment of appropriate asset & liability control mechanism in order to continuously conduct the stipulation and execution of asset & liability allocation decision as well as risk evaluation and monitoring.



(2) Related risk management system organization and structure

South China Insurance adopts “Risk Metrics system” to evaluate market risk exposure, daily monitor whether risk exposure exceeds VaR limit or the pre-warning amount, and conduct periodic back testing to verify the correctness and reliability of risk exposure measurement.

The Company also collects internal operational risk loss data through the “operational loss database system”. The system records operational risk loss incidents incurred in operational risk loss database through the integrated reporting system as a reference of reviewing existing control and major source of loss data analysis report.

(3) The scope and characters of risk report and evaluation system

South China Insurance reviews all risk characters, defines frequency of risk management report, and reports to Risk Management and Asset & Liability Management meeting. (Market risk management report, insurance risk management report, and asset & liability management report is on monthly basis. Credit risk management report and operational risk management report is on quarterly basis.) The overall risk management report is submitted to Risk Management Committee and Board of Directors on quarterly basis.

Conduct various annual stress tests on scenarios such as interest rate, stock price, exchange rate, bankruptcy of re-insurer, and compound catastrophe, and report the evaluation result to Risk Management and Asset & Liability Management meeting, Risk Management Committee and Board of Directors.

(4) The hedge and risk offset policy, and strategy and process for monitoring the continuous effectiveness of hedge and offset tools.

South China Insurance stipulates related quantifying and qualifying limit management mechanism and management action initiation mechanism according to the characters of various risks as various risk hedge and offset strategy, which is continuously monitored. If management action initiation point is reached or limit is exceeded, related operation units shall study responsive actions or action plan, report to appropriate level, obtain approval, and execute afterwards.

(5) Risk management approach and quantifying exposure information

A. Market risks

a. Management method:

Monitoring Procedure	Method
Identify risks	List products that can be directly held through preparing financial product list and understand the market risk factor of all products (ex. interest rate, exchange rate, equity security price, credit spread, coefficient, or volatility, etc.)
Evaluate risks	Adopt VaR as a tool to evaluate market risk of trading book position. VaR is used to compute the maximum possible loss occurring over a certain period of time (e.g. within one day) in the future with a certain level of confidence (e.g. 99%) under the normal market status according to the observation of historical data.
Control risks	(a) The ex-ante management prior to trading: Approval of new financial products. Before trading new financial products(products not included in the approved product list for South China Insurance), the new financial product proposal shall be submitted to South China Insurance Risk Management and Asset & Liability Management meeting for review. The trading can only be started after the review of Risk Management Committee and approval of Hua Nan Financial Holdings. (b) Post-trading risk tracking: Limit management and maturity management. In order to control various market risks within a tolerable range and avoid excess impact on the capital of the Group and South China Insurance, various management indicators(and limits) and maturity threshold are in place.
Monitor and report	(a) Daily limit management report (b) Investment action report. (c) Monthly maturity management report (d) Monthly market risk management report for South China Insurance Risk Management and Asset & Liability Management Meeting (including back testing report). (e) Quarterly market risk management report for South China Insurance Board of Directors and Risk Management Committee.

b. Risk exposure:

The market risk exposure for South China Insurance as of December 31, 2021 is within tolerable range.

Unit: in Million NT\$

Risk Exposure Amount	2021.12.31
Highest daily VaR	0.61
Lowest daily VaR	0.00
Average daily VaR	0.02

B. Operational risks:

a. Management method:

Monitoring Procedure	Method
Identify risks	<p>(a) Operational risk self assessment: The operational risk identification on existing business: Identify the operational risk for the unit through interviewing and meeting with the personnel of the unit and review the control procedures.</p> <p>(b) Operational risk evaluation procedure: The operational risk identification on new insurance and new process: Identify and evaluate potential operational risk and reputation risk regarding the product, process, operating activity, system, or organization. Study necessary risk offset plan; approve and accept the residual risk at the appropriate approval level.</p>
Evaluate risks	Record operational risk loss incidents that already happened in the operational risk loss database through an integrated reporting system. The major objective is to collect the operational risk loss data within the Company as a reference for reviewing existing controls and the major source of loss data analysis and report.
Control risks	Ensure the basic quality requirement in operating procedures and reduce operational risk through setting up operational risk, control objectives, and control measures used to offset risk in key operation procedures.
Monitor and report	<p>(a) Evaluate the operational risk outline for certain process or activity at certain time and certain area through the quantifying indicators in key operational risk management report to effectively reduce operational risk.</p> <p>(b) Utilize operational risk loss database management report as a reference to review existing control and analysis for future loss.</p> <p>(c) Effectively control operational risk related action plan and the execution through action plan tracking report to reduce related operational risk.</p> <p>(d) Quarterly operational risk management report in South China Insurance Board of Directors meeting/ Risk Management Committee/Risk Management and Asset & Liability Management Meeting.</p>

b. Risk exposure:

The key risk indicators of South China Insurance as of December 31, 2021 did not exceed the limit. All units periodically conduct review and improvement through operational risk management tools or mechanisms. Improvements are followed up. Therefore, operational risk exposures are all within tolerable limits.

C. Credit risks:

a. Management method:

Monitoring Procedure	Method
Identify risks	Consider the source of risk and the difference of process control, classify risks by loan credit risk/issuer credit risk/trading counterparty credit risk/insurance representative credit risk/reinsurer credit risk.
Evaluate risks	<p>(a) The degree of loan credit risk is evaluated according to South China Insurance "Notices in Granting Loan", "Guidelines for Granting Loan" as well as engaging professional appraisal institutes to appraise the collateral provided by borrower.</p> <p>(b) The degree of credit risk of issuers, trading counterparties, and reinsurer is evaluated according to external credit rating, financial statements, and volatility of bond price.</p> <p>(c) The degree of insurance representative credit risk is evaluated according to South China Insurance "Insurance Broker and Agent Contract Signing Operating Procedure" and "Rules for Insurance Representative System".</p>
Control risks	<p>(a) The ex-ante management prior to trading: Review and approval process for the case. Qualification review and evaluation procedure shall be made according to internal rules and approved by level of authority before making any transaction.</p> <p>(b) Post-trading risk tracking: Limit management and abnormality follow up mechanism. In order to control various credit risks within tolerable range and avoid excess impact on capital of the Group and South China Insurance, the abnormal bond tracking mechanism and various management indicators (and limits) are in place.</p>
Monitor and report	<p>(a) Quarterly abnormal bond tracking report.</p> <p>(b) Quarterly credit risk management report in South China Insurance Board of Directors meeting/ Risk Management Committee/Risk Management and Asset & Liability Management Meeting.</p>



b. Risk exposure:

The credit risk exposure of South China Insurance as of December 31, 2021 is within tolerable range.

Unit: in Million NT\$

Risk Exposure Amount	2021.12.31
Loans	217
Issuer	6,969
Trading counterparty	204
Sales representative	418
Reinsurer	5,414
Total	13,222

D. Insurance risks:

a. Management method:

Monitoring Procedure	Method
Identify risks	Consider the characters of insurance operating procedure to classify them into underwriting risk/provision risk/reinsurance risk.
Evaluate risks	Evaluate risk through management indicators.
Control risks	(a) New insurance product management Before selling new insurance product, South China Insurance shall submit the new insurance product proposal to South China Insurance Risk Management and Asset & Liability Management Meeting for review and obtain approval from the president of South China Insurance. (b) Warning management In order to control all insurance risks within tolerable limit and avoid excess impact on capital of the Group and South China Insurance, various pre-warning management indicators (and pre-warning values) are in place.
Monitor and report	(a) Monthly insurance risk management report to South China Insurance Risk Management and Asset & Liability Management Meeting. (b) Quarterly insurance risk management report to South China Insurance Board of Directors/Risk Management Committee.

b. Risk exposure:

All indicators of insurance risk meet the standards, and the overall insurance risk has been assessed to be within the tolerable range.

Risk Exposure Amount	2021.12.31
Gross combined ratio	91.2%
Net combined ratio	92.3%
Unearned premium reserve provision rate	50.9%
Indemnity reserve provision rate	44.7%
Indemnity reserve tracking rate	-0.9%
Self retained business rate	130.2%

Note: 1. The calculation of gross combined ratio, net combined ratio, and self retained business rate does not include policy-oriented insurance products.

2. The calculation of unearned premium reserve provision rate and indemnity reserve provision rate does not include policy-oriented insurance products and products that ceased selling.

3. The calculation of indemnity reserve tracking rate does not include policy-oriented insurance products.

E. Asset & liability management:

a. Management method:

Monitoring Procedure	Method
Identify risks	It is categorized into liquidity risk/foreign exchange rate risk/non-trading book portfolio management/capital adequacy management by characters of the risk.
Evaluate risks	Evaluate risk through management indicators.
Control risks	<p>(a) The ex-ante management prior to trading: Approval of new financial products. Before trading new financial products(products not included in the approved product list for South China Insurance), the new financial product proposal shall be submitted to South China Insurance Risk Management and Asset & Liability Management meeting for review. The trading can only be started after the review of Risk Management Committee and approval of Hua Nan Financial Holdings.</p> <p>(b) The post-trading risk tracking: Manage by limit In order to control asset & liability management risk within a tolerable range to avoid excess impact on capital of the Group and South China Insurance, various limits and indicators (and pre-warning values) are in place.</p>
Monitor and report	<p>(a) Daily non-trading book position (coverage method and FVOCI position) limit management report.</p> <p>(b) Investment action report.</p> <p>(c) Monthly foreign exchange rate risk management report.</p> <p>(d) Monthly liquidity risk management report.</p> <p>(e) Monthly asset & liability management report to South China Insurance Risk Management and Asset & Liability Management meeting.</p> <p>(f) Quarterly asset & liability management report to South China Insurance Board of Directors and Risk Management Committee</p> <p>(g) Half year capital adequacy evaluation report to South China Insurance Risk Management & Asset and Liability Management Meeting.</p>

b. Risk exposure:

Regarding the asset and liability risks of South China Insurance as of December 31, 2021, the capital adequacy but the related business unit did not take this into account, and resulted in the higher annual alert value of 440%; which is still in the controllable extent of the capital adequacy for 250% reported to the board of director. As in the other action plans reported per regulations, all other indicators were all compliant with the regulation, it was assessed that the asset and liability risks are still tolerable.

Unit: in Million NT\$

Risk Exposure Amount	December 31, 2020
Liquidity assets with highest liquidity risk to liabilities ratio	59.6%
Current assets to liabilities ratio	84.0%
Assets to liabilities ratio	140.9%
Financial assets liquidity ratio	78.5%
Cash flow gap within one month	+8,032
Unfavorable foreign exchange fluctuation to equity ratio	0.50%
Capital Adequacy Ratio	398%

5. Hua Nan Investment Trust (HNIT)

(1) Market risks

A. The definition of market risk:

The unfavorable impact of trading position value decrease caused by fluctuation of market risk factors such as interest rate, foreign exchange rate, commodity and equity securities price, credit spread, and change in coefficient or volatility.

B. Market risk management:

a. Self-owned fund market risk management: The management of the Company's self-owned fund follows "Hua Nan Financial Holding Group Market Risk Management Policy".

b. Trust fund market risk management

(a) The review mechanism for financial products before the issuance of new trust funds

i. The Product Review Committee reviews the financial products issued by the Trust and evaluates the reasonableness and risk of various products and fully disclose them in order to protect the interests of the Company and customers.



- ii. The major scope for the product review includes detail and structure of the products, product risk analysis, risk analysis for the issuance and guarantee institution, benefit analysis and customer right protection.
- iii. All products issued by the Trust shall be reviewed according to commodities review guidelines and submitted to Hua Nan Financial Holding Product Review Group by the Trust's Product Review Committee for approval.
- iv. A product list shall be prepared for each trust fund and list the product category that the fund is allowed to invest. If the fund intends to invest in any product that is not included in the product list, the product must meet the allowed trust product investment scope; operational risk self-assessment or internal procedure for key operating process risk control shall be conducted and approved by the President before investments can proceed.

(b) The control over investment percentage:

The control is done according to related regulations such as "Securities Investment Trust and Consulting Act", "Regulations Governing Securities Investment Trust Funds", "Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises", "Investment Trust Contract for Securities Investment Trust", and "Discretionary Investment Contract".

(c) The risk tracking for trading gain or loss:

The investment trust fund means the business that securities investment trust business may engage in according to Article 3 of "Securities Investment Trust and Consulting Act" aside from the Company's self-owned fund. In order to control the loss within expected range and effectively manage the investment risk of investment trust fund, the stop loss mechanism of investment trust fund is stipulated and managed accordingly.

(d) The liquid fund ratio and market liquidity of the investment target of the trust fund are also important parts of the risk management. The Company sets up management rules and limit for the ratio to conduct quantifying risk monitoring.

(e) Periodic review the position risk of major stock investment asset pool and evaluation item for appropriateness of related investment target such as quantifying standard for asset pool selection in Notices of fund stock selection management mechanism, negative lists, or related management indicators.

(2) Credit risks

A. These risks refer to the default loss risks caused by the trading counterparty's failure to fulfill contract obligations due to deteriorated financial conditions or other reasons.

B. Credit risk management

a. Credit risk management of self-owned fund: The credit risk management of the Company's self-owned fund is conducted according to Article 12 of "Regulations Governing Securities Investment Trust Enterprises", related regulations, official letters, and internal management rules.

b. Credit risk management of trust fund

(a) The Company shall confirm the credit rating of trading counterparty meets "Securities Investment Trust and Consulting Act", "Regulations Governing Securities Investment Trust Funds", "Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises", and related regulation before conducting transaction. The Company periodically evaluates or inspects the credit rating of trading counterparties.

(b) The credit risk control of investment target and trading counterparty: In order to ensure the selection and control over issuer and guarantee institution of the investment target and trading counterparty comply with regulation and internal control, selection standard and limit control is set up for the issuer and guarantee institution of the investment as well as trading counterparty.

(3) Operational risk management

A. Definition: It is the risk of loss caused by internal operation, improper handling or mistakes by personnel or system, or external incidents. It includes legal risks but excludes strategy risks and reputation risks.

B. Operational risk management: Conduct according to "Hua Nan Financial Holding Group Operational Risk Management Policy".

(4) Liquidity risk and capital adequacy management

A. The definition of liquidity risk management: 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. The main sources are as follows:

(a) Unexpected decrease or change in funding sources.

(b) The assets cannot be quickly realized with minimal losses due to unawareness or inability to cope with changes in market conditions.

B. The definition of capital adequacy management: In order to comply with the business strategy, in addition to complying with the statutory capital regulations of the competent authority, capital planning shall be considered and the relationship between risk control and business development shall be balanced to achieve the business goal of maximizing shareholder value.

C. Liquidity risk and capital adequacy management: Conduct according to "Hua Nan Financial Holding Group Operational Risk Management Policy".

(5) Risk Management Report

A. All of the Company's departments submit various risk management reports to Risk Management Department and their department heads either on a real-time basis, daily, or periodically based on the duty or nature of the business as references for business decisions.

B. The Company's Risk Management Department periodically reports to the Company's Board of Directors on control status of various business risks so that Board of Directors can understand and judge whether the risk undertaken is within the appropriate range and use the risk rating as a reference for management decisions.

6. Hua Nan Venture Capital (HNVC)

The Company's responsible risk management personnel shall submit various risk management reports to management and parent company's Risk Management Department either on real-time basis, daily, or periodically based on the nature of the business. The risk control status on various businesses is reported to the Company's Board of Directors on quarterly basis so that Board of Directors can understand and judge whether the risk undertaken is within appropriate range and use the risk rating as a reference for management decisions.

7. Hua Nan Assets Management Company (HNAMEC)

The scope of Hua Nan Assets Management Company's risk management includes operational risk, credit risk, and liquidity risk. Respective control methods for the risks are described as below:

(1) Operational risk management: Related operational risk management is conducted according to "Hua Nan Financial Holding Group Operational Risk Management Policy". To prevent legal risk from lack of legality in contracts signed with others or incomplete legal document that will damage shareholder equity, all legal contracts to be signed with others shall be reviewed by legal or engaged lawyer before the legal contracts are signed, unless they are standard form contracts. The signing counterparty's legitimacy and authorization shall also be confirmed before both parties sign the contract. As for legal compliance, the Company ensures all operating activities comply with regulation through training and inspection on legal compliance affairs according to "Execution Guidelines for Hua Nan Assets Management Company Legal Compliance System".

(2) Credit risk management: The Company's short-term fund management is conducted according to "Management Guidelines for Hua Nan Assets Management Company Short-term Fund Management". The deposit shall be saved in banks above certain level of rating. Other major investment targets are controlled within a limit.

(3) Liquidity risk management: Regular operating fund management activities are conducted according to "Guidelines for Hua Nan Assets Management Company Loan Management". Source of fund shall be properly dispersed and avoid centralization. "Notices for Hua Nan Assets Management Liquidity Risk Management" and "Hua Nan Assets Management Fund Liquidity Emergent Handling Guidelines" are stipulated to prevent sudden liquidity crisis from affecting normal operation. Except for the above risk controls, Hua Nan Assets Management Company has Investment Review Committee to review and evaluate investment projects and obtain professional, objective, and fair evaluation opinion before conducting all investments. The Company proactively makes efforts to sell the assets or make asset improvements after purchase in order to reduce pressure of capital cost and increase asset value so as to increase the Company's profit.



(III) Impact of changes of important domestic and foreign policies and laws on the Company's finances and business, and the countermeasures:

1. On January 28, 2021, the letter Jin-Guan-Yin-Fa-Zhi-No.10902740521 announced the amendment to Article 4-1, Article 8, and Table 3 of the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies." After reviewing, the Company has no capital instruments, such as common stocks, preferred stocks, and subordinated debts issued by the Company but held through a multi-layer investment structure to increase the non-existing capital in Article 4-1, nor have any right-of-use asset with an intangible asset as the underlying leasing specified in Table 3. There is no inconsistency in the Company's internal regulations to be amended.
2. On March 31, 2021, the letter Jin-Guan-Zheng-Fa-Zhi-No.1090150022 announced the provision of set aside the special reserve of Article 41 in the Securities and Exchange Act; regarding the special reserve provision involve the International Financial Report Standards, the Letter Jin-Guan-Zheng-Fa-Zhi-No.1090150022 issued by the Financial Supervisory Commission on March 31, 2021, shall be complied with. After reviewing, the Company's internal business has no such provision, and there is no inconsistency in the Company's internal regulations to be amended.
3. On April 21, 2021, the letter Jin-Guan-Zheng-Sheng-Zhi No.1100361447 announced the amendment to Article 3 and 6 of the "Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies." The Company is a public listed company with paid-in capital of NT\$10 billion or more; from fiscal year 2022, the Company will publicly announce and file no later than 75 days after the close of the fiscal year as required. After reviewing, there is no inconsistency in the Company's internal regulations to be amended.

(IV) Impact of technological and market changes on the Company's finances and business and countermeasures:

In the era of digital finance, we must rely on secure and trusted information network environment to build a foundation for innovative finance. However, as national boundaries do not exist on the Internet, we face new forms of information security threats from different sectors and information security risks have become a major issue. The assessment and analysis of information security risks of the Group include:

1. Management measures for preventing information security risks
 - (1) Enhance the supervision and management of information securities
Shaping the organization culture valuing information security as a financial institution.
 - (2) Deepen information security governance
 - A. Import international information security management standards and obtain relevant verifications
 - B. Handle information security governance maturity assessment
 - C. Establish a Security Operation Center (SOC) mechanism
 - D. Review the functions and qualifications of financial security personnel, plan to train information security personnel to meet practical needs, and encourage information security personnel to obtain international information security certificates.
 - E. Participate in offensive and defensive drill training courses
 - (3) Promote financial resilience
 - A. Handling off-site drills with actual operations
 - B. Participate in financial security offensive and defense drills and competitions, and can organize internal drills on their own
 - C. Participate in situational drills for major information security incidents, and can organize internal drills on their own
 - (4) Implement joint information security defense
 - A. Participate in the FSC's Financial Information Sharing and Analysis Center (F-ISAC)
 - B. Establish a Computer Security Incident Response Team (CSIRT)
 - C. Financial institution SOC and F-SOC coordinated operation

2. Identify and assess information security risks

For the relatively material information security vulnerabilities and threats in 2021, such as Microsoft Windows system vulnerability (CVE-2021-1732 and the second-phase update of CVE-2020-1472) in February 2021; Microsoft Exchange system vulnerability (CVE-2021-26857, 26858, 27065, 26855) in March, Microsoft Exchange Server remote code execution vulnerability (CVE-2021-34473, 42321) in November; Apache Log4j remote code execution vulnerability (CVE-2021-44228, 45046, 45105) in December; and Microsoft Active Directory privilege escalating vulnerability (CVE-2021-42278, 42287) in December, the HNFB responded the incidents immediately, and requested each subsidiary to initiate related checks, and report the results of checks and expected actions to taken to the executives with the completion of the treatment of each subsidiary.

During 2021 and up to the annual report publication date, the each company of the Group has not suffered any significant cyber security incidents and no material adverse impact or loss to the Company's business.

(V) Effect of changes in the Company's public image and measures taken in response:

The Company upholds the philosophy of corporate sustainability and establishes long-term partnerships with customers and other social groups. We also actively participate in charity activities to fulfill corporate social responsibilities and enhance the Company's image.

For instance, the Company has collaborated with the Chinese Taipei Baseball Association in the "Baseball Dreams Come True" charity event since 2007. We seek to support grassroots baseball activities and we provide long-term sponsorship to various baseball tournaments and related events. In addition, we have organized the "Excellent Hua Nan Care for the Elderly" charity event together with Hondao Senior Citizen's Welfare Foundation since 2012. We have mobilized volunteer teams to visit the elderly who live alone in areas across Taiwan, donated supplies, and arranged free clinic and free hair-cutting services in hopes of providing care to the aging society.

The business management departments propose response measures for various emergencies and the Public Relations Department provides immediately clarification to external entities. The Company believes that our participation in charity or other activities can help improve the Company's image, build better relations with the general public, and cultivate a better image of the Company in the minds of the general public. In the event of a crisis, we can gain an understanding of the general public more easily, reduce the damage caused by the crises, and significantly reduce uncertainties in business management.

(VI) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures:

1. Expected benefits of mergers and acquisitions:

- (1) Increase shareholders' equity: High-quality external mergers and acquisitions help maintain and improve shareholders' equity. The Company's external mergers and acquisitions are conducted to protect shareholders' equity and we aim to protect the Company's sustainability and maximize investment returns for shareholders.
- (2) Expand gains from the economies of scale: External mergers and acquisitions increase the scale of assets for businesses of the Group as well as the market scale of various main businesses. They also help the Group achieve the two goals of becoming a high-quality domestic financial holding company and a regional financial institution so that we may enjoy the benefits of operations in economies of scale.
- (3) Expand gains from the economy of scope: External mergers and acquisitions help us establish a one-stop financial product service platform. They also enhance the Group's cross-sector operations and cross-marketing performance so that we may enjoy the benefits of operations in economies of scope.
- (4) Expand resource sharing benefits: After completing the integration of external mergers and acquisitions, resources such as organization, departments, operations, equipment, assets, channels, businesses, and manpower, previously independently established and managed, can be provided in support of other units to save costs.
- (5) Prevent risks of marginalization: The consolidation of the domestic financial sector is expected to continue. High-quality external mergers and acquisitions can strengthen our competitive constitution and effectively prevent risks of marginalization in the market.

2. Possible risks and response measures after mergers and acquisitions

- (1) Loss of talents in merged or acquired companies: The loss of talents in merged or acquired companies may occur in the merger or acquisition process due to changes in management and poaching from competitors. Response measures: Seek companies with similar corporate culture and business philosophies as M&A targets. Draft the merger and transition plan carefully and use open and transparent methods to retain talents.



- (2) Information concealed by merged companies: Merged companies often conceal information on actual business operations or unfavorable factors in the M&A process to facilitate smooth sales or increase the sales price.

Response measures: Implement onsite review projects and discuss broadly the possible issues with various departments and financial consultants. Where necessary, use contractual terms to preclude risks of uncertainty.

- (3) Excessively optimistic assessments of benefits: Excessively optimistic assessments of benefits of the acquisition of a merged company may cause the purchase price to go far beyond actual benefits.

Response measures: Conduct careful assessments on the benefits of the M&A. Adopt diverse assessment methods and refer to prevailing rates in the industry for the purchase price to prevent purchases at a premium.

(VII) Risks derived from concentration of operations and countermeasures: None.

(VIII) Impacts, risks, and response measures resulting from major equity transfer or replacement of directors, supervisors, or substantial shareholders holding more than 1% of the Company's shares: None.

(IX) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations: None

(X) Any litigious or non-litigious matters or administrative disputes up to the publication date of this annual report where the Company and company Directors, Supervisors, President, person with actual responsibility in the Company, and major shareholders holding more than 1% of the company's shares and affiliated companies who have been concluded through final judgment or still under litigation, to be a party thereof, and where the results thereof could materially affect the shareholders' equity or prices of the Company's securities, as well as the facts of the dispute, amount of money at stake, date of litigation commencement, and main parties to the litigation as of the publication date of the Annual Report: None

(XI) Other material risks and countermeasures: None

VII. Crisis Management and Response Mechanisms

(I) The Company has established the "Fund Liquidity Emergency Response Guidelines" to respond to liquidity risks of the Company. The Guidelines provide procedures for actions such as capital dispatch and capital backup to safeguard the Company's regular operations.

(II) The Group established the "Hua Nan Financial Holdings Group Business Crisis Response Measures and Guidelines" to quickly process management crisis of group members and manage and reduce losses or damage caused by business crises. When members of the Group are subject to other management crises, they shall initiate their response measures in accordance with regulations and form a business crisis response team to manage the command, coordination, and progress of the crisis response. In the crisis management period, the Company's external information disclosure shall be provided on the publication system specified by the competent authority of securities and the Company shall use newspaper publications or organize press conferences to actively disclose information to news media.

(III) The Group has established the "Hua Nan Financial Holdings Group Mandatory Report Guidelines" to build reporting mechanisms for material events. If a member of the Group is subject to alleged malfeasance, material thefts, natural disasters, information security incidents that may damage customer rights and interests or affect the healthy operations of the institution, penalties or fines imposed by domestic or foreign competent authorities, material changes in risk exposure or other items that may cause financial losses of the Company, credit rating downgrade of an overseas branch institution by a local supervisory authority, or other material emergency incidents that affect the Company's reputation, the Company shall immediately report such occurrences in accordance with the reporting mechanisms and file a review report within a specific period.

VIII. Other Important Issues: None.

VIII Other Special Notes

I. Related Information for Subsidiaries

(I) **Organizational Chart of Subsidiaries:** Please refer to “Group Organizational Structure” of “III Corporate Governance Report”.

(II) Basic Information for Subsidiaries

Date: 2022.3.31

Unit: Thousands of NT dollars

Company Name	Date Established	Address	Paid-in Capital (In Thousands of NT dollars)	Business Activities
Hua Nan Commercial Bank Ltd.	1947.02.22	No.123, Songren Rd., Xinyi Dist., Taipei City	90,767,000	Business within the scope of Article §71 of the Banking Act.
Hua Nan Securities Co., Ltd.	1988.06.17	5F, No. 54, Sec. 4, Minsheng E.Rd., Songshan Dist., Taipei City	6,547,743	The stock broker, dealer, underwriter, and futures proprietary merchant
South China Insurance Co., Ltd.	1963.04.11	5F, No.560, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City	2,001,386	Property insurance business
Hua Nan Investment Trust Corp.	1992.09.29	3F-1, No. 54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City	308,399	Securities investment trust business
Hua Nan Venture Capital Co., Ltd.	2004.01.28	3F, No. 143, Sec. 2, Mingsheng E. Rd., Zhongshan Dist., Taipei City	2,000,000	Venture capital business
Hua Nan Assets Management Co., Ltd.	2005.05.10	4F, No. 18, Sec. 1, Changan E. Rd., Zhongshan Dist., Taipei City	1,000,000	Purchase and management of claims
Hua Nan International Leasing Co., Ltd.	2012.07.13	5F, No. 18, Sec. 1, Changan E. Rd., Zhongshan Dist., Taipei City	1,500,000	Financial lease business
Hua Nan International Leasing Corp.	2012.10.25	Room #02, 12F, Kerry Plaza Tower 2, 1 Zhongxinsi Rd., Futian Dist., Shenzhen City	USD 29,700	Financial lease business
Hua Nan Securities Investment Management	1993.09.27	4F-1, No. 54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City	37,200	Securities investment management business
Hua Nan Futures Co., Ltd.	1994.04.30	3F-7, 8, 9., No. 54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City	435,000	Futures broker business
Hua Nan Securities Holdings Corp.	1997.03.17	3rd Floor, J&C Building, P.O.Box 362, Road Town, Tortola, British Virgin Islands	USD 100	Holding company
Hua Nan Securities (HK) Limited	1997.05.09	6/F., Ka Wah Bank Centre, No.232 Des Voeux Road Central, Hong Kong	USD 3,196	Securities business

(III) **Companies with Deemed Control and Subordination pursuant to Article §369-3:** None.

(IV) **Industry of business operated by subsidiaries:** banking industry, securities industry, securities investment trust industry, securities investment management consulting industry, property insurance industry, asset management industry, futures broker and management industry, futures consulting industry, insurance agent industry, consulting industry, and capital lease industry.



(V) Rosters of Directors, Supervisors, and Presidents of Subsidiaries

Date: 2022.3.31

Unit: Shares, %

Company Name	Position	Name or Representative	Names of others	
			Number of Shares	Shareholding Ratio
Hua Nan Commercial Bank Ltd.	Chairman Managing Director & Vice Chairman Managing Director & President Managing Director Independent Managing Director Director Director Director Director Director Director Director Independent Director Independent Director Independent Director Managing Supervisor Supervisor Supervisor Supervisor Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Yun-Peng Chang T. Lin Jeng-Fang Jang Chih-Yang Lin Yi-Tuan Chen Chih-Yu Lin Teng-Cheng Chu Yuan-Ling Hsu Wei-Ling Yen Vivien, Chia-Ying Shen Shih-Fang Lo Tzu-Yu Chen Che-Yu Shih Ming-Gii Hsu Mei-Chu Huang Ying-Hsien Wang Ping-Kuan Lo Ming-Hsien Yang Sung-Tung Chen Wen-Ping Kung Pao-Hsi Lin Hui-Chung Yen Kuo-Ping Chen Hsiang-Chen Huang	9,076,700,000	100%
Hua Nan Securities Co., Ltd.	Chairman Director and President Director Director Director Director Independent Director Independent Director Supervisor Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Jin-Ming Huang Chang-Ching Lin Chi-Tsai Yang Ya-Ching Chang Pu Wang Chang-Hsin Lin Hsueh-Min Wu Jen-Shou Hsu Yang-Cheng Lu Shu-Fei Lin Yen-I Chou	654,774,346	100%
South China Insurance Co., Ltd.	Chairman Director and President Director Director Director Director Director Director Director Director Independent Director Independent Director Independent Director Supervisor Supervisor Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Chih-Chi Tu Wen-Chih Chen Po-Hsi Liao Yu-Ming Liang Huang-Chou Chen Heng-I Tu Nai-Wen Chang Shih-Yu Huang Kuo-Hung Liao Hui-Ling Hsu Su-Jung Hsu Greta Lin Chin-Chou Hsu Kuo-Feng Kao Hsiu-Fen Lin Ping-Hui Chang Her-Jiun Hsieh Shu-Hui Ou	200,138,625	100%
Hua Nan Investment Trust Corp.	Chairman Director Director Director Director Director Supervisor Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Chao-Tang Huang Lisa Tsai Chao-Chi Yeh Yuan-Ling Hsu Fan Wang Chien-Feng Lin Billy, C.P. Chiang Jui-Chen Hsu Li-Peng Tsai	30,839,927	100%
	President	Chia-Chin Wu	0	0%

Company Name	Position	Name or Representative	Names of others	
			Number of Shares	Shareholding Ratio
Hua Nan Venture Capital Co., Ltd.	Chairman and President Director Director Director Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Jonathan Huang Billy, C.P. Chiang Cheng-Chih Tsai Chi-Tsun Lin Amy, M.C. Chiou Tien-Li Cheng	200,000,000	100%
Hua Nan Assets Management Co., Ltd.	Chairman Director Director Director Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Tian-Yan Liu Kuo-Wei Wu Tsung-Hsien Li Yu-Yun Kung Wan-Jung Tsai Pi-E Huang	100,000,000	100%
	President	Yao-Yi Wang	0	0%
Hua Nan International Leasing Co., Ltd.	Chairman Director Director Director Supervisor	Hua Nan Commercial Bank Representative: Robert Li Jonathan Huang Ping-Hui Chang Tsung-Hsuan Huang Chi-Ming Huang Chun-Heng Tsao	150,000,000	100%
	President	Chih-Hsien Tsai	0	0%
Hua Nan International Leasing Co., Ltd.	Chairman Director Director Director Supervisor	Hua Nan International Leasing Co., Ltd. Representative: Robert Li Jonathan Huang Ping-Hui Chang Tsung-Hsuan Huang Chi-Ming Huang Chun-Heng Tsao	-	100%
	President	Chih-Hsien Tsai	0	0%
Hua Nan Securities Investment Management	Chairman and President Director Director	Hua Nan Securities Co., Ltd. Representative: Hsiang-Sheng Chu Yu-kun Chen Chi-Tsun Lin	3,718,319	99.95%
	Supervisor	Jung-Cheng Kao	0	0%
Hua Nan Futures Co., Ltd.	Chairman Director Director	Hua Nan Securities Co., Ltd. Representative: I-Tsung Chen Tien-Li Cheng Jen-Hsiang Hsu	43,413,000	99.80%
	Supervisor	Ya-Pei Wang	0	0%
	President	Chuan-Tsai Li	0	0%
Hua Nan Securities Holdings Corp.	Director	Representative of Hua Nan Securities Co., Ltd: Ya-Pei Wang	100,000	100.00%
Hua Nan Securities (Hong Kong) Limited	Chairman Director and President	Hua Nan Securities Holdings Corp. Representative: Ya-Pei Wang Wei-Kang Chang	79,975,000	100.00%



(VI) Operational Highlights of Subsidiaries

1. Operational Highlights

Unit: Thousand New Taiwan Dollars (except earnings per share)

Company Name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit (Note)	Current Profit and Loss (after Tax)	Earnings Per Share (NT\$) (after Tax)
Hua Nan Commercial Bank Ltd.	90,767,000	3,368,594,947	3,158,114,814	210,480,133	41,258,904	16,168,774	14,593,870	1.61
Hua Nan Securities Co., Ltd.	6,547,743	65,685,037	54,572,990	11,112,047	6,506,082	2,799,965	2,524,416	3.86
South China Insurance Co., Ltd.	2,001,386	23,551,014	16,718,804	6,832,210	9,072,644	1,035,945	900,351	4.5
Hua Nan Investment Trust Corp.	308,399	852,223	475,077	377,146	117,477	-5,364	-7,010	-0.23
Hua Nan Venture Capital Co., Ltd.	2,000,000	1,726,027	12,785	1,713,242	47,061	24,306	25,564	0.13
Hua Nan Assets Management Co., Ltd.	1,000,000	5,044,341	3,662,367	1,381,975	578,051	357,061	316,473	3.16
Hua Nan Securities Investment Management	37,200	58,637	15,217	43,420	29,210	359	517	0.14
Hua Nan Futures Co., Ltd.	435,000	6,470,751	5,437,414	1,033,337	471,517	39,555	61,319	1.41
Hua Nan Securities Holdings Corp.	3,158	69,380	30	69,350	-41,158	-41,013	-41,013	-1.39
Hua Nan Securities (Hong Kong) Limited	104,989	71,678	9,201	62,477	2,957	-41,162	-41,162	-0.01
Hua Nan International Leasing Co., Ltd.	1,500,000	1,862,638	404,624	1,458,014	43,880	18,455	43,126	0.29
Hua Nan International Leasing Corp.	879,840	1,006,667	28,840	977,827	38,018	32,322	24,213	0.28

Note 1: The face value of Hua Nan Securities Holding Ltd. and Hua Nan Asset Management Corp are USD1 dollar. The face value of Hua Nan Securities (Hong Kong) Limited is HKD0.31 dollar.

Note 2: Hua Nan Commercial Bank Ltd. does not have operating revenue and income from operation according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for its industry. Therefore, total net revenues and net profit before income tax are used to fill in operating revenue and income from operation.

2. Consolidated financial statements of the affiliated enterprises

The affiliated enterprises of the Company according to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those companies that need to be included in consolidated financial statements according to IAS10. The required disclosures in consolidated financial statements of the affiliated enterprises have already been disclosed in the consolidated financial statements. Therefore, the Company does not prepare consolidated financial statements of the affiliated enterprises.

3. Consolidated business report

The Company is not the affiliated company of other companies according to Chapter VI-I Affiliated Enterprises of the Company Act. Therefore, the Company does not need to prepare it.

II. Private Placement Securities of the Most Recent Year up to the Date of Publication of This Report: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year up to the Date of Publication of This Report: None.

IV. Any Events that Had Significant Impacts on Shareholders' Right or Security Prices: None.

V. Other Necessary Supplement: None.

IX ▶ Basic information for domestic and over-seas operating units of the Group

I. Hua Nan Commercial Bank

(I) Headquarter and domestic operating units of Hua Nan Bank

Basic information for domestic and overseas operating units

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
Headquarter			Headquarter		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	
		051	Board of Directors		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291966
		055	General Administration Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291824
		056	Planning Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291844
		057	Business Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291880
		058	Corporate Banking Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291700
		059	Auditing Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291720
		060	Finance & Accounting Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291850
		061	Human Resource Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291854
		062	Credit Checking & Industrial/Economics Research Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291764
		065	IT Planning & Development Department		10076	No. 15, Quanzhou St., Zhongzheng Dist., Taipei City	02-23328111	02-23037344
		066	IT Operation & Service Department		10076	No. 15, Quanzhou St., Zhongzheng Dist., Taipei City	02-23328111	02-23037344
		067	Information Security Department		10076	No. 15, Quanzhou St., Zhongzheng Dist., Taipei City	02-23328111	02-23037344
		068	Compliance Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291840
		069	Trust Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291774
		070	Offshore Banking Branch		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291814
		071	Digital Banking Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291890
		074	Overdue Loan Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291750
		075	Financial Trading Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291860
		076	Consumer Banking Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291730
		078	Wealth Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291770
		085	Risk Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291760



Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
		087	Insurance Agent Department		10571	10F, No. 188, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City	02-27468666	02-27468777
		088	Credit Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291920
		089	Financial Market Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291874
		090	Customer Service Department		10442	5F, No. 18, Sec. 1, Changan E. Rd., Taipei City	02-21810101	02-25429933
		092	Regional Center North I		10449	8F, No. 2, Lane 116, Sec. 2, Zhongshan N. Rd., Taipei City	02-25677758	02-25230851
		093	Regional Center North II		10449	9F, No. 2, Lane 116, Sec. 2, Zhongshan N. Rd., Taipei City	02-25677758	02-25231303
		094	Regional Center North III		33042	5F, No. 79, Nanhua St., Taoyuan Dist., Taoyuan City	03-3315995	03-3315767
		095	Regional Center Central		40041	4F, No. 174, Minquan Rd., Central Dist., Taichung City	04-22291336	04-22296325
		096	Regional Center South		80344	10F, No. 178, Wufu 4th Rd., Yancheng Dist., Kaohsiung City	07-5213618	07-5215525
1	Taipei City	888	Business Center Branch		11073	1F, No. 123, Songren Rd., Xinyi Dist., Taipei City	02-27206988	02-27205656
2		100	Business Department	*	10006	No. 38, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City	02-23713113	02-23614117
3		101	Chuxu Branch		10489	No. 160, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-25076131	02-25072810
4		102	International Banking Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291710
5		103	Chengnei Branch		10045	No. 93, Bo'ai Rd., Zhongzheng Dist., Taipei City	02-23818780	02-23613028
6		104	Dadaocheng Branch	*	10344	No. 96, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City	02-25556280	02-25591573
7		105	Jiancheng Branch	*	10355	No. 228, Nanjing W. Rd., Datong Dist., Taipei City	02-25563110	02-25584245
8		106	Zhongshan Branch	*	10442	No. 18, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City	02-25611121	02-25232072
9		107	Yuanshan Branch		10449	No. 112, Sec. 2, Zhongshan N. Rd., Taipei City	02-25619588	02-25418154
10		108	Chengdong Branch		10458	No. 146, Songjiang Rd., Zhongshan Dist., Taipei City	02-25512111	02-25362764
11		109	Ximen Branch		10846	No. 173, Xining S. Rd., Wanhua Dist., Taipei City	02-23149978	02-23832866
12		110	Nan Sungshan Branch		11066	No. 293, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	02-27695957	02-27688428
13		111	Ren Ai Road Branch		10685	No. 25, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	02-27722090	02-27110276
14		112	Nanking East Road Branch		10488	No. 217, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-27155111	02-27129350
15		113	Xinsheng Branch		10059	No. 48, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	02-23934211	02-23211338
16		114	Datong Branch		10372	No. 276, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City	02-25917767	02-25912924
17		115	Songshan Branch		10566	No. 654, Sec. 4, Bade Rd., Songshan Dist., Taipei City	02-27652132	02-27614818
18		116	Chung Lun Branch		10554	No. 145, Sec. 3, Bade Rd., Songshan Dist., Taipei City	02-25780377	02-25783902

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
19	Taipei City	117	Taipei Nanmen Branch		10093	No. 11, Sec. 2, Roosevelt Rd., Zhongzheng Dist., Taipei City	02-23217111	02-23510410
20		118	Gongguan Branch		10089	No. 216, Sec. 3, Roosevelt Rd., Zhongzheng Dist., Taipei City	02-23622141	02-23623500
21		119	Xinyi Branch		10064	No. 183, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City	02-23943141	02-23937089
22		120	Zhongxiao East Road Branch	*	10686	No. 212, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City	02-27733577	02-27410336
23		121	Heping Branch		10664	No. 93, Sec. 2, Heping E. Rd., Da'an Dist., Taipei City	02-27002405	02-27099230
24		122	Shuangyuan Branch	*	10879	No. 127, Xizang Rd., Wanhua Dist., Taipei City	02-23071122	02-23055954
25		123	Shihlin Branch		11168	No. 246, Sec. 4, Chengde Rd., Shilin Dist., Taipei City	02-28819500	02-28827737
26		124	Tung-Taipei Branch		10553	No. 50, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City	02-25794141	02-25791395
27		125	Da An Branch	*	10695	No. 458, Guangfu S. Rd., Da'an Dist., Taipei City	02-27039851	02-27088441
28		126	Ming Shen Branch	*	10574	No. 54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City	02-27155011	02-27121484
29		127	Fushing Branch		10544	No. 337, Fuxing N. Rd., Songshan Dist., Taipei City	02-27171781	02-27184582
30		128	Lungchiang Branch		10483	No. 145, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City	02-25045341	02-25044487
31		129	Yongji Branch		11082	No. 800, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	02-27593111	02-27595757
32		130	Dunhua Branch		10683	No. 2, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-27557467	02-27066043
33		132	Dazhi Branch		10462	No. 56, Lequn 3rd Rd., Zhongshan Dist., Taipei City	02-85020818	02-85026101
34		133	Tun Ho Branch		10682	No. 107, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-27010900	02-27042811
35		134	Donghu Branch		11490	No. 456, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City	02-26315550	02-26328296
36		136	Dongxing Branch	*	10569	No. 239, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City	02-25289567	02-25288359
37		137	Pei Nankang Branch		11503	2F-10, No. 3, Park St., Nangang Dist., Taipei City	02-26558788	02-26558778
38		138	Muzha Branch		11648	No. 4, Sec. 3, Muzha Rd., Wenshan Dist., Taipei City	02-29361769	02-29361759
39		143	Nan Neihu Branch		11494	No. 130, Xing'ai Rd., Neihu Dist., Taipei City	02-27968288	02-27968299
40		145	Chang An Branch		10491	No. 205, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City	02-87722778	02-87722775
41		147	Huaisheng Branch		10654	No. 247, Sec. 3, Zhongxiao E. Rd., Da'an Dist., Taipei City	02-27727211	02-27318743
42		148	Zhonghua Road Branch		10065	No. 59, Sec. 2, Zhonghua Rd., Zhongzheng Dist., Taipei City	02-23822078	02-23318355
43		149	Hsin Wei Branch		10683	2F., No. 6, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City	02-27015123	02-23258122
44		152	Shihpai Branch		11271	No. 78, Sec. 1, Shipai Rd., Beitou Dist., Taipei City	02-28223822	02-28216268
45		153	Jui Hsiang Branch		10573	No. 145, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City	02-27641407	02-27619254
46		154	Taita Branch		10617	No. 1, Sec. 4, Roosevelt Rd., Da'an Dist., Taipei City	02-23631478	02-23639657
47		156	Shih Mao Branch	*	11052	No. 458, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City	02-27581392	02-27581389



Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
48	Taipei City	157	Wanhua Branch		10849	No. 149, Kangding Rd., Wanhua Dist., Taipei City	02-23812922	02-23817634
49		158	Nan Kang Branch		11510	No. 52, Sec. 3, Nangang Rd., Nangang Dist., Taipei City	02-27885966	02-27885725
50		178	Beitou Branch		11268	No. 13, Sec. 2, Beitou Rd., Beitou Dist., Taipei City	02-28934166	02-28960184
51		179	Hsi Hu Branch	*	11493	No. 392, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	02-27977189	02-27979169
52		189	Tianmu Branch	*	11148	No. 109, Sec. 1, Zhongcheng Rd., Shilin Dist., Taipei City	02-28380777	02-28355410
53		190	Nei Hu Branch		11457	No. 157, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City	02-27961266	02-27935380
54		195	Wenshan Branch		11641	No. 52, Sec. 1, Muzha Rd., Wenshan Dist., Taipei City	02-22360288	02-22365655
55		139	Banqiao Wenhua Branch		22050	No. 67, Sec. 1, Wenhua Rd., Banqiao Dist., New Taipei City	02-22723999	02-22721010
56	New Taipei City	151	Pu Chien Branch	*	22069	No. 37, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	02-29646911	02-29570930
57		159	Huajiang Branch	*	22041	No. 80, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City	02-22512581	02-22524900
58		160	Panchiao Branch		22063	No. 73, Zhongxiao Rd., Banqiao Dist., New Taipei City	02-29511101	02-29615496
59		161	Sanchong Branch		24147	No. 5-1, Sec. 2, Chongxin Rd., Sanchong Dist., New Taipei City	02-29824101	02-29713685
60		162	Pei Sanchong Branch		24146	No. 1, Longmen Rd., Sanchong Dist., New Taipei City	02-29880011	02-29717564
61		163	Xinzhuang Branch		24243	No. 100, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	02-29944761	02-29975920
62		164	Yonghe Branch		23444	No. 147, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City	02-29214111	02-29275188
63		165	Chung Ho Branch	*	23558	No. 257, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City	02-22495555	02-22498520
64		166	Hsintien Branch		23143	No. 108, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City	02-29136661	02-29155547
65		167	Tamsui Branch	*	25158	No. 28, Zhongzheng Rd., Tamsui Dist., New Taipei City	02-26219680	02-26232275
66		168	Xizhi Branch	*	22166	No. 101, Zhongzheng Rd., Xizhi Dist., New Taipei City	02-26416411	02-26420866
67		169	Nan Yunghe Branch		23455	No. 220, Zhongzheng Rd., Yonghe Dist., New Taipei City	02-89423288	02-89423289
68		170	Shi Sanchong Branch		24153	No. 237, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City	02-28575211	02-28575228
69		171	Nan Sanchong Branch		24141	No. 52, Sec. 1, New Taipei Blvd., Sanchong Dist., New Taipei City	02-29888001	02-29831367
70		172	Shuanghe Branch		23574	No. 320, Zhonghe Rd., Zhonghe Dist., New Taipei City	02-29261771	02-29293971
71		173	Sintai Branch		24257	No. 708, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	02-29071181	02-29071190
72		174	Erh Chung Branch	*	24158	No. 86 & 88, Sec. 1, Guangfu Rd., Sanchong Dist., New Taipei City	02-29991166	02-29991678
73		175	Bansin Branch		22065	No. 30 & 32, Quyun Rd., Banqiao Dist., New Taipei City	02-29631777	02-29631797
74		176	Wu Ku Branch		24250	No. 219, Sec. 2, New Taipei Blvd., Xinzhuang Dist., New Taipei City	02-85218788	02-85216649
75		180	Chi Sui Branch		23544	No. 562, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City	02-22220603	02-22214405
76		182	Fuhe Branch		23449	No. 158, Fuhe Rd., Yonghe Dist., New Taipei City	02-89280491	02-89266004

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
77	New Taipei City	183	Nanshihiao Branch		23569	No. 342, Jingxin St., Zhonghe Dist., New Taipei City	02-29421722	02-29415816
78		184	Pei Luzhou Branch		24765	No. 213, Changrong Rd., Luzhou Dist., New Taipei City	02-28470606	02-28471052
79		185	Luzhou Branch		24753	No. 161, Zhongshan 1st Rd., Luzhou Dist., New Taipei City	02-22886888	02-22830959
80		186	Tucheng Branch		23671	No. 268, Zhongyang Rd., Tucheng Dist., New Taipei City	02-22672345	02-22694219
81		187	Pei Hsin Branch		23141	No. 129, Minquan Rd., Xindian Dist., New Taipei City	02-22180111	02-22188883
82		191	Shulin Branch		23844	No. 189, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City	02-26870656	02-26870659
83		192	Chang Shu Wan Branch		22146	No. 276, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	02-26472611	02-26472656
84		193	Taishan Branch		24356	No. 212, Sec. 2, Mingzhi Rd., Taishan Dist., New Taipei City	02-22968388	02-22968343
85		194	Sanxia Branch		23741	No. 65, Heping St., Sanxia Dist., New Taipei City	02-26747711	02-26747171
86		196	Yingge Branch		23941	No. 101, Guoqing St., Yingge Dist., New Taipei City	02-26777711	02-26775511
87		197	Pei Xinzhuang Branch		24246	No. 211, Sec. 2, Zhonghua Rd., Xinzhuang Dist., New Taipei City	02-66371688	02-66371066
88		198	Pei Tucheng Branch		23657	No. 149, Yumin Rd., Tucheng Dist., New Taipei City	02-22635656	02-22635916
89		199	Linkou Station Front Branch		24448	No. 331, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City	02-26098399	02-26006811
90	Keelung City	200	Keelung Branch		20051	No. 305, Ren 1st Rd., Ren'ai Dist., Keelung City	02-24222192	02-24272114
91		201	Keelung Harbor Branch	*	20041	No. 46, Zhong 2nd Rd., Ren'ai Dist., Keelung City	02-24282121	02-24289665
92		211	Qidu Branch		20645	No. 81, Mingde 1st Rd., Qidu Dist., Keelung City	02-24567101	02-24562215
93	Yilan County	220	Luodong Branch		26550	No. 85, Gongzheng Rd., Luodong Township, Yilan County	03-9543611	03-9566050
94		221	Yilan Branch		26044	No. 140, Sec. 3, Zhongshan Rd., Yilan City, Yilan County	03-9354911	03-9326056
95	Taoyuan City	240	Taoyuan Branch		33042	No. 79, Nanhua St., Taoyuan Dist., Taoyuan City	03-3321121	03-3354999
96		241	Zhongli Branch	*	32045	No. 35, Minzu Rd., Zhongli Dist., Taoyuan City	03-4936999	03-4939853
97		242	Yangmei Branch		32641	No. 95, Dacheng Rd., Yangmei Dist., Taoyuan City	03-4755131	03-4752439
98		243	Lichang Branch		32042	No. 175, Zhongzheng Rd., Zhongli Dist., Taoyuan City	03-4253151	03-4252201
99		244	Pei Taoyuan Branch		33046	No. 94, Sec. 2, Daxing W. Rd., Taoyuan Dist., Taoyuan City	03-3011234	03-3025555
100		245	Nankan Branch		33859	No. 99, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan City	03-3521212	03-3526969
101		246	Pingzhen Branch		32443	No. 265, Sec. 2, Huannan Rd., Pingzhen Dist., Taoyuan City	03-4689688	03-4683368
102		247	Bade Branch		33446	No. 307, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City	03-3679911	03-3676367
103		248	Guishan Branch		33342	No. 1227, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City	03-3505822	03-3198195
104		249	Longtan Branch		32552	No. 8, Zhongzheng Rd., Longtan Dist., Taoyuan City	03-4090666	03-4090667



Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
105	Taoyuan City	250	Daxi Branch		33542	No. 87, Cihu Rd., Daxi Dist., Taoyuan City	03-3878833	03-3879922
106		251	Neili Branch		32083	No. 260, Huanzhong E. Rd., Zhongli Dist., Taoyuan City	03-4626969	03-4629797
107		252	Linkou Branch		33375	No. 300, Fuxing 1st Rd., Guishan Dist., Taoyuan City	03-3183456	03-3182345
108		260	Guanyin Branch		32850	No. 780, Sec. 2, Zhongshan Rd., Guanyin Dist., Taoyuan City	03-4081731	03-2824612
109		262	Dayuan Branch		33756	No. 108, Zhongzheng E. Rd., Dayuan Dist., Taoyuan City	03-3867272	03-3857373
110	Hsinchu City	300	Hsinchu Branch	*	30041	No. 131, Dongmen St., East Dist., Hsinchu City	03-5217111	03-5233445
111		302	Chu Ko Branch		30072	No. 172, Guanxin Rd., East Dist., Hsinchu City	03-6687888	03-6687066
112		351	Ta Chong Branch		30061	No. 118., Xida Rd., East Dist., Hsinchu City	03-5212191	03-5267348
113	Hsinchu County	301	Zhudong Branch		31041	No. 9, Chaoyang Rd., Zhudong Township, Hsinchu County	03-5969372	03-5969379
114		310	Xinfeng Branch		30442	No. 155-16, Sec. 1, Jianxing Rd., Xinfeng Township, Hsinchu County	03-5592130	03-5592237
115		313	Lioujia Branch		30264	No. 6, Ziqiang S. Rd., Zhubei City, Hsinchu County	03-6673289	03-6676025
116		323	Zhubei Branch		30251	No. 159, Xianzheng 9th Rd., Zhubei City, Hsinchu County	03-5542277	03-5542727
117	Miaoli County	320	Zhunan Branch		35051	No. 10, Bo'ai St., Zhunan Township, Miaoli County	037-472651	037-472374
118		321	Toufen Branch		35159	No. 922, Zhonghua Rd., Toufen City, Miaoli County	037-663577	037-673447
119		322	Miaoli Branch		36049	No. 686, Zhongzheng Rd., Miaoli City, Miaoli County	037-353711	037-353722
120	Taichung City	400	Fengyuan Branch	*	42043	No. 95, Xinyi St., Fengyuan Dist., Taichung City	04-25273180	04-25270214
121		401	Dongshi Branch		42352	No. 282, Sanmin St., Dongshi Dist., Taichung City	04-25871180	04-25875611
122		402	Qingshui Branch	*	43655	No. 241, Zhongshan Rd., Qingshui Dist., Taichung City	04-26237171	04-26227581
123		403	Xi Fengyuan Branch		42041	No. 225, Yuanhuan S. Rd., Fengyuan Dist., Taichung City	04-25275123	04-25270744
124		420	Taichung Branch	*	40041	No. 174, Minquan Rd., Central Dist., Taichung City	04-22261111	04-22275063
125		422	Nan Taichung Branch		40144	No. 53, Sec. 4, Fuxing Rd., East Dist., Taichung City	04-22294471	04-22283866
126		423	Pei Taichung Branch	*	40446	No. 338, Wuquan Rd., North Dist., Taichung City	04-22025131	04-22015755
127		424	Taichungkang Road Branch		40758	No. 689, Sec. 2, Taiwan Blvd., West Dist., Taichung City	04-23266555	04-23267241
128		425	Dali Branch		41265	No. 37, Dongrong Rd., Dali Dist., Taichung City	04-24835151	04-24835393
129		426	Shueinan Branch	*	40667	No. 81, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City	04-22924456	04-22924121
130		427	Wucyuan Branch	*	40347	No. 270, Zhongming S. Rd., West Dist., Taichung City	04-23755981	04-23760420
131		429	Dajia Branch		43748	No. 6, Xinzheng Rd., Dajia Dist., Taichung City	04-26805111	04-26805122
132		430	Taiping Branch		41167	No. 58, Zhongxing E. Rd., Taiping Dist., Taichung City	04-22771919	04-22770707
133		431	Taichung-Science-Park Branch		40767	No. 16, Gongyequ 1st Rd., Xitun Dist., Taichung City	04-23591778	04-23594800

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
134	Taichung City	451	Shalu Branch		43353	No. 112, Shatian Rd., Shalu Dist., Taichung City	04-26629951	04-26622248
135	Nantou County	500	Caotun Branch		54263	No. 317, Sec. 2, Taiping Rd., Caotun Township, Nantou County	049-2323881	049-2367949
136		501	Nantou Branch	*	54062	No. 236, Fuxing Rd., Nantou City, Nantou County	049-2222701	049-2231593
137	Changhua County	520	Changhua Branch		50061	No. 152, Guangfu Rd., Changhua City, Changhua County	04-7242151	04-7223146
138		521	Hemei Branch		50861	No. 300, Sec. 5, Zhangmei Rd., Hemei Township, Changhua County	04-7556101	04-7552383
139		522	Yuanlin Branch	*	51041	No. 753, Sec. 1, Zhongshan Rd., Yuanlin City, Changhua County	04-8358161	04-8358044
140		523	Lukang Branch		50551	No. 279, Minquan Rd., Lukang Township, Changhua County	04-7745988	04-7745995
141		524	Xihu Branch		51442	No. 250, Xihuan Rd., Xihu Township, Changhua County	04-8821811	04-8821222
142	Yunlin County	540	Douliu Branch		64046	No. 45, Datong Rd., Douliu City, Yunlin County	05-5339711	05-5326741
143		541	Huwei Branch		63242	No. 50, Zhongzheng Rd., Huwei Township, Yunlin County	05-6334901	05-6334907
144		542	Xiluo Branch		64851	No. 239, Guangfu W. Rd., Xiluo Township, Yunlin County	05-5882868	05-5882875
145	Chiayi City	600	Chiayi Branch		60041	No. 320, Zhongshan Rd., West Dist., Chiayi City	05-2232050	05-2248860
146		601	Chianan Branch	*	60047	No. 469, Lanjing St., West Dist., Chiayi City	05-2236321	05-2230712
147	Chiayi County	602	Puzi Branch		61341	No. 2, Wenhua S. Rd., Puzi City, Chiayi County	05-3701133	05-3705111
148	Tainan City	620	Xinying Branch	*	73061	No. 109, Sec. 2, Xinjin Rd., Xinying Dist., Tainan City	06-6322295	06-6323276
149		621	Madou Branch	*	72149	No. 36, Zhongshan Rd., Madou Dist., Tainan City	06-5727241	06-5721647
150		622	Yongkang Branch		71049	No. 800, Zhonghua Rd., Yongkang Dist., Tainan City	06-2015531	06-2338644
151		640	Tainan Branch	*	70048	No. 154, Sec. 2, Yongfu Rd., West Central Dist., Tainan City	06-2222111	06-2252134
152		642	Tung Tainan Branch	*	70165	No. 90, Sec. 2, Linsen Rd., East Dist., Tainan City	06-2747027	06-2747175
153		643	Xi Tainan Branch	*	70054	No. 156, Kangle St., West Central Dist., Tainan City	06-2211622	06-2243620
154		644	Pei Tainan Branch	*	70443	No. 294, Chenggong Rd., North Dist., Tainan City	06-2221171	06-2221170
155		645	Nandu Branch		70143	No. 203, Sec. 1, Changrong Rd., East Dist., Tainan City	06-2360789	06-2756169
156		646	Annan Branch		70965	No. 467-1, Sec. 4, Anhe Rd., Annan Dist., Tainan City	06-3567272	06-3564122
157		647	Rende Branch	*	71742	No. 511, Zhongshan Rd., Rende Dist., Tainan City	06-2490651	06-2490621
158		648	Xinshi Branch		74447	No. 232-1, Zhongzheng Rd., Xinshi Dist., Tainan City	06-5893535	06-5895242
159		681	Jinhua Branch	*	70254	No. 172, Sec. 2, Jinhua Rd., South Dist., Tainan City	06-2911835	06-2632694
160	Kaohsiung City	700	Kaohsiung Branch	*	80344	No. 178, Wufu 4th Rd., Yancheng Dist., Kaohsiung City	07-5611241	07-5517832
161		701	Tungling Branch	*	80284	No. 120, Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City	07-7130701	07-7130673
162		702	Xinxing Branch	*	80049	No. 117, Zhongshan 1st Rd., Xinxing Dist., Kaohsiung City	07-2864191	07-2867641



Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
163	Kaohsiung City	703	Kaohsiung Sanmin Branch		80143	No. 189, Qixian 2nd Rd., Qianjin Dist., Kaohsiung City	07-2859161	07-2859157
164		704	Lingya Branch		80245	No. 489, Zhongshan 2nd Rd., Lingya Dist., Kaohsiung City	07-3353141	07-3353149
165		705	Qianzhen Branch	*	80652	No. 33, Yixin 2nd Rd., Qianzhen Dist., Kaohsiung City	07-3358231	07-3358229
166		706	Kaohsiung Po Ai Branch	*	80759	No. 150, Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City	07-3113531	07-3117297
167		707	Nan Kaohsiung Branch	*	80655	No. 153, Sanduo 3rd Rd., Qianzhen Dist., Kaohsiung City	07-3368101	07-3319473
168		708	Tung Kaohsiung Branch	*	80055	No. 78, Liuhe 1st Rd., Xinxing Dist., Kaohsiung City	07-2385901	07-2369016
169		709	Dachang Branch		80765	No. 57, Dachang 2nd Rd., Sanmin Dist., Kaohsiung City	07-3806150	07-3805050
170		710	Pei Kaohsiung Branch		81367	No. 6, Bo'ai 3rd Rd., Zuoying Dist., Kaohsiung City	07-3464601	07-3459682
171		711	Nanzi Branch		81167	No. 336, Xingnan Rd., Nanzi Dist., Kaohsiung City	07-3513299	07-3512511
172		712	Zuoying Branch		81369	No. 166, Bo'ai 4th Rd., Zuoying Dist., Kaohsiung City	07-3438911	07-3431617
173		719	Gangshan Branch		82041	No. 331, Gangshan Rd., Gangshan Dist., Kaohsiung City	07-6211091	07-6215435
174		720	Fengshan Branch	*	83058	No. 145, Zhongshan Rd., Fengshan Dist., Kaohsiung City	07-7472121	07-7425282
175		721	Luzhu Branch		82141	No. 90-2, Dashe Rd., Luzhu Dist., Kaohsiung City	07-6072233	07-6072299
176		722	Renwu Branch		81451	No. 41, Zhongzheng Rd., Renwu Dist., Kaohsiung City	07-3711101	07-3712638
177		751	Lizunei Branch	*	80642	No. 132, Banchao Rd., Qianzhen Dist., Kaohsiung City	07-7112366	07-7611267
178		752	Wujia Branch		83085	No. 642, Wujia 2nd Rd., Fengshan Dist., Kaohsiung City	07-8414495	07-8110602
179		753	Guanghua Branch		80253	No. 148-19, Guanghua 1st Rd., Lingya Dist., Kaohsiung City	07-7161601	07-7161323
180		760	Xiaogang Branch		81249	No. 180, Erling Rd., Xiaogang Dist., Kaohsiung City	07-8013993	07-8062293
181		765	Kaohsiung Guilin Branch		81274	No. 44, Guiyang Rd., Xiaogang Dist., Kaohsiung City	07-7913916	07-7915898
182	Pingtung County	800	Pingtung Branch		90078	No. 36, Fuxing Rd., Pingtung City, Pingtung County	08-7323831	08-7325474
183		801	Neipu Branch		91248	No. 187, Guangji Rd., Neitian Village, Neipu Township, Pingtung County	08-7799911	08-7790944
184		802	Chaozhou Branch	*	92046	No. 71, Xinsheng Rd., Chaozhou Township, Pingtung County	08-7883001	08-7892002
185		813	Jiandong Branch		93142	No. 155, Jiachang Rd., Jiandong Township, Pingtung County	08-8662811	08-8664970
186	Hualien County	820	Hualien Branch	*	97048	No. 78, Zhongshan Rd., Hualien City, Hualien County	038-323181	038-355105
187	Taitung County	830	Taitung Branch		95046	No. 347, Sec. 1, Zhonghua Rd., Taitung City, Taitung County	089-310121	089-327050

(II) Basic information for overseas operating units**LOS ANGELES BRANCH**

Address : 707 Wilshire Blvd., Suite 3100, Los Angeles, CA 90017, U.S.A.

Tel: 1-213-3626666 Fax: 1-213-3626617

NEW YORK AGENCY

Address : 330 Madison Ave., 38th Floor, New York, NY 10017, U.S.A.

Tel: 1-212-2861999 Fax: 1-212-2861212

LONDON BRANCH

Address : 6th Floor, 140 Fenchurch Street, London EC3M 6BL, U.K.

Tel: 44-207-2207979 Fax: 44-207-6261515

SYDNEY BRANCH

Address : Suite 603 Level 6, 60 Carrington Street, Sydney NSW 2000 Australia

Tel: 61-2-82960100 Fax: 61-2-82960188

SINGAPORE BRANCH

Address : 80 Robinson Road, #14-03, Singapore 068898

Tel: 65-63242566 Fax: 65-63242878

HO CHI MINH CITY BRANCH

Address : 10th Floor, Royal Tower, 235 Nguyen Van Cu Street, District 1, Ho Chi Minh City, Vietnam

Tel: 84-28-38371888 Fax: 84-28-38371999

HANOI REPRESENTATIVE OFFICE

Address : Suite 303, DMC Tower, 535 Kim Ma Street, Ba Dinh, Hanoi, Vietnam

Tel: 84-24-22203168 Fax: 84-24-22203169

HONG KONG BRANCH

Address : Suite 5601-05, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Tel: 852-28240288 Fax: 852-28240090

MACAU BRANCH

Address : Avenida Doutor Mario Soares, Finance and IT Center of Macau, 17th Floor B, C, Macau

Tel : 853-28757136 Fax : 853-28755915

SHANGHAI BRANCH

Postal Code : 200040

Address : Unit 03-04, 35 Floor, No.1788 Nan-Jing West Road, Jing-An District, Shanghai, China 200040

Tel : 86-21-60100855 Fax : 86-21-60100850

**FUZHOU BRANCH**

Postal Code : 350000

Address: Suite 2808, 28 Floor, Sheng Long Building, No. 1, Guangming South Road, Taijiang District, Fuzhou City, Fujian Province, China 350000

Tel: 86-591-28301688 Fax: 86-591-28301500

SHENZHEN BRANCH

Postal Code : 518048

Address : Room 03-04, 18th Floor Tower One, Kerry Plaza, 1 Zhongxinsi Road, Futian District, Shenzhen, China 518048

Tel: 86-755-25832208 Fax: 86-755-25832398

SHENZHEN BAOAN SUB-BRANCH

Postal Code : 518101

Address : Unit 1901A.B.C, Block D, Wealth Harbour Building, Baoyuan Road, Xixiang Street, Baoan District, Shenzhen, China 518101

Tel: 86-755-23007117 Fax: 86-755-23007127

MANILA BRANCH

Address: Unit 2 & 3, 26F, NO.6789 Ayala Ave. Makati City, Metro Manila, Philippines

Tel: 63-2-812-8168 Fax: 63-2-816-3800

YANGON REPRESENTATIVE OFFICE

Address: Suite 10-06, 10F, 422 Strand Road, International Commercial Centre Botahtaung Township Yangon, Myanmar

Tel: 95-1-202052 Fax: 95-1-202110

BANGKOK REPRESENTATIVE OFFICE

Address: No. 98 Sathorn Square Office Tower, 31st Floor, Room 3108, North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand

Tel: 66-2-0026886 Fax: 66-2-0031966

II. Hua Nan Securities

Operating office address for headquarter and branch offices by December 31, 2020.

Serial Number	County or City	Company Name	Address	Telephone
1		Headquarter	5F, No. 54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City	(02)2545-6888
2	Keelung City	Kungcheng Branch Office	11F, No. 87, Ai 3rd Rd., Ren'ai Dist., Keelung City	(02)2420-1201
3	Yilan County	Changhung Branch Office	2F, No. 155, Gongzheng Rd., Luodong Township, Yilan County	(03)957-4101
4	Taipei City	Nanjing Branch Office	6F, No. 248, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City	(02)2775-5688
5		Daan Branch Office	4F, No. 368, Sec. 1, Fuxing S. Rd., Daan Dist., Taipei City	(02)2754-9696
6		Guting Branch	2F, No. 91, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City (Partial)	(02)2369-9588
7		World Trade Center Branch Office	2F & 3F, No. 91, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City	(02)2739-6266
8		Dunnan Branch Office	8F-2, No. 107, Sec. 4, Zhongxiao E. Rd., Daan Dist., Taipei City	(02)2741-5858
9		Zhongxiao Branch Office	3F-1, No. 130, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City	(02)2358-7488
10		Zhongzheng Branch Office	4F, No. 38, Sec. 1, Chongqing S. Rd., Taipei City	(02)2382-1788
11		Tamsui Branch Office	4F & 5F, No. 28, Zhongzheng Rd., Tamsui Dist., New Taipei City	(02)2625-5566
12	New Taipei City	Sanchong Branch Office	B1, No. 731, Ren'ai St., Sanchong Dist., New Taipei City	(02)2857-6789
13		Xinzhuang Branch Office	4F, No. 306 & 4F, No. 308, Zhonggang Rd., Xinzhuang Dist., New Taipei City	(02)2279-5688
14		Hotai Branch Office	4F, No. 10, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City	(02)2956-1688
15		Linkou Branch Office	3F, No. 46, Linkou Rd., Linkou Dist., New Taipei City	(02)2601-8288
16		Yingge Branch Office	3F & 4F, No. 101, Guoqing St., Yingge Dist., New Taipei City	(02)2677-6000
17	Taoyuan County	Taoyuan Branch Office	4F, No. 79, Nanhua St., Taoyuan Dist., Taoyuan City	(03)347-8168
18		Neili Branch Office	2F, No. 262, Huanzhong E. Rd., Zhongli Dist., Taoyuan City	(03)451-9888
19	Hsinchu County	Chupei Branch Office	No. 89, Shengli 1st Rd., Zhubei City, Hsinchu County	(03)658-0066
20	Miaoli County	Toufen Branch Office	2F, No. 1167, Zhonghua Rd., Toufen City, Miaoli County	(037)667-999
21		Miaoli Branch Office	2F, No. 686, Zhongzheng Rd., Miaoli City, Miaoli County	(037)376-118
22		Yuanli Branch Office	No. 70, Sec. 1, Shijie Rd., Yuanli Township, Miaoli County	(037)860-678
23	Taichung City	Taichung Branch Office	1F, No. 131, Sec. 2, Wuquan W. Rd., Nantun Dist., Taichung City	(04)2471-9488
24		Dongshi Branch Office	No. 280, Sanmin St., Dongshi Dist., Taichung City	(04)2588-1811
25	Changhua County	Changhua Branch Office	5F, No. 156, Chenleng Rd., Changhua City, Changhua County	(04)722-9770
26	Yunlin County	Douliu Branch Office	4F, No. 7, Taiping Rd., Douliu City, Yunlin County	(05)533-0777
27		Huwei Branch Office	4F, No. 1, Heping Rd., Huwei Township, Yunlin County	(05)633-4888
28	Chiayi City	Chiayi Branch Office	3F, No. 469, Lanjing St., East Dist., Chiayi City	(05)222-6848
29	Chiayi County	Puzi Branch Office	2F, No. 2, Wenhua N. Rd., Puzi City, Chiayi County	(05)370-7688
30	Tainan City	Tainan Branch Office	1F & 2F, No. 612, Sec. 2, Fuqian Rd., Anping Dist., Tainan City	(06)295-9988
31		Madou Branch Office	4F & 5F, No. 36, Zhongshan Rd., Madou Dist., Tainan City	(06)572-0168
32	Kaohsiung City	Kaohsiung Branch Office	3F, No. 80 & 82, Wufu 3rd Rd., Kaohsiung City	(07)272-8688
33		Minquan Branch Office	B1 & 6F, No. 385, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City	(07)333-3133



Serial Number	County or City	Company Name	Address	Telephone
34	Kaohsiung City	Xiaogang Branch Office	2F, No. 339, Hanmin Rd., Xiaogang Dist., Kaohsiung City	(07)806-8988
35		Nanzi Branch Office	B1, No. 201, Nanzi Rd., Nanzi Dist., Kaohsiung City	(07)354-2030
36		Gangshan Branch Office	B1 & 1F, No. 88, Minzu Rd., Gangshan Dist., Kaohsiung City	(07)625-5911
37		Fengshan Branch Office	4F, No. 138, Zhongshan Rd., Fengshan Dist., Kaohsiung City	(07)747-7600
38	Taitung City	Tungsheng Branch Office	2F, No. 347, Sec. 1, Zhonghua Rd., Taitung City, Taitung County	(089)332-339
39	Pingtung County	Chaozhou Branch Office	4F, No. 71, Xinseng Rd., Chaozhou Township, Pingtung County	(08)780-5888

Underwriting offices

	Address	Telephone
1	Kaohsiung Underwriting Office 3F, No. 80, Wufu 3th Rd., Yancheng Dist., Kaohsiung City	(07) 272-8688

Stock Transfer Agency

Name: Hua Nan Securities Stock Affairs Department

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

Tel: (02)2718-6425

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

III. South China Insurance

Unit	Postal Code	Address	Tel	Fax
Headquarter	11071	5F, No. 560, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City	(02)2758-8418	(02)2758-7150
Taipei Branch Office	22069	18F, No. 31, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	(02)2954-7373	(02)2954-3455
Taoyuan Branch Office	33053	8F, No. 332, Xianfu Rd., Taoyuan Dist., Taoyuan City	(03)333-1412	(03)336-1672
Hsinchu Branch Office	30041	No. 161, Zhongyang Rd., Hsinchu City	(03)532-4500	(03)532-4283
Taichung Branch Office	40651	5F, No. 698, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City	(04)2238-7818	(04)2237-8133
Yuanlin Branch Office	51050	3F, No. 2, Sec. 2, Datong Rd., Yuanlin City, Changhua County	(04)835-4531	(04)835-3010
Tainan Branch Office	70048	3F, No. 154, Sec. 2, Yongfu Rd., West Central Dist., Tainan City	(06)226-2131	(06)226-0050
Kaohsiung Branch Office	80055	5F, No. 78, Liuhe 1st Rd., Xinxing Dist., Kaohsiung City	(07)238-0909	(07)238-7215
International Insurance Business Branch Office	11071	5F, No. 560, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City	(02)2756-2200	(02)7718-5726
Chengchung District Agency	10049	8F, No. 3, Shaoxing N. St., Zhongzheng Dist., Taipei City	(02)2321-3889	(02)2321-2329
Chung Lun District Agency	10561	No. 73, Sec. 4, Bade Rd., Songshan Dist., Taipei City	(02)2761-3693	(02)2756-6834
Shihlin District Agency	11167	11F, No. 192-1, Sec. 4, Chengde Rd., Shilin Dist., Taipei City	(02)2883-7072	(02)2883-0723
Nangang District Agency	11553	No. 140, Xinghua Rd., Nangang Dist., Taipei City	(02)2788-6209	(02)2788-8239
Sanchong District Agency	24161	Room B, 11F, No. 66, Sec. 1, Chongyang Rd., Sanchong Dist., New Taipei City	(02)2983-4455	(02)2985-4026
Wenshan District Agency	23150	No. 45, Zhongyang Rd., Xindian Dist., New Taipei City	(02)2218-1212	(02)2218-9292
Shulin District Agency	23867	No. 258, Zhongzheng Rd., Shulin Dist., New Taipei City	(02)2689-1008	(02)2689-2062
Nankan District Agency	33392	No. 139, Nanshang Rd., Guishan Dist., Taoyuan City	(03)222-5698	(03)222-1519
Zhongli District Agency	32068	No. 175, Zhongyuan Rd., Zhongli Dist., Taoyuan City	(03)434-5936	(03)434-5940
Toufen District Agency	35151	No. 403, Minzu Rd., Toufen City, Miaoli County	(037)613-889	(037)613-969
Miaoli District Agency	36048	No. 365, Zhigong Rd., Miaoli City, Miaoli County	(037)337-557	(037)352-159

Unit	Postal Code	Address	Tel	Fax
Fengyuan District Agency	42047	No. 181, Zhongshan Rd., Fengyuan Dist., Taichung City	(04)2529-0961	(04)2529-0996
Minquan District Agency	40041	Room 503, No. 102, Minquan Rd., Central Dist., Taichung City	(04)2225-9285	(04)2227-3189
Dajia District Agency	43747	4F, No. 10, Wenwu Rd., Dajia Dist., Taichung City	(04)2688-2218	(04)2688-2228
Shalu District Agency	43649	4F, No. 151-3, Zhonghua Rd., Qingshui Dist., Taichung City	(04)2627-3299	(04)2627-3298
Nantou District Agency	54062	3F, No. 236, Fuxing Rd., Nantou City	(049)223-3706	(049)223-3039
Caotun District Agency	54256	No. 493, Bo'ai Rd., Caotun Township, Nantou County	(049)236-7881	(049)236-7898
Changhua District Agency	50058	No. 300, Sec. 1, Zhongshan Rd., Changhua City, Changhua County	(04)711-5685	(04)711-0035
Lukang District Agency	50568	No. 90, Sec. 8, Zhonglu Rd., Lukang Township, Changhua County	(04)778-0780	(04)778-8580
Douliu District Agency	64043	No. 234, Zhuangjing Rd., Douliu City, Yunlin County	(05)532-3922	(05)533-1365
Chiayi District Agency	60054	4F-3, No. 762, Xinmin Rd., Chiayi City	(05)286-4599	(05)235-1672
Xinying District Agency	73061	No. 304, Sec. 2, Xinjin Rd., Xinying Dist., Tainan City	(06)656-2565	(06)656-2543
Rende District Agency	71752	No. 180, Zhongshan Rd., Rende Dist., Tainan City	(06)249-0707	(06)249-1102
Xinxing District Agency	80054	5F, No. 61, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City	(07)215-1998	(07)215-3655
Nanzi District Agency	81148	No. 292, Yuanzhong Rd., Nanzi Dist., Kaohsiung City	(07)360-8220	(07)360-8230
Pingtung District Agency	90066	4F, No. 1028, Guangdong Rd., Pingtung City	(08)735-3182	(08)735-3183
Fongshan District Agency	80770	No. 680, Chengqing Rd., Sanmin Dist., Kaohsiung City	(07)767-6879	(07)767-8109
Taitung District Agency	95055	No. 396, Hanyang N. Rd., Taitung City	(089)321-681	(089)321-679
Hualien District Agency	97346	No. 12, Sec. 1, Heping Rd., Ji'an Township, Hualien County	(03)856-0001	(03)856-3008
Luodong District Agency	26542	1F, No. 338-6, Gongzheng Rd., Luodong Township, Yilan County	(03)956-5621	(03)957-2344
Keelung District Agency	20051	4F, No. 305, Ren 1st Rd., Ren'ai Dist., Keelung City	(02)2420-1920	(02)2420-1927

IV. Hua Nan Investment Trust

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

V. Hua Nan Venture Capital

Address: 3F, No. 143, Sec. 2, Mingsheng E. Rd., Zhongshan Dist., Taipei City

Tel No.: (02)2500-0622

Other operating unit: None

VI. Hua Nan Assets Management

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

Tel No: (02)2511-2900

HONESTY EFFICIENCY ACTIVENESS RESPONSIBILITY TEAMWORK

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



Address: No. 123, Songren Rd., Xinyi District, Taipei City
Tel No. : 886-2-2371-3111
Website : <https://www.hnfhc.com.tw>