

 HUA NAN FINANCIAL HOLDINGS CO., LTD.

# 2023

## ANNUAL REPORT

HUA NAN FINANCIAL HOLDINGS CO., LTD.



# 112

# 2023 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: Room 405, 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](mailto: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](mailto: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, Han-Ni Fang  
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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# 2023

## ANNUAL REPORT

### Honesty

Honesty, integrity and stable operation professional and trustworthy

### Efficiency

Fast action and instant response Exceed customers' expectations

### Activeness

Enthusiasm and caring spirit Provide innovative integration services

### Responsibility

Continuous improvement and pursuit of excellence Take responsibility in the face of challenges

### Teamwork

Teamwork across subsidiaries Pursue maximum synergistic effect of financial holdings





CHAIRMAN

*Chang, Yun-peng*

## I. Letter to the Shareholders

### I. The Group's Business Results for 2023

#### (I) Domestic and International Finance Environment in 2023

In 2023, with inflation cooling down, the end of the interest rate hike cycle, and new business opportunities such as artificial intelligence and high-performance computing, the global economy showed signs of stabilization after the challenges posed by significant inflation and interest rate hikes in the previous year. The key international institutions (IMF, World Bank, OCED, among others) released the 2023 global economic growth rate to be between 2.6%~3.0%. It is about 0.4 percentage points lower than that in 2022. The U.S. economy displayed resilience and is expected to achieve a soft landing, while China's economic recovery was weak due to sluggish real estate demand.

Based on the statistics of the Directorate General of Budget, Accounting and Statistics, Executive Yuan on February 29, 2024, the estimated full-year economic growth rate of Taiwan in 2023 is 1.31%, a decrease of 1.28%, compared to 2022. This was mainly due to weak global end-product demand and ongoing inventory adjustments in the supply chain, causing decreased investment and subdued foreign trade dynamics. However, private consumption saw significant growth due to continued improvements in the job market, wage increases, and the resurgence of cross-border tourism, leading to a contrastingly lukewarm internal economic environment compared to the weakening external conditions.

In the financial sector, Taiwan's entire financial industry pre-tax net profit amounted to approximately NT\$703.6 billion, an increase of 47% from 2022, mainly driven by rebounds in the stock, bond, and foreign exchange markets. Specifically, the banking industry's pre-tax net profit was NT\$505.7 billion, up 17%, driven by growth in investment net income and net fee income. The securities and futures industry saw a pre-tax net profit of NT\$99.8 billion, up 51%, buoyed by the bullish stock market and increased profits from brokerage and proprietary trading. The insurance sector turned a profit with a pre-tax net profit of NT\$98.1 billion, reversing a loss from 2022, thanks to the rebound in stocks and bonds and the expiration of pandemic insurance claims.

#### (II) Changes to the Company Organizational Structure

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 2023, the Company had 100% ownership control over all its six subsidiaries.





### (III) Business Plan and Results of Business Strategies

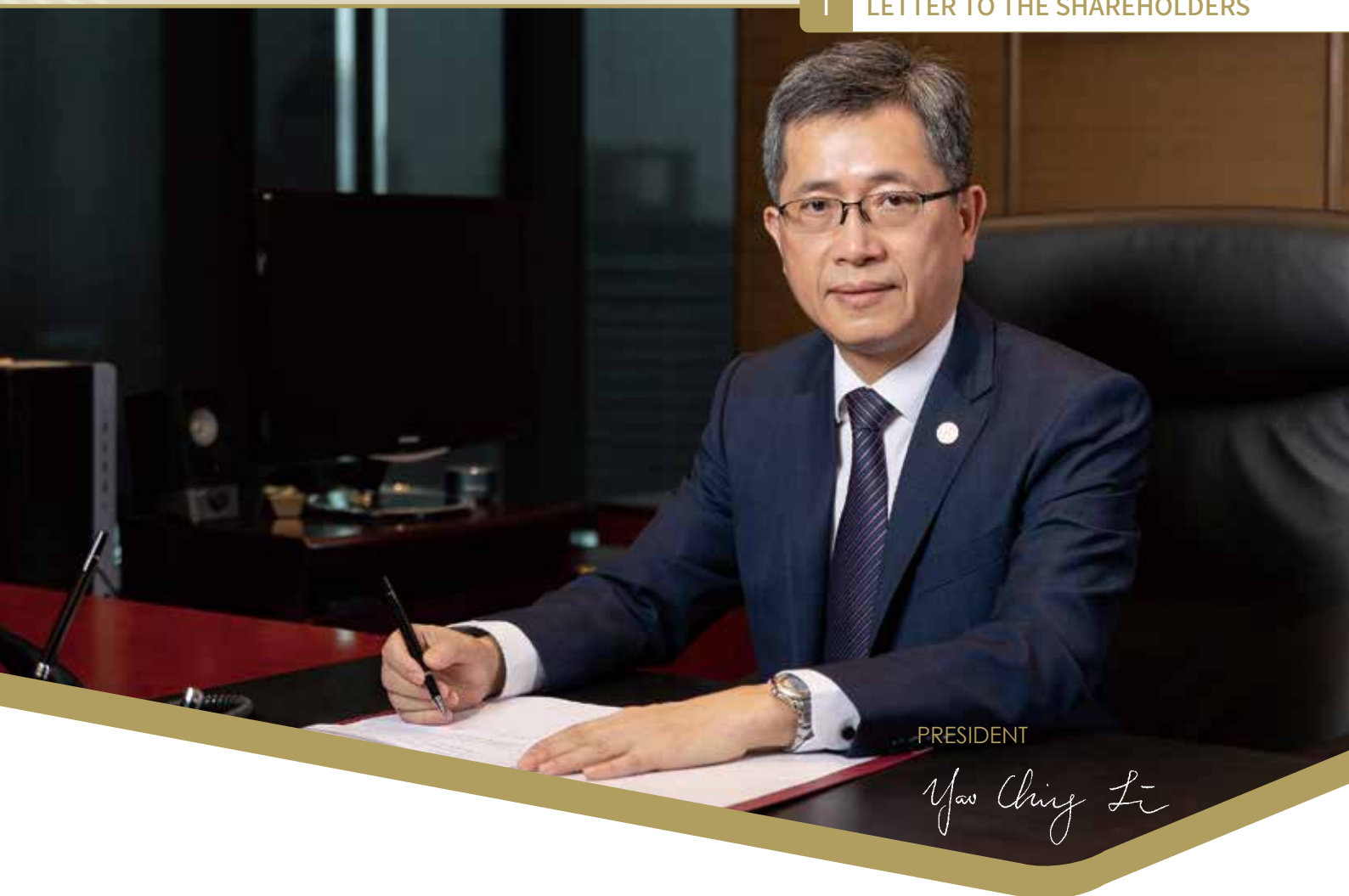
In 2023, the Group was impacted by the aforesaid evolutions of the domestic and international financial situations and the following measures were taken as responses: (1) A three-year profit enhancement plan to improve capital utilization and profitability compared to peers. (2) Capitalizing on the widening interest rate spreads between Taiwan and the U.S., the Group actively engaged in SWAP transactions, yielding about NT\$10 billion. (3) With the recovery of financial markets, investment income and wealth management fee income increased. (4) We obtained approval from the Financial Supervisory Commission to start high-asset wealth management services. (5) We enhanced digital financial services like "SnY Digital Account," "Hua Nan Bank +," "Hua Nan e-Trading," and "One-Click Dual Opening," optimizing processes and user experience. (6) We planned an employee stock trusts to strengthen employee loyalty, retain talent, and support their retirement planning.

In 2023, the Company's net profit after tax was NT\$21.618 billion, with an increase of NT\$4.31 billion, compared to 2022; EPS was NT\$ 1.58 and ROE was 11.01%, respectively. Again, the profit reached new record highs. The net profit after tax of the subsidiary Hua Nan Commercial Bank was NT\$20.051 billion, the increase in profit was primarily due to expanded SWAP transaction income from the U.S.-Taiwan interest rate spreads, with a non-performing loan ratio of 0.15%, and the coverage rate of bad debt was 846.33%, indicating robust asset quality. Hua Nan Securities posted a net profit of NT\$1.506 billion, up mainly due to the rebound in stock and bond markets and an 18% increase in trading volume, with a brokerage market share of 2.88%, ranking 9th in the industry. Hua Nan Property Insurance's net profit of NT\$916 million increased mainly due to fewer major claims and higher investment income. The income of the insurance policy premium was NT\$13.247 billion with an annual growth of 8.86%, and market share was 5.43% ranking 6th among the peers.

In 2023, the Group remained committed to our core values "HEART": Honesty, Efficiency, Activeness, Responsibility, and Teamwork. We implemented these throughout our operations, continually striving to enhance our efforts in corporate governance, green finance, environmental sustainability, corporate social responsibility, digital financial innovation, and quality consumer goods. Talent is a crucial asset to the Group, which is why we invest in training and recruiting the talent needed for our growth each year. We also provide a comprehensive compensation system and various employee benefits, aiming to enhance our competitiveness with excellent talent and achieve outstanding results. The main achievements for 2023 are as follows:

#### 1. Strengthened the Management

- (1) Capital Adequacy Ratio: At the end of 2023, the Group's capital adequacy ratio was 122.77%. Hua Nan Bank's capital adequacy ratio stood at 14.46%, with a Tier 1 capital ratio of 12.61%, which conforms to the legal capital standard.
- (2) Corporate Governance: The Company ranked in the 6% to 20% range in the Taiwan Stock Exchange's 2022 (9th edition) corporate governance evaluation and 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 EMp99 Index" respectively.



PRESIDENT

*Yaw Ching Li*

(3) Risk management

- A. 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.
- B. Monitor exposure changes, timely provide analysis and recommendations to aid business decisions and mitigate potential risks.
- C. In response to financial market fluctuations, strengthen bond investment risk control mechanisms, and dynamically review and adjust various limit management in response to significant market events to enhance risk management effectiveness.
- D. Continuous implementation of group mandatory reporting events and risk management information reporting mechanisms to enable senior management to immediately receive significant risk information.
- E. Aligned with the Group's three-year profit enhancement plan and in response to the upcoming new capital provisioning system by the Financial Supervisory Commission, assessed impacts on the Group's capital adequacy over the next three years and devised corresponding measures.
- F. According to the "Fundamental Review of the Trading Book" (FRTB) from the "Regulations Governing the Capital Adequacy and Capital Category of Banks," established market risk capital provisioning rules in the "Group's Market Value at Risk (VaR) System" to facilitate the calculation of capital required for market risks.
- G. Implemented the Framework of Task Force on Climate-related Financial Disclosure (TCFD) and, in June 2023, passed an audit by the British Standards Institution (BSI), achieving the highest-level BSI "Level-5+:Excellence".

(4) Legal compliance

- A. Implement key legal compliance tasks within the Group:
  - a. Mandating all subsidiaries to adhere to the Group's personal data protection management. In 2023, supervision was enhanced for the banking, securities, investment trust, and futures subsidiaries to establish an accountability system. We developed self-assessment checks to strengthen measures for legal compliance, specifying the scope of incidents that must be reported to ensure effective control of legal compliance risks within the Group.
  - b. Continuously promoting a unified policy across the Group for anti-money laundering and countering terrorism financing, and establishing a group standard for negative news.
  - c. Moreover, to optimize the quality of investigations into whistleblower cases, we revised the investigative procedures in 2023 to facilitate compliance by the investigation units.

B. Continually convene Group meetings for legal compliance communication and management:

To effectively drive the Group's legal compliance activities, regular meetings of the Legal Compliance Committee, forums, and meetings on legal compliance and anti-money laundering and counter-terrorism financing are held. These meetings help oversee significant regulatory changes affecting all subsidiaries, self-assessments in light of penalties within the industry, and reviews of personal data protection controls. They facilitate communication on critical legal compliance issues and ensure the effective oversight and execution of the Group's legal compliance efforts.

C. Implement a risk-based, differentiated management for subsidiaries:

The Group has adopted a hierarchical management mechanism for compliance management of its subsidiaries, and has continued to implement differentiated management measures, refine the matters to be handled and reported by each subsidiary, plan for the frequency of supervision and visits by the parent company, and strengthen the compliance mechanism of each of the Group's subsidiaries as well as the management of major litigation cases. Besides, the Group also conducts regular visits to its subsidiaries and second-tier subsidiaries to examine the effectiveness of the compliance system and to review the implementation of the compliance system of each subsidiary.

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 126% in 2023.
- (2) Build financial ecological circle by cyber-physical integration: In response to the development of digital channels, we continued to integrate resources from subsidiaries, enhancing the application of cyber-physical integration. By linking online and offline for customer solicitation, we optimized the functionality within the Group's ecological circle to enhance the service experience across subsidiary products and financial interactions. Moreover, data analytics are used dynamically to adjust digital marketing strategies, improving customer solicitation and acquisition within the Group.
- (3) Enhance the momentum of group cross-selling activities: Hua Nan Financial Holdings actively integrates resources from its subsidiaries to enhance capital utilization and cross-selling activities, allowing for resource sharing among subsidiaries. Through the Group's overall marketing channels, locations, and personnel, cross-industry marketing exploits the integrated benefits of the financial holding company to meet diverse customer needs and increase overall group sales performance.

3. Promoted Digital Finance

- (1) Develop FinTech Patents: As of the end of 2023, the Group obtained 297 FinTech patents in mobile platforms, big data, artificial intelligence, security and control mechanisms, and biometrics.
- (2) Establish group-level teams: Through the "digitized finance promotion team" and "group digital agile action workshop" at group-level, the Group comprehensively integrates the digital finance initiatives of its subsidiaries. Combining the manpower, resources, and technology of the financial holding company and its subsidiaries, the workshop model facilitates the coordination and integration of cross-selling and development across subsidiaries, achieving a redefined end-to-end customer journey for inter-subsidiary transactions.
- (3) Promote digital transformation: Hua Nan Financial Holdings aims to meet the digital financial needs of various generations, aspiring to be a leading group with a significant voice in digital finance. Future strategies include "converging value-added information, enhancing synergistic services, and accompanying customer journeys," along with digital teams, digital talent, and data governance with infrastructure to coordinate and integrate digital transformation strategies of subsidiaries such as Hua Nan Commercial Bank, Hua Nan Securities, and South China Insurance.

4. Corporate Social Responsibility

(1) Promote charitable activities

- A. In 2023, public welfare activities included the "Hua Nan is Great, Forever Young" Elderly Appreciation event, "Financial Services Charity Carnival," "President Face-to-Face Forum with High School Students," "Influence Forum," "Hua Nan Financial Holdings Cup National Little League and Youth League Championships," "World Cup Little League Championship," "National Community Student Baseball Competition," "Youth Baseball Catcher Training Camp," "Dream Baseball Camp," sponsorship of gymnasts Jialong Zhuang and ZhengYe and coach Yuxin Lin," "the Ministry of Finance's "Unified Invoice Cup Road Race," supported for the "The 5 Browns Piano Concert Tour," and the "United Ballet of Ukraine" charity project.
- B. The Company has always supported sports activities and received the "Sports Activists Awards" of the Sports Administration of the Ministry of Education in 2023. It was the Company's 12 consecutive times award and the seventh consecutive award for Gold Sponsorship, Long Term Sponsorship, and Promotional Bronze Awards.
- C. Following a severe earthquake near the Syrian border in southern Turkey on February 6, 2023, the Group donated NT\$ 4 million to help the affected areas in Turkey and wish for swift recovery as part of fulfilling corporate social responsibility.

(2) Promote and develop diverse and inclusive financial products:

- A. Upholding the social responsibility of housing justice, we proposed the "Three Strategies of Urban Renewal," actively engaging in financing for urban renewal, trust services, and individual mortgages to meet the financial needs of residents rebuilding their homes. In 2023, we undertook 92 cases of urban renewal financing, with approved credit amounts to NT\$69.4 billion.
- B. Actively promoting the "Comfortable Retirement Legacy Trust," helping customers secure their economic safety through retirement trust planning, aimed at ensuring future care and comfort. In 2023, it was recognized with the "Retirement Trust Award" by the Financial Supervisory Commission under the Phase 2 of the Trust 2.0 Implementation Plan.



- C. Promoting regular small-amount systematic investment plan in securities, assisting young customers with financial management and planning. By the end of 2023, the number of accounts which have small-amount systematic investment plans in securities increased by 31.64% from the previous year.
- D. Offering micro-insurance products that allow economically disadvantaged families and specific demographic groups to purchase basic insurance protection with lower premiums, preventing financial distress in the event of accidents and filling the gaps left by government social insurance or assistance programs. In 2023, micro-insurance premium income grew by 6.5% from the previous year.

#### (IV) Budget Implementation, Financial Income, and Profitability Analysis

In 2023, the Company and its subsidiaries generated consolidated net income after tax of NT\$21.618 billion with an after-tax EPS of NT\$1.58. The consolidated return on assets (ROA) was 0.58% and the consolidated return on equity (ROE) was 11.01%. The profitability analysis of subsidiaries was as follows:

1. Hua Nan Commercial Bank  
In 2023, the net income after tax was NT\$ 20.051 billion with an after-tax EPS of NT\$ 2.05. The ROA was 0.55%, and the ROE was 9.30%.
2. Hua Nan Securities  
In 2023, the net income after tax was NT\$ 1.506 billion with an after-tax EPS of NT\$ 2.3. The ROA was 2.68%, and the ROE was 12.19%.
3. South China Insurance  
In 2023, the net income after tax was NT\$ 916 million with an after-tax EPS of NT\$ 4.58. The ROA was 3.56%, and the ROE was 13.73%.
4. Hua Nan Investment Trust  
In 2023, the net income after tax was NT\$ -10 million with an after-tax EPS of NT\$ -0.31. The ROA was -1.11%, and the ROE was -2.57%.
5. Hua Nan Venture Capital  
In 2023, the net income after tax was NT\$ 78 million with an after-tax EPS of NT\$ 0.39. The ROA was 4.29%, and the ROE was 4.31%.
6. Hua Nan Assets Management Company  
In 2023, the net income after tax was NT\$ 27 million with an after-tax EPS of NT\$ 0.27. The ROA was 0.50%, and the ROE was 2.27%.

#### (V) Research and Development

1. Hua Nan Financial Holdings  
Starting from 2023, all subsidiaries of the Group have been planning and implementing digital transformation projects, and the main theme of Hua Nan Financial Holdings' digital transformation is "converging value-added information, enhancing synergistic services, and accompanying customer journeys," which help each subsidiary to satisfy the financial and digital life needs of different generations of customers. Established group-level teams: "digitized finance promotion team" and "digital agile action workshop," and comprehensively integrates the digital finance initiatives of each subsidiary. Combining the manpower, resources, and technology of the financial holding company and its subsidiaries, the workshop model facilitates the coordination and integration of cross-selling and development across subsidiaries, achieving a redefined end-to-end customer journey for inter-subsidiary, transactions.
2. Hua Nan Commercial Bank(HNCB)
  - (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 and continues to optimize the functions of the online service system, such as:
    - A. Launching a newly designed corporate mobile banking application, developed a large transaction security control mechanism (electronic one-time dynamic password, EOTP), and adding features such as batch transfer approval and credit disbursement requests for mobile devices.
    - B. Introducing an online consent form mechanism for credit inquiries for new corporate accounts (including the person in charge and guarantors).
    - C. Establishing a customized electronic remittance service to facilitate corporate user integration.
    - D. To continuously enhance the online customer's user experience, completed the integration of credit and mortgage online application processes into the MyData platform service.
    - E. Integrating the "Change Basic Information" service of personal online banking into the "MyData Platform".
    - F. Adding features to the personal mobile banking app "Hua Nan Bank +" and online banking, including fixed deposits in NTD and foreign currency fixed-term deposits from NTD.
    - G. Launching a service on the personal online and mobile banking app "Hua Nan Bank +" for "Instantly Opening Hua Nan Securities Accounts (one-click opening)".
    - H. In collaboration with Hua Nan Securities, launched the "one-click dual-opening" service under the SnY digital account.
    - I. Launching the "Account Link Service" in cooperation with " PXPAY Plus Co., Ltd.," allowing customers to link their bank accounts on electronic payment platforms for transactions such as paying and top-ups.

- J. Adding a "Digital Service Satisfaction Survey Mechanism" to the "Hua Nan Bank +" app, featuring user-friendly visual design, simple operation, comprehensive financial services, and personalized features.
- K. Optimizing the account opening process for the "SnY Digital Account", adding digital services for elderly customers.
- L. Launching TWQR operations, integrating a unified QR code specification across various electronic payment institutions such as Plus Pay, iPASS, Gama Pay, O'Pay, and Simple Pay.
- M. Adding the "Bank3.0 - Video System" feature, enabling customers to apply for "Online Pre-arranged Transfer Account Function" and "Increase Transfer Limits for First and Third Category Transactions in SnY Digital Accounts" via video verification.
- N. Adding a standardized proprietary trust contract for "Alpha Robo-Advisor".
- O. Adding services for "Mobile Banking Purchase, Redemption, and Inquiry of Foreign Bonds".
- P. Upgrading and launching the "Wonderful Lohas PLUS", enhancing the bank's senior platform functionality to meet the comprehensive needs of customers.
- Q. Launching the "Well Retirement" website to address common retirement issues and have discussions about retirement funds.
- R. Continuously promoting the online customer due diligence (EDD) process.
- S. Implementing a business execution progress visualization Dashboard, establishing a "Business Progress Tracking" dashboard to facilitate comprehensive departmental decision-making.
- T. Continuously enhancing online insurance services, establishing career planning recommendations, demand analysis services, and expanding mobile insurance functionalities to achieve paperless insurance applications.
- U. Continuously optimizing the chatbot customer service and responsive email inquiry website.
- (2) For the development of fintech patents, as of the end of December 2023, the bank had a total of 282 patents approved by the Intellectual Property Office of the Ministry of Economic Affairs. This total includes 155 invention patents, 126 new type patents, and 1 design patent. Besides, there are 30 patents currently under review, comprising 26 invention patents and 4 new type patents.
- (3) The Bank always encouraged the employees to actively engage in R&D. In 2023, there were 250 individual R&D proposals by the employees and 36 of them were accepted.
- 3. Hua Nan Securities(HNSC)
  - (1) Intensively made services mobile: Constantly improved mobile transaction platforms and provided the best services and experiences. The self-developed APP, Hua Nan e-Trading, was launched at the end of the year, marking a new milestone in the digital trading service of Hua Nan Securities.
  - (2) Deepening intelligent financial planning services: Constantly improved the mobile trading platform, with the three main focuses of "stock selection", "trading", and "service", and to develop a "one-stop" user experience and service. Plan to integrate the Hua Nan e-Trading with the "re-entrustment" product, the U.S., Hong Kong, and Japanese stock quotes, and enhance the trading and account functions of the U.S. stock market, continuing to build up "attractive services" and "brand styles".
  - (3) 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 the precise marketing.
  - (4) Integration of online and offline: Solving breakpoints and pain points in the customer's investment journey, 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 HNSC 's products or services, for expanding the visibility of HNSC 's products or services.
  - (5) Implementation of competent authorities' open policies: In response to fintech development blueprint of the Financial Supervisory Commission, including financial data sharing, open securities and financial identification, constantly develop related financial applications and integrated businesses across businesses and fields, to provide investors with brand new and diverse financial services.
  - (6) Continuing to improve and enhance the building of the information security safeguard, for the purpose of lowering the operational risks, upgrading the business continuity ability of HNSC and providing investors with safer and more stable investment environment.
  - (7) In conjunction with the planning of digital transformation of financial holding for building a complete financial environment and the followings goals are gradually implementing:
    - A. Integration of re-entrustment products to enhance the diversity of the trading platform.
    - B. Enhance customer satisfaction through outbound customer care.
    - C. Enhance digital marketing channels to increase brand exposure.
    - D. Deepen the social media engagement and word-of-mouth marketing.
    - E. Master FinTech development trends and plan for related technologies and services.
    - F. Analyze user data to provide suitable marketing solutions and services.
    - G. Use business intelligence analysis platform for real-time performance management.
  - (8) Enhance American stock investment innovation services and compiled an "overview of American stock trends" investment strategy information, through the "American Stock Daily", "American Stock Evening News", "American Stock Weekly", the four major indexes and the S&P 11 major industries, so that investors can easily hold the investment opportunities in overseas markets.
  - (9) Enhance of ETF fundraising services and add a new fundraising channel on the wealth management platform to provide investors with a more convenient trading experience.

- (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 extension.

#### 4. South China Insurance(SCIC)

The strong recovery of the global economy from the pandemic has led to high inflation; energy prices have declined in line with recessionary expectations, but the economic prospect for the U.S. and China remains ambiguous. With geopolitical risks in various regions, global monetary policies, and climate change, etc., South China Insurance continues to stay alerted in response to changes in the environment, and proactively evolves with the entire society by devoting itself to the research and development of new commodities and innovative portfolios of marketing projects. In 2023, a total of 72 new products were developed, and 130 special products were on sale. In addition to understanding the market demand, South China Insurance is able to provide a complete range of professional services to our policyholders. Facing of the era of digitalization of network services, South China Insurance has embraced digital technology with the ethos of "forward-looking mindset and active actions," innovates its products and services, and continues to strive for excellence towards the new vision of "embracing digital development and becoming a happy enterprise preferred by customers and loved by employees." With the new core values of "professionalism, foresight, innovation, responsibility and passion," South China Insurance has been awarded the Champion of "Insurance Faith, Hope and Love Award" in the "National Insurance Three Awards and Ten-Year Heroes List" organized by RMIM Inc.; "Silver Award for "Excellence in Caring for the Community", "Silver Award for Excellence in Risk Management" and "Silver Award for Excellence in Talent Training Program" in the 10th Taiwan Insurance Excellence Awards. In addition, in the 25th "Insurance Faith, Hope and Love Award," South China Insurance won the "Best Communication Office Award - Taichung Branch" and three other awards, namely "Best Insurance Professional Award", "Best Social Responsibility Award" and "Best Professional Consultant Award - Tzu-Kuei Lin Associate"; South China Insurance also won the "Six Core and Public Construction Investments - Financial Investment Group" award promoted by the Insurance Bureau, and also ranked in the top 26% to 50% in the "2023 Insurance Industry Fair Customer Service Principles Assessment" for property and casualty insurance. All these good performances showed that South China Insurance was recognized by all sectors of the community.

In terms of risk management culture, integrity, precision, and transparency is the DNA of the core values of South China Insurance's risk management culture. South China Insurance has 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.

In 2023, the global economic recovery will be weakened by the inflationary impact caused by the over-expansion of the global economy, along with the impact of the global geopolitical risks, which will weaken the speed of the global economic recovery, coupled with the continuous rise of the awareness of the sustainability of the environment. In the face of the multifaceted issues, South China Insurance will continue to develop the green financial commodities, and to incorporate new concepts of the resource cycle under the new business opportunities. With the trend of digital transformation, South China Insurance will optimize its e-platform services to provide more complete protection in response to the community's expectations of companies.

#### 5. Hua Nan Investment Trust(HNIT)

As of the end of 2023, the overall public placed funds in the investment trust sector were about NT\$6.74 trillion, increases by NT\$1.88 trillion year on year about 38%. HNIT 's publicly placed funds as of the end of 2023 was NT\$48.5 billion, up by NT\$10.5 billion year on year and ranked 24th in the market.

The fund performance in 2023, however, was outstanding. Among the twelve funds, seven of them ranked in the first half among the same type of funds in terms of the performance of the year; four of them were in the top one fourth.

#### 6. Hua Nan Venture Capital(HNVC)

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 post investment management. We also assisted in investment business operations, financial planning, established strategic alliances and partnerships to ensure smooth marketing and profitability.

#### 7. Hua Nan Assets Management(HNAMC)

Continuing to focus on urban renewal and joint construction in industrial zones as a key business development strategy, in February 2023, HNAMC signed a contract with landowners in the Peipi section of Tucheng District, New Taipei City. HNAMC served as the implementer and investor, initiating applications for industrial area renewal and urban renewal projects. The project is expected to receive urban renewal approval in 2025, with demolition and construction contracting set to commence, aiming for completion in 2029. In the future, HNAMC will continue to strive for opportunities to act as the urban renewal implementer in industrial zones, working with landowners for mutual benefit through joint construction.

Hua Nan Assets Management and Hua Nan Commercial Bank co-organized and formed the "Elderly Older South China Team". Combining the bank's expertise in financing and trust and the actual experience of asset management companies in urbanite reconstruction, they will jointly promote the urbanite reconstruction business. Assist households to deal with the integration of opinions, planning and design, trust financing, real one-stop services such as investing in the construction of handover housing and finally referral to Hua Nan Commercial Bank to provide household loans, not only implement the government's policy of promoting urban renewal, but also make the road of old house reconstruction for the public no longer out of reach through all-round services.



## II. 2024 Group Business Plan, Future Development Strategies, and Impact of the External

Looking ahead to 2024, key international institutions such as the IMF, World Bank, and OECD anticipate a slight decrease in the global economic growth rate to between 2.4% and 2.9%, a marginal decline of 0.2 percentage points from 2023. This forecast is influenced by several factors including the direction of the Fed's interest rate policies, the impact of China's economic performance relative to the global economy, the evolution of the U.S.-China tech war and international geopolitical relations, and the effects of the Russia-Ukraine war and Israeli-Palestinian conflict on international raw material prices.

According to the statistics of the Directorate General of Budget, Accounting and Statistics, Executive Yuan on February 29, 2024, Taiwan's economic growth rate is projected at 3.43%. With global consumer demand for end products recovering, inventories returning to healthy levels, and the continued expansion of emerging technologies like artificial intelligence, high-performance computing, and automotive electronics, boosts in exports and investments are expected.

In response to these domestic and international financial conditions, the Group has formulated the following development strategies for 2024: (1) Establish a three-year profit enhancement plan, improve capital utilization efficiency management to boost EPS ranking, and continue to refine and develop an up-to-date group risk management mechanism to enhance its early warning capabilities. (2) Through digital transformation with a strategy focused on "integrating value-added information, strengthening comprehensive services, and accompanying the customer journey," integrate subsidiaries for digital transformation to enhance customer management and promote cross-selling business, leveraging group synergy. (3) Promote innovative financial products and services aimed at ABC+S (AI & Automation, Big Data, Cloud, Security), developing through the synergy of finance and technology to maintain the pace of digital transformation, support business development, and attract a younger customer base to enhance overall competitive advantage. (4) Continuously monitor compliance and fintech trends, utilizing AI models and robotic process automation (RPA) to enhance the Group's compliance risk controls and operational efficiency. (5) To safeguard shareholders' interests and strengthen corporate sustainability, beside pursuing dividend growth, the Group will continue to actively participate in international ESG initiatives and ratings to enhance our visibility in the ESG field.

## III. Impact of the Legal Environment:

The financial industry is highly regulated by competent authorities. In 2023, the Group not only continued to comply with competent authority to promote the Sustainable Development Action Plans for TWSE- and TPEx-Listed Companies and the Green Finance Action Plan (3.0), but also supported and guided corporate transitions towards net-zero through investments and financing for companies in the green energy sector. In addition, the Group closely followed the FinTech Development Roadmap (Fintech 2.0), core principles and policies regarding the use of artificial intelligence (AI) in the financial sector. While actively incorporating fintech to enhance the quality and efficiency of financial services, the Group also prioritized strengthening data security, internal controls, fair treatment of customers, anti-money laundering, and stakeholder management mechanisms. Our aim is to enhance the Group's competitiveness in the financial sector, create differentiated services, and increase customer loyalty.

Facing rapid changes in the international market and increased compliance and regulation, besides abiding by laws and regulations in a serious manner 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 (2023/07)	twAA-	twA-1+	Stable
	Taiwan Ratings (2024/02)	twAA+	twA-1+	Stable
Hua Nan Commercial Bank	Moody's Ratings (2024/04)	A2	P-1	Stable
	Standard & Poor's Ratings (2024/02)	A	A-1	Stable
Hua Nan Securities	Taiwan Ratings (2023/06)	twAA-	twA-1+	Stable
South China Insurance	Taiwan Ratings (2024/01)	twAA	-	Stable
	A.M. Best (2024/01)	A	a	Stable
Hua Nan Assets Management	Taiwan Ratings (2023/06)	twA+	twA-1	Stable

Chairman

*Chang, Yun-Peng*

Vice Chairman

*Ming Chen*

President

*Yao Ching Li*



# Honesty

Honesty, integrity and stable  
operation professional and  
trustworthy

## 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

- (I) 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.
- (II) Significant Transfer or Change of Stock Ownership by Directors and Major Stockholders: None.
- (III) Significant changes in ownership, methods of operation, or business operation: None.
- (IV) Other significant items that will affect shareholders' right: None.



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





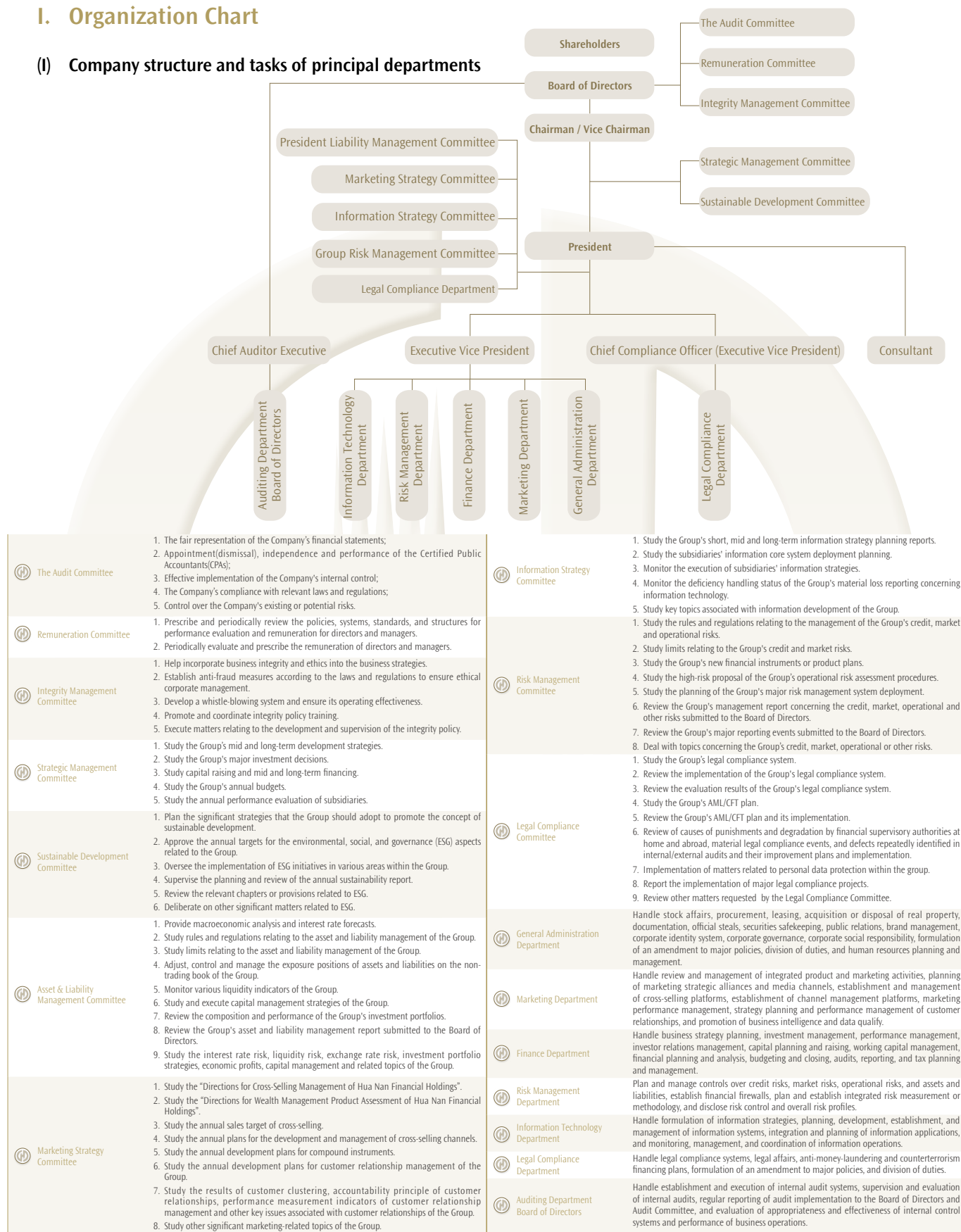
# Efficiency

Fast action and instant  
response Exceed customers'  
expectations

# III. Corporate Governance

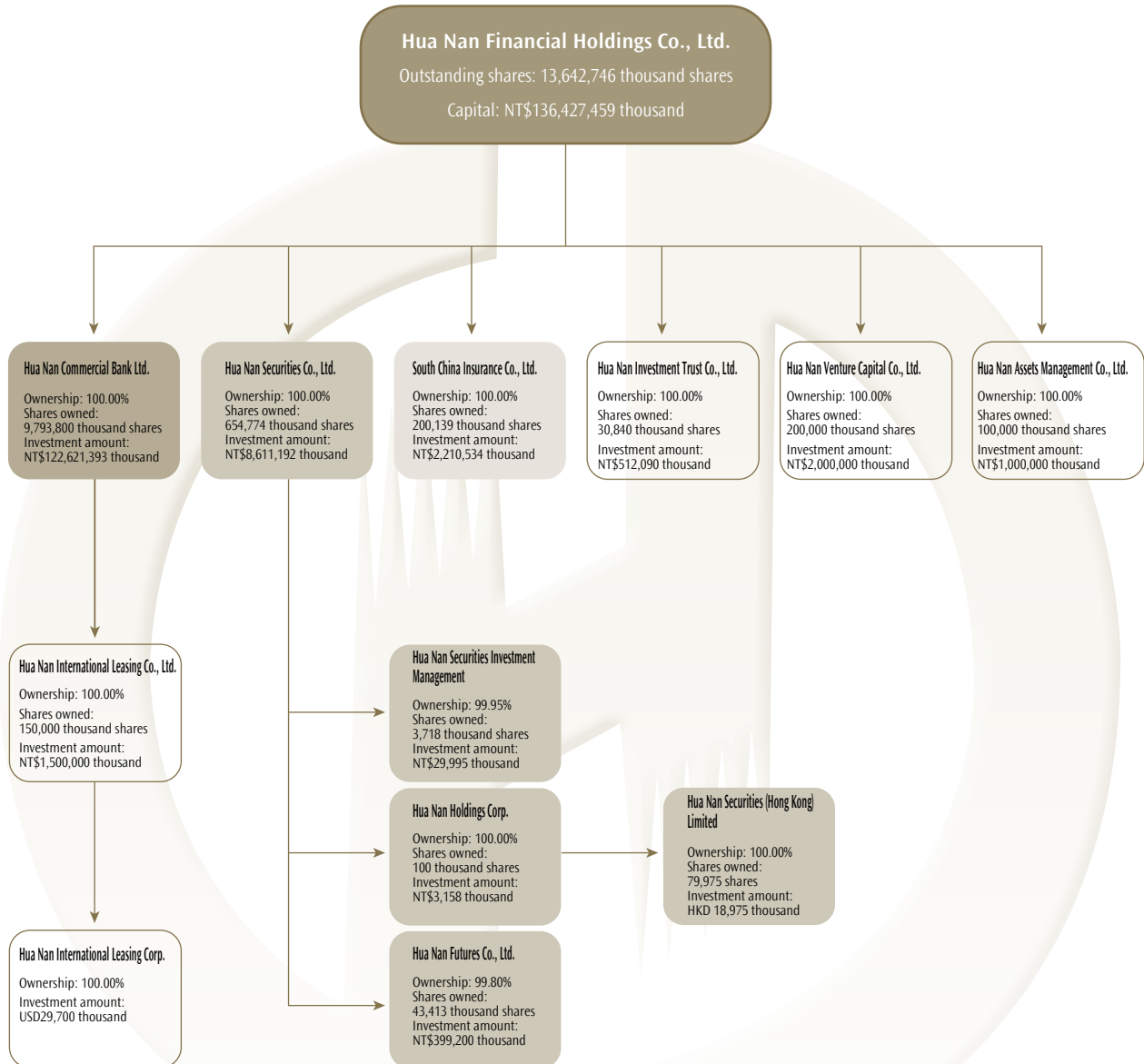
## I. Organization Chart

### (I) Company structure and tasks of principal departments



## (II) Company Organization

Date: Mar. 31, 2024



## By business type:

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



## II. Information of Chairman, President, Vice President and Department Heads

### (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 71-80 years old	2022.06.17	Term expires on 2025.06.16	2015.07.03 (Note: Term was interrupted from 2017.06.01 to 2019.04.25)	224,282,215	1.70	231,907,810	1.70	0	0
Vice Chairman	R.O.C.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Representative: Ming-Cheng Lin	Male 81-90 years old	2022.06.17	Term expires on 2025.06.16	2001.12.19	233,018,238	1.77	240,940,858	1.77	0	0
Director	R.O.C.	Ministry of Finance Representative: Yao-Ching Li	Male 51-60 years old	2022.06.17	Term expires on 2025.06.16	2022.06.17	224,282,215	1.70	231,907,810	1.70	0	0
Director	R.O.C.	Bank of Taiwan Representative: Shih-Ching Jeng	Female 51-60 years old	2022.06.17	Term expires on 2025.06.16	2016.07.01	2,801,282,059	21.23	2,896,525,649	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Chou-Wen Wang	Male 41-50 years old	2022.06.17	Term expires on 2025.06.16	2019.06.14	2,801,282,059	21.23	2,896,525,649	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: An-Pang Wang	Male 41-50 years old	2022.06.17	Term expires on 2025.06.16	2020.06.09	2,801,282,059	21.23	2,896,525,649	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Yu-Chen Wang	Female 51-60 years old	2023.10.04	Term expires on 2025.06.16	2023.10.04	2,801,282,059	21.23	2,896,525,649	21.23	0	0
Director	R.O.C.	Bank of Taiwan Representative: Vacancy	None	None	Term expires on 2025.06.16	None	2,801,282,059	21.23	2,896,525,649	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	2022.06.17	Term expires on 2025.06.16	2001.12.19	233,018,238	1.77	240,940,858	1.77	0	0
Director	R.O.C.	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin Representative: Chi-Yu Lin	Male 41-50 years old	2022.06.17	Term expires on 2025.06.16	2016.07.01	233,018,238	1.77	240,940,858	1.77	0	0
Director	R.O.C.	He Quan Investment Co., Ltd. Representative: An-Lan Hsu Chen	Female 71-80 years old	2022.06.17	Term expires on 2025.06.16	2001.12.19	3,661,235	0.03	3,785,717	0.03	0	0
Director	R.O.C.	He Quan Investment Co., Ltd. Representative: Yuan-Lin Hsu	Female 41-50 years old	2022.10.05	Term expires on 2025.06.16	2022.10.05	3,661,235	0.03	3,785,717	0.03	0	0
Director	R.O.C.	China Man-Made Fiber Corporation Representative: Vivien, Chia-Ying Shen	Female 51-60 years old	2022.06.17	Term expires on 2025.06.16	2005.08.31	70,055,271	0.53	72,437,150	0.53	0	0
Director	R.O.C.	Chen-Yuan Tu	Male 61-70 years old	2023.06.16	Term expires on 2025.06.16	2023.06.16	0	0	0	0	0	0
Director	R.O.C.	Chih-Yang Lin	Male 51-60 years old	2022.06.17	Term expires on 2025.06.16	2005.01.14 (Note: Term was interrupted from 2013.07.01 to 2016.06.30)	0	0	0	0	0	0
Independent Director	R.O.C.	Kuo-Chuan Lin	Male 61-70 years old	2022.06.17	Term expires on 2025.06.16	2019.06.14	0	0	0	0	0	0
Independent Director	R.O.C.	Ming-Hsien Yang	Male 61-70 years old	2022.06.17	Term expires on 2025.06.16	2019.06.14	0	0	0	0	0	0
Independent Director	R.O.C.	Sung-Tung Chen	Male 61-70 years old	2022.06.17	Term expires on 2025.06.16	2019.06.14	0	0	0	0	0	0
Independent Director	R.O.C.	Jui-Chia Lin	Male 41-50 years old	2022.06.17	Term expires on 2025.06.16	2022.06.17	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 post, 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. 23, 2024

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	Chairman of Bank of Kaohsiung; Management Director and President of Hua Nan Commercial Bank; Director and President of Hua Nan Financial Holdings; Executive Vice President of Hua Nan Commercial Bank (Department of Business Administration, National Taiwan University)	Chairman of Hua Nan Commercial Bank; Director of the United Credit Card Processing Center; Executive Director of the National Federation of Commercial Bankers Association of the Republic of China; Executive Director of the Taipei City Commercial Bankers Association; Director of Taiwan Asset Management Corporation	None	None	None	None
0	0	Chairman of Hua Nan Financial Holdings and Hua Nan Commercial Bank; Director of the Central Bank; Chairman of The Bankers of 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	Executive Vice President of Hua Nan Commercial Bank; G.M. of Risk Management Department of Hua Nan Financial Holdings; Manager of Risk Management Department of Hua Nan Commercial Bank (Master of Business Administration, University of Washington, U.S.A.)	President of Hua Nan Financial Holdings; Chairman and President of Hua Nan Venture Capital; Director of Business Development Research Institute	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., 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	Chair, Department of Finance, National Sun Yat-sen University Chair and professor, Department of Finance, National Kaohsiung University of Science and Technology (Ph.D., Department of Money and Banking, National Chengchi University)	Professor and APEMBA Chairman in the Department of Finance, National Sun Yat-Sen University; Director of the Institute of Global Asset Management, National Sun Yat-Sen 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	Manager of Offshore Banking Branch, Bank of Taiwan (Master of Business Management, University of Rochester)	Manager of Department of International Banking, Bank of Taiwan	None	None	None	None
0	0	None	None	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 VP, Hua Nan Venture Capital (MBA, 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	Chairman, Hua Nan Securities Co., Ltd.; Director, Hua Nan Commercial Bank Ltd. (Department of Foreign Language 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 HeQing Investment Co., Ltd.; Supervisor of Mao Tong Investment Co., Ltd; Managing Director of Entrust Foundation	Director	Yuan-Lin Hsu	Mother and Daughter	None
0	0	Special Assistant of Honghua Lubricating Oil Co., Ltd. (Master of Psychology in Education, Columbia University; Master of Science in Global Finance, New York University)	Director of Hua Nan Commercial Bank; Director of Hua Nan Investment Trust; Director of Taiwan Sanyo Electric Co., Ltd.	Director	An-Lan Hsu Chen	Mother and Daughter	None
313,812	0.002	Vice President of Hongkong and Shanghai Banking Corporation Limited (HSBC) (Ph.D., Public Health Administration from John Hopkins University, USA)	Director of Hua Nan Commercial Bank; Director of SHUORONG Investment Co., Ltd.; Director of Yuhui Co., Ltd.	None	None	None	None
0	0	Vice President, Taiwan Cooperative Bank Ltd.; Chairman, BNP Paribas Cardif TCB Life Insurance Co., Ltd. (International Business Dept., Feng Chia University)	None	None	None	None	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	Associate Professor, Department of Public Administration, Tamkang University; Professor, Department of Law, National Chengchi University; Dedicated Commissioner, FSC; Chairman, Financial Ombudsman Institution; Dean, College of Law, National Chengchi University; Director, Securities and Futures Institute (Ph.D., in Law, Kobe University, Japan)	Adjunct Professor in the Department of Law, National Chengchi University	None	None	None	None
0	0	Vice President and Chairman of Deloitte & Touch Taiwan (Master of Accounting, National Taiwan University)	Independent Director of Hua Nan Commercial Bank	None	None	None	None
0	0	Prosecutor, Prosecutor Office in Yunlin, Taichung and Hsinchu District Court (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 Video and Television Network, Supervisor, GPPC Development Corp.	None	None	None	None
0	0	Assistant Professor of Department of Information Management and Finance of National Yangming Chiao Tung University; Co-founder of Meister International Enterprise Co., Ltd. (Ph.D., in Department of Accounting, National Taiwan University)	Associate Professor of Department of Information Management and Finance of National Yangming Chiao Tung University	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: 2024.04.23

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%)
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%), Sheen Ren Knitting Factory Co., Ltd. (4.37%), Chou Chin Industrial Co., Ltd. (3.65%), Pan Asia Investment Co., Ltd. (3.11%), China Man-Made Fiber Investment Co., Ltd. (2.61%), J. P. Morgan Chase Bank N.A., Taipei Branch in Custody of Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds (1.16%), Standard Chartered International Commercial Bank the ISHARES Core MSCI emerging market ETF investment account (1.09%), J. P. Morgan Chase Bank N.A., Taipei Branch in Custody for Vanguard FTSE Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.05%), Yu Hui Co., Ltd. (0.98%), De Xing 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: 2024.04.23

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%), Sheen Ren Knitting Factory Co., Ltd. (6.20%), China Man-Made Fiber Investment Co., Ltd. (5.12%), Yu Hui Co., Ltd. (1.76%), Pan Asia Chemical Corporation Employee Welfare Committee (0.60%), Hsiu-Cheng Wu (0.48%), Berkeley Capital SBL/PB investment account managed by Citigroup (0.27%), Teng-Fang Tseng (0.26%), Chao-Ju Chen (0.23%), Kun-Hsiang Chen (0.21%).
Shengjen 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 (0.10%).
Chou Chin Industrial Co., Ltd.	China Man-Made Fiber Corporation (46.81%), Ta Fa Investment Co., Ltd. (27.01%), Yu Hui Co., Ltd. (11.22%), Pan Hsu Investment Co., Ltd. (3.86%), De Xing Investment Co., Ltd. (2.50%), Pan Asia Investment Co., Ltd. (0.80%), Chou Chang Co., Ltd. (0.68%), Cheng Chi Asset Management Co., Ltd. (0.22%), Mega Securities Co., Ltd. (0.19%), Chang Shu-fen (0.18%).
Pan Asia Investment Co., Ltd.	Pan Hsu 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 (1.75%), Kuei-Feng Wang (1.55%), Sheen Ren Knitting Factory Co., Ltd. (0.44%), Tsai-Lien Cheng (0.06%).
Yuhui Co., Ltd.	Kuei-Hsien Wang (99.99%), Vivien, Chia-Ying Shen (0.01%)
Dexing Investment Co., Ltd.	China Man-Made Fiber Corporation (100%)

Note 1: If the major shareholder in above Table1 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"> <li>Major education background: Department of Business Administration, National Taiwan University</li> <li>Major experience: Chairman of Bank of Kaohsiung; Management Director and President of Hua Nan Commercial Bank; Director and President of Hua Nan Financial Holdings; Executive Vice President of Hua Nan Commercial Bank</li> <li>Current post: Chairman of Hua Nan Financial Holdings; Chairman of Hua Nan Commercial Bank; Director of the United Credit Card Processing Center; Executive Director of the National Federation of Commercial Bankers Association of the Republic of China; Executive Director of the Taipei City Commercial Bankers Association; Director of Taiwan Asset Management Corporation</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Ming-Cheng Lin	<ul style="list-style-type: none"> <li>Master of Law, Keio University, Japan</li> <li>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</li> <li>Current post: Vice Chairman, Hua Nan Financial Holdings; Director, Lin Ben Yuan Industrial Co., Ltd.</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Yao-Ching Li	<ul style="list-style-type: none"> <li>Major education background: Master of Business Administration, University of Washington, U.S.A.</li> <li>Major experience: Executive Vice President of Hua Nan Commercial Bank; G.M. of Risk Management Department of Hua Nan Financial Holdings; Manager of Risk Management Department of Hua Nan Commercial Bank.</li> <li>Current post: Director and President of Hua Nan Financial Holdings; Chairman and President of Hua Nan Venture Capital; Director of Business Development Research Institute</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	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"> <li>Major education background: Ph.D., Law, Kobe University, Japan</li> <li>Major Experience: Associate Professor, Department of Public Administration, Tamkang University; Professor, Department of Law, National Chengchi University; Dedicated Commissioner, FSC; Chairman, Financial Ombudsman Institution; Dean, College of Law, National Chengchi University; Director, Securities and Futures Institute</li> <li>Current post: Independent Director of Hua Nan Financial Holdings; Professor of Law, National Chengchi University</li> <li>Work experience required for legal affairs and financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	<ol style="list-style-type: none"> <li>Not an employee of the Company or any of its affiliates.</li> <li>Not a director or supervisor of the Company or its related entities.</li> <li>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.</li> <li>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 share holder 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.</li> <li>Not a director, supervisor, or employee of a legal entity share holder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or appoints a representative to serve as a director or supervisor of the Company according to Article 27, Paragraph 1 or Paragraph 2 of the Company Law.</li> <li>The shares with voting rights representing more than half of the director seats or board voting rights are not controlled by the same person who controls the directors, supervisors, or employees of another company.</li> <li>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.</li> <li>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.</li> <li>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. 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.</li> <li>Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</li> <li>Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of The Company Act.</li> </ol>	0
Ming-Hsien Yang	<ul style="list-style-type: none"> <li>Major education background: Master of Accounting, National Taiwan University</li> <li>Major experience: VP and Chairman of Deloitte, Taiwan</li> <li>Current post: Independent Director of Hua Nan Financial Holdings; Independent Director of Hua Nan Commercial Bank</li> <li>CPA; work experience required for accounting and financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	<ol style="list-style-type: none"> <li>Not an employee of the Company or any of its affiliates.</li> <li>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.</li> <li>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 share holder 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.</li> <li>Not a director, supervisor, or employee of a legal entity share holder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or appoints a representative to serve as a director or supervisor of the Company according to Article 27, Paragraph 1 or Paragraph 2 of the Company Law.</li> <li>The shares with voting rights representing more than half of the director seats or board voting rights are not controlled by the same person who controls the directors, supervisors, or employees of another company.</li> <li>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.</li> <li>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.</li> <li>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. 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.</li> <li>Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</li> <li>Not elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of The Company Act.</li> </ol>	0

Conditions Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Sung-Tung Chen	<ul style="list-style-type: none"> <li>Major education background: Department of Law, National Chengchi University</li> <li>Major experience: Prosecutor, Prosecutor Office in Yunlin, Taichung and Hsinchu District Court</li> <li>Current post: Independent Director, Hua Nan Financial Holdings and Hua Nan Commercial Bank; Chairman, Shun Long Ceramics Co., Ltd.; Partner, Chen Tay International Law Office; Supervisor, Posh Investment Co., Ltd; Supervisor, Videoland Inc.; Supervisor, GPPC Development Corporation</li> <li>Attorney of law; work experience required for legal affairs and financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	(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 share holder 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 legal entity share holder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or appoints a representative to serve as a director or supervisor of the Company according to Article 27, Paragraph 1 or Paragraph 2 of the Company Law. (5) The shares with voting rights representing more than half of the director seats or board voting rights are not controlled by the same person who controls the directors, supervisors, or employees of another company. (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. 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. (10) 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
Jui-Chia Lin	<ul style="list-style-type: none"> <li>Major education background: Ph.D., Department of Accounting, National Taiwan University</li> <li>Major experience: Assistant Professor of Department of Information Management and Finance of National Yangming Chiao Tung University; Co-founder of Meister International Enterprise Co., Ltd.</li> <li>Current post: Independent Director, Hua Nan Financial Holdings; Associate Professor in the Department of Information Management and Financial Finance at National Yangming Chiao Tung University.</li> <li>Work experience required for accounting and financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or its related entities. (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 share holder 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 legal entity share holder who directly holds 5% or more of the total issued shares of the Company, is among the top five shareholders, or appoints a representative to serve as a director or supervisor of the Company according to Article 27, Paragraph 1 or Paragraph 2 of the Company Law. (6) The shares with voting rights representing more than half of the director seats or board voting rights are not controlled by the same person who controls the directors, supervisors, or employees of another company. (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. 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
Shih-Ching Jeng	<ul style="list-style-type: none"> <li>Major education background: Ph.D., Finance and Insurance, Rhode Island State University, the U.S.</li> <li>Major experience: 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</li> <li>Current post: Director of Hua Nan Financial Holdings; Professor, Department of Risk Management and Insurance, NCCU</li> <li>Professor with work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Chou-Wen Wang	<ul style="list-style-type: none"> <li>Major education background: Ph.D., Department of Money and Banking, National Chengchi University</li> <li>Major experience: Chair, Department of Finance, National Sun Yat-sen University; chair and professor, Department of Finance, National Kaohsiung University of Science and Technology</li> <li>Current post: Director of Hua Nan Financial Holdings; Professor and APEMBA Chairman, Department of Finance, National Sun Yat-Sen University; Director of the Institute of Global Asset Management, National Sun Yat-Sen University</li> <li>University professor with relevant work experience in the financial industry</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
An-Pang Wang	<ul style="list-style-type: none"> <li>Major education background: Master, Department of Politics, National Taiwan Normal University</li> <li>Major experience: 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</li> <li>Current post: Director of Hua Nan Financial Holdings; Deputy Minister of Ministry of Labor</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0

Conditions Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
Yu-Chen Wang	<ul style="list-style-type: none"> <li>Major education background: Master of Business Management, University of Rochester</li> <li>Major experience: Manager of Offshore Banking Branch, Bank of Taiwan</li> <li>Current post: Director of Hua Nan Financial Holdings; Manager of Department of International Banking, Bank of Taiwan</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
T. Lin	<ul style="list-style-type: none"> <li>Major education background: MSc Real Estate Economics and Finance, London School of Economics and Political Science, the U.K.</li> <li>Major experience: Fund Manager, Mercury Asset Management</li> <li>Current post: Director of Hua Nan Financial Holdings; Vice Chairman of Hua Nan Commercial Bank</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Chih-Yu Lin	<ul style="list-style-type: none"> <li>Major education background: MBA, University California, Los Angeles, the U.S.A.</li> <li>Major experience: Assistant VP, Hua Nan Venture Capital Co., Ltd.</li> <li>Current post: Director of Hua Nan Financial Holdings; Director, Hua Nan Financial Holdings and Hua Nan Commercial Bank; VP, Hua Nan Venture Capital Co., Ltd.</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Chen-Yuan Tu	<ul style="list-style-type: none"> <li>Major education background: International Business Dept., Feng Chia University</li> <li>Major experience: Vice President, Taiwan Cooperative Bank Ltd.; Chairman, BNP Paribas Cardif TCB Life Insurance Co., Ltd.</li> <li>Current post: Director of Hua Nan Financial Holdings</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Chih-Yang Lin	<ul style="list-style-type: none"> <li>Major education background: MBA, National Taiwan University</li> <li>Major experience: Attorney of Laws, Taipei Bar Association</li> <li>Current post: Director of Hua Nan Financial Holdings; Managing Director, Hua Nan Commercial Bank; Chairman of Yongqi Asset Management Company; Director of Yongshi Development Company; Director of Yongqing R&amp;D Company; Chairman of Xunyou Company; Director of Tianye Construction Company; Director of Taiwan Mineral industry Company</li> <li>Attorney of law; work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0

Conditions Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of companies where serving concurrently as an independent director
An-Lan Hsu Chen	<ul style="list-style-type: none"> <li>Major education background: Department of Foreign Language and Literature, Tunghai University</li> <li>Major experience: Chairman, Hua Nan Securities Co., Ltd.; Director, Hua Nan Commercial Bank Ltd.</li> <li>Current post: Director of Hua Nan Financial Holdings; Chairman of Yuan Ding Investment Co., Ltd.; Chairman of Yong Chang Investment Co., Ltd.; Chairman of HeQuan Investment Co., Ltd.; Director of HanTing Industry Co., Ltd.; Supervisor of HeQing Investment Co., Ltd.; Supervisor of Mao Tong Investment Co., Ltd.; Managing Director of Entrust Foundation</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Yuan-Lin Hsu	<ul style="list-style-type: none"> <li>Major education background: Master of Psychology in Education, Columbia University; Master of Science in Global Finance, New York University</li> <li>Major experience: Special Assistant of Honghua Lubricating Oil Co., Ltd.</li> <li>Current post: Director of Hua Nan Financial Holdings; Director at Hua Nan Commercial Bank; Director at Hua Nan Investment Trust Corporation; Director at Taiwan Sanyo Electric Co., Ltd.</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	0
Vivien, Chia-Ying Shen	<ul style="list-style-type: none"> <li>Major education background: PhD., Public Health, John Hopkins University, USA</li> <li>Current post: Director of Hua Nan Financial Holdings, Director of Hua Nan Commercial Bank; Director of SHUO- RONG Investment Co., Ltd.; Director of Yu Hui Co., Ltd.</li> <li>Work experience required for financial business in place</li> <li>No circumstances specified in Article 30 of the Company Act</li> </ul>	NA	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 in the recent two years.

### 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 (currently vacant, awaiting appointment for 1 position), including 4 independent directors. The Company attaches great importance to the diversification of industry experiences of the Board of Directors. 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, E-Commerce, Law Firm, Public Service and Medical (public health). In terms of age, 5 directors are 41~50 years old, 6 directors are 51-60 years old, and 7 directors are 61 years old or older. In addition, the Company values gender equality. The Board of Directors has 5 female directors, accounting for 27.8% of members of the Board. The diversification of the Board of Directors is as follows:

Diversification	Basic information							Industry experience											Professional skills											
	Director	Nationality	Gender	Employee of the Company		Age		The Length of Director Tenure Financial	Financial holding	Banking	Securities	Insurance	Asset management	Investment	Education	Venture capital	Real estate development	E-Commerce	Law Firm	Public Service	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	Over 61	Less Than 3 years																							
Yun-Peng Chang	R.O.C.	Male				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
Yao-Ching Li	R.O.C.	Male	V		V				V	V	V	V	V		V							V	V	V	V	V	V	V	V	V
Jui-Chia Lin	R.O.C.	Male		V			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 Cheng	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
Yu-Chen Wang	R.O.C.	Female			V					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
T. Lin	R.O.C.	Male			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
Chen-Yuan Tu	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
Yuan-Lin Hsu	R.O.C.	Female		V					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.	Yao-Ching Li	Male	2022.06.17	99,646	0	0	0	0	0
Executive Vice President	R.O.C.	Greta Lin	Female	2021.08.01	122,429	0	12,332	0	0	0
Executive Vice President (Head Office Regulatory Compliance Supervisor)	R.O.C.	Amy. M. C. Chiou	Female	2020.09.11	98,196	0	0	0	0	0
Chief Auditor and G.M. of the Auditing Department	R.O.C.	Pi-E Huang	Female	2019.01.16	121,806	0	0	0	0	0
Chief Secretary of Board of Directors	R.O.C.	Hui-Ling Hsu	Female	2015.12.01	116,255	0	0	0	0	0
G.M. of the Marketing Department	R.O.C.	Chao-Chi Yeh	Male	2017.07.01	83,037	0	1,576	0	0	0
G.M. of the Administration Department	R.O.C.	Po-Hsun Chen	Male	2020.01.01	42,026	0	1,000	0	0	0
G.M. of the Risk Management Department	R.O.C.	Han-Chun Hsieh	Female	2022.07.29	183,133	0	0	0	0	0
G.M. of the Finance Department and Chief of Corporate Governance	R.O.C.	Shih-Wei Kuo	Male	2022.07.29	12,000	0	0	0	0	0
G.M. of the Law and Ordinance Compliance Department	R.O.C.	Kun-Shu Hsu	Male	2022.07.29	18,513	0	52,408	0	0	0
G.M. of the Information Technology Department and Chief Information Security Officer	R.O.C.	His-Han Chen	Male	2022.11.01	0	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: Experience associated with current post, 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 3: If the general manager or equivalent (the Highest manager) and the chairman are the same person, spouses or first-degree relatives, they should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and more than half of the directors do not serve as employees or managers, etc.).

**(III) Reappointment of Retiring Chairman and President as Consultants**

Title	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 2023.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Date of Share Subscription: Apr. 23, 2024

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		
Executive Vice President of Hua Nan Commercial Bank; G.M. of Risk Management Department of Hua Nan Financial Holdings; Manager of Risk Management Department of Hua Nan Commercial Bank; Master of Business Administration, University of Washington, U.S.A.	Chairman and President of Hua Nan Venture Capital	None	None	None	Not issued	None
Manager of Planning Department; Associate Manager of Planning Department; Associate Manager of Corporate Banking Department, 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, Hua Nan Commercial Bank; Department of Statistics, NCCU	Director of Hua Nan Venture Capital, Director of Hua Nan Future Co., Ltd.; Executive Vice President of Hua Nan Commercial Bank - Head Office; Regulatory Compliance Supervisor and Special Supervisor of Preventing Money Laundering and Combating Terrorism	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, Supervisor of Hua Nan Venture Capital	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 of 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's 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 HNFHC; Master of Economics, National Chi Nan University	Director of Hua Nan Investment Trust	None	None	None	Not issued	None
Associate Manager, Risk Management Department, Hua Nan Commercial Bank; Master of Business Administration, The City University of New York, U.S.A.	Manager of Risk Management Department of Hua Nan Commercial Bank, Supervisor of South China Insurance Co., Ltd.	None	None	None	Not issued	None
Manager and Associate Manager of Finance & Accounting Department and Manager of Senior Secretary of the Board of Hua Nan Commercial Bank; Master of Accounting, National Taiwan University	Manager of Financial Accounting Department of Hua Nan Commercial Bank	None	None	None	Not issued	None
Manager of Yingge Branch of Hua Nan Commercial Bank; Law Department of National Taiwan University	Manager of Legal Compliance Department of Hua Nan Commercial Bank	None	None	None	Not issued	None
Deputy General Manager of the Development and Testing Department of China Trust Commercial Bank; IBM Global Technology Service Department Structure and Consulting Service Management Consultant; Manager of Enterprise Risk Information Security Service Department of Deloitte; Master of Business Administration and Information Management, Boston University, U.S.A.	Vice President of Hua Nan Commercial Bank - Information management team supervisor and financial technology and operational management team supervisor; Manager of IT Planning & Development Department of Hua Nan Commercial Bank	None	None	None	Not issued	None

#### 4. Remuneration Paid to Directors(Including Independent Directors), President and Vice President, and Distribution of Employees' Remuneration for 2023

##### 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 Yao-Ching Li																				
Director	Bank of Taiwan Shih-Ching Jeng																				
Director	Bank of Taiwan An-Pang Wang																				
Director	Bank of Taiwan Chou-Wen Wang																				
Director	Bank of Taiwan Wei-De Tsai (2023.08.06 Discharged) Yu-Chen Wang (2023.10.04 Appointed)																				
Director	Bank of Taiwan Wen-Chieh Wang (2023.12.30 Discharged)																				
Director	Ju-Jiun Jeng (2023.02.03 Discharged) Chen-Yuan Tu (2023.06.16 Appointed)																				
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	Chih-Yang Lin																				
Director	He Quan Investment Co., Ltd. An-Lan Hsu Chen																				
Director	He Quan Investment Co., Ltd. Yuan-Lin Hsu																				
Director	China Man-Made Fiber Corporation Vivien, Chia-Ying Shen																				
Subtotal												14,159	20,829	1,310	1,775	215,375	215,375	7,637	11,027	238,481 1.10%	249,006 1.15%
Independent Director	Kuo-Chuan Lin																				
Independent Director	Ming-Hsien Yang																				
Independent Director	Sung-Tung Chen																				
Independent Director	Jui-Chia Lin																				
Subtotal		2,880	3,600	0	0	0	0	966	966	3,846 0.02%	4,566 0.02%										
Total		17,039	24,429	1,310	1,775	215,375	215,375	8,603	11,993	242,327 1.12%	253,572 1.17%										

- 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.





Remuneration Grade Table

Range of Remunerations Paid to Each Director	Director							
	Sum of the 4 Remunerations (A+B+C+D)				Sum of the Remunerations (A+B+C+D+E+F+G)			
	The Company		All Companies in Financial Statements		The Company		All Companies in Financial Statements	
	Director	Independent Director	Director	Independent Director	Director	Independent Director	Director	Independent Director
Less than NT\$1,000,000	Yao-Ching Li, Shih-Ching Jeng, An-Pang Wang, Chou-Wen Wang, Wei-Te Tsai, Wen-Chieh Wang, T. Lin, Chih-Yu Lin, An-Lan Hsu Chen, Yuan-Lin Hsu, Yu-Chen Wang, Vivien, Chia-Ying Shen	Kuo-Chuan Lin, Ming-Hsien Yang, Sung-Tung Chen, Jui-Chia Lin	Yao-Ching Li, Shih-Ching Jeng, An-Pang Wang, Chou-Wen Wang, Wei-Te Tsai, Wen-Chieh Wang, Chih-Yu Lin, An-Lan Hsu Chen, Yuan-Lin Hsu, Yu-Chen Wang, Vivien, Chia-Ying Shen	Kuo-Chuan Lin, Jui-Chia Lin	Shih-Ching Jeng, An-Pang Wang, Chao-Wen Wang, Wei-Te Tsai, Wen-Chieh Wang, T. Lin, Chih-Yu Lin, An-Lan Hsu Chen, Yuen-Ling Hsu, Yu-Chen Wang, Chia-Ying Shen	Kuo-Chuan Lin, Ming-Hsien Yang, Sung-Tung Chen, Jui-Chia Lin	Shih-Ching Jeng, An-Pang Wang, Chao-Wen Wang, Wei-Te Tsai, Wen-Chieh Wang, An-Lan Hsu Chen, Yuen-Ling Hsu, Yu-Chen Wang, Chia-Ying Shen	Kuo-Chuan Lin, Jui-Chia Lin
NT\$1,000,000 (including) to NT\$2,000,000 (excluding)	Ju-Jiun Jeng		Ju-Jiun Jeng	Ming Hsien Yang, Sung-Tung Chen	Ju-Jiun Jeng		Ju-Jiun Jeng	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, Chen-Yuan Tu		Yun-Peng Chang, T. Lin, Chen-Yuan Tu		Yun-Peng Chang, Yao-Ching Li, Chen-Yuan Tu		Yun-Peng Chang, Yao-Ching Li, T. Lin, Chen-Yuan Tu	
NT\$10,000,000 (including) to NT\$15,000,000 (excluding)	Ming-Cheng Lin, Chih-Yang Lin, China Man-Made Fiber Corporation		Ming-Cheng Lin, Chih-Yang Lin, China Man-Made Fiber Corporation		Ming-Cheng Lin, Chih-Yang Lin, China Man-Made Fiber Corporation		Ming-Cheng Lin, Chih-Yang Lin, China Man-Made Fiber Corporation	
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		26		26		26		26

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.

## 2. Remunerations Paid to President and Vice President(Range of Remunerations Paid to Each Director)

Unit: In Thousands of New Taiwan Dollars

Title	Name	Remuneration (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		Employees' Remuneration (D)				Ratio of Total Amount A, B, C and D to Net Profit after Tax		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		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	Yao-Ching Li													
Executive Vice President (Head Office Regulatory Compliance Supervisor)	Amy. M. C. Chiou													
Executive Vice President	Greta Lin													
Chief Auditor and Director of the Board Audit Department	Pi-E Huang													
Total		14,438	14,822	1,718	1,718	12,425	13,265	3,517	0	3,597	0	32,098 0.15%	33,402 0.15%	85

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)		
NT\$3,500,000 (including) to NT\$5,000,000 (excluding)		
NT\$5,000,000 (including) to NT\$10,000,000 (excluding)	Yao-Ching Li, Amy, M. C. Chiou, Greta Lin, Pi-E Huang	Yao-Ching Li, Amy, M. C. Chiou, Greta Lin, 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	4	4

Note 1: Employees' remuneration was estimated based on the 2023 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, HuaNan Commercial Bank, and the Company did not pay the expense.

**(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:**

**I. Percentage of Remuneration Paid to the Company's Directors (Including Independent Directors), President, and Vice President to Income after Tax**

- (1) The total remuneration of the Company's directors (including independent directors) in 2023 accounted for 1.12% of the after-tax net profit, which decreased 0.04 percentage points from 1.16% in 2022; the total remuneration of all companies in the financial report accounted for 1.17% of the after-tax net profit, compared with 2022 1.22% decreased by 0.05 percentage points.
- (2) The total remuneration of the general manager and deputy general manager in 2023 will account for 0.15% of the after-tax net profit, a decrease of 0.12 percentage points compared to 0.27% in 2022; the total remuneration of all companies in the financial report will account for 0.15% of the after-tax net profit, a decrease of 0.12 percentage points compared to 0.27% in 2022.

**II. 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 every year. If directors are institutional representatives, remuneration is decided by institutional shareholders.
- (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, 2023; Unit: In Thousands of New Taiwan Dollars

Title	Name	Stock Amount	Cash Amount	Total	Percentage of Total Remuneration to Income after Tax (%)
Executive Vice President	Greta Lin	0	5,383	5,383	0.02%
Executive Vice President (Head Office Regulatory Compliance Supervisor)	Amy. M. C. Chiou				
Chief Auditor and Director of the Board Audit Department	Pi-E Huang				
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	Han-Chun Hsieh				
G.M. of the Finance Department and Chief of Corporate Governance	Shih-Wei Kuo				
G.M. of the Information Technology Department and Chief Information Security Officer	His-Han Chen				
G.M. of the Law and Ordinance Compliance Department	Kun-Shu Hsu				
Chief Secretary of Board of Directors	Hui-Ling Hsu				
Total		0	5,383	5,383	0.02%

Note: Employees' remuneration was estimated based on the 2023 employee remuneration to be distributed upon approval of the Board of Directors.

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

The Board convened 13 (A) meetings in 2023. The attendance record of directors is as below:

Jan 1, 2023~Dec 31, 2023

Title	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 (Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	13	0	100%	None
Director and President	Yao-Ching Li (Ministry of Finance)	13	0	100%	None
Director	T. Lin (Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	13	0	100%	None
Director	Chih-Yu Lin (Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin)	12	1	92%	None
Director	An-Lan Hsu Chen (He Quan Investment Co., Ltd.)	11	2	85%	None
Director	Yuan-Lin Hsu (He Quan Investment Co., Ltd.)	13	0	100%	None
Director	Vivien, Chia-Ying Shen (China Man-Made Fiber Corporation)	11	2	85%	None
Director	Shih-Ching Jeng (Bank of Taiwan)	12	1	92%	None
Director	Chou-Wen Wang (Bank of Taiwan)	12	1	92%	None
Director	An-Pang Wang (Bank of Taiwan)	2	11	15%	None
Director	Wen-Chieh Wang (Bank of Taiwan)	12	1	92%	2023.12.31 Discharged, should have attended 13 times
Director	Wei-Te Tsai (Bank of Taiwan)	7	1	88%	2023.08.07 Discharged, should have attended 8 times
Director	Yu-Chen Wang (Bank of Taiwan)	3	0	100%	2023.10.04 Appointed, should have attended 3 times
Director	Ju-Jiun Jeng	1	0	100%	2023.02.03 Resigned, should have attended 1 time
Director	Chen-Yuan Tu	7	0	100%	2023.06.16 Appointed, should have attended 7 times
Director	Chih-Yang Lin	13	0	100%	None
Independent Director	Kuo-Chuan Lin	13	0	100%	None
Independent Director	Ming-Hsien Yang	13	0	100%	None
Independent Director	Sung-Tung Chen	13	0	100%	None
Independent Director	Jui-Chia Lin	13	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
  - (I) Items prescribed by Article §14-3 of the Securities and Exchange Act.
  - (II) 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: please refer to 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.

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.	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, 2023 to December 31, 2023.	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"> <li>The performance evaluation of the Board of Directors in the Company includes five dimensions: <ol style="list-style-type: none"> <li>Understanding of the Company's goals and mission and level of participation in operations.</li> <li>Awareness of director responsibilities and improvement in the quality of board decision-making.</li> <li>Composition and structure of the board of directors.</li> <li>Selection, expertise, and continuous education of directors.</li> <li>Internal control.</li> </ol> </li> <li>The performance evaluation of individual directors in the Company includes five dimensions: <ol style="list-style-type: none"> <li>Understanding of the Company's goals and mission and level of participation in operations.</li> <li>Awareness of director responsibilities.</li> <li>Management of internal relationships and communication.</li> <li>Expertise and continuous education of directors.</li> <li>Internal control.</li> </ol> </li> <li>The performance evaluation of functional committees in the Company includes five dimensions: <ol style="list-style-type: none"> <li>Level of participation in functional committees.</li> <li>Awareness of functional committee responsibilities.</li> <li>Improvement in the quality of functional committee decision-making.</li> <li>Composition and selection of functional committee members.</li> <li>Internal control.</li> </ol> </li> </ol>

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

Term and Session	Director	Content of Proposal	Reason for Recusal	Participation in Voting
9th meeting, 8th term	Yao-Ching Li	The 2022 performance appraisal case of President of the Company.	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
10th meeting, 8th term	Yun-Peng Chen, Ming-Cheng Lin, T. Lin, Chih-Yu Lin, Yao-Ching Li	The 2022 performance bonus case for G.M. and above personnel of the Company.	The motion involves the interest of the party and stakeholders	Active recusal from the discussion and resolution of the motion
11th meeting, 8th term	Shih-Ching Jeng, An-Pang Wang, Chou-Wen Wang, Wei-Te Tsai, Wen-Chieh Wang	It is proposed to consider the case of nomination of candidates for the 8th session of director by-election by shareholders holding more than 1% of the Company's shares.	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
11th meeting, 8th term	Yun-Peng Chang, An-Lan Hsu Chen, Yuan-Ling Hsu	A proposal to lift the Company's 8th directors' non-competition restrictions is planned to be submitted at this year's general meeting of shareholders.	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
11th meeting, 8th term	Yun-Peng Chang, Ming-Cheng Lin, T. Lin, Chih-Yu Lin	Amendments to the subsidiary Hua Nan Commercial Bank's "Key Points for the Remuneration Structure of the Chairman and Vice-Chairman".	The motion involves the interest of the party and stakeholders	Active recusal from the discussion and resolution of the motion
14th meeting, 8th term	Ming-Cheng Lin, T. Lin, Chih-Yu Lin	The Company made a customary donation of NT\$600,000 to the Chinese National Association of Industry and Commerce, Taiwan (CNAIC) for the fiscal year 2023 as a contribution to the Board of Directors.	The motion involves the interest of stakeholders	Active recusal from the discussion and resolution of the motion
21st meeting, 8th term	Yao-Ching Li	The 2023 performance appraisal case of President of the Company.	The motion involves the interest of the party	Active recusal from the discussion and resolution of the motion
22nd meeting, 8th term	Yun-Peng Chen, Ming-Cheng Lin, T. Lin, Chih-Yu Lin, Yao-Ching Li	The 2023 performance bonus case for G.M. and above personnel of the Company.	The motion involves the interest of the party and stakeholders	Active recusal from the discussion and resolution of the motion



**(II) Audit Committee Meeting Status**

The audit committee convened 12 meetings (A) in 2023. The attendance record of independent directors is as below:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Independent Director (Chairman)	Ming-Hsien Yang	12	0	100%	
Independent Director	Kuo-Chuan Lin	11	1	92%	
Independent Director	Sung-Tung Chen	11	1	92%	
Independent Director	Jui-Chia Lin	12	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. If there are recusals of independent 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: No such situation.
- III. Description of the communications between independent directors, the chief internal auditor, and 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 auditors and the Audit Committee.
  - (II) Communication between the internal audit supervisor and the Audit Committee:
    1. The Company held the symposium between the independent directors and auditing personnel for the first half of 2023 on March 9, 2023. During the symposium, the internal and external audits and audit management of subsidiaries were communicated for the second half of 2022. The independent directors suggested that the audit department should strengthen the depth of the audit during the half year business review for subsidiaries with more deficiencies or reported cases. The minutes of the symposium was reported in the 10th meeting of the 8th board of directors on March 27, 2023.
    2. On August 21, 2023, the Company held the symposium for independent directors and auditors for the second half of 2023. During the symposium, the internal and external audits and audit management of subsidiaries were communicated for the first half of 2023. The independent directors suggested that future reports should adjust certain textual descriptions to avoid misunderstandings. The minutes of the symposium was reported in the 15th meeting of the 8th board of directors on August 28, 2023.
- IV. Key Work Items of the Audit Committee in 2023:
  - (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 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 meetings 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
2023.1.10	The 6st meeting of the 4th Audit Committee	Submission of the appointment and remuneration for the audit verification of the Company's financial statements for 2023 and the verification of profit-seeking enterprise income tax affairs.	Approved and proposed for adoption by the Board of Directors	2023.1.31	The 8th meeting of the 8th Board of Directors
2023.2.6	The 7th meeting of the 4th Audit Committee	Submission of the amendments for the "Key Points for Establishing the Group Legal Compliance Committee". Submission of the amendments to the Company's "Self-discipline Points for M&A Information Disclosure".	Approved and proposed for adoption by the Board of Directors	2023.2.20	The 9th meeting of the 8th Board of Directors
2023.3.1	The 3rd special meeting of the 4th Audit Committee	Review of the investigation report for subsidiary reported cases.	Approved and sent to the Chairman for further approval		
2023.3.9	The 8th meeting of the 4th Audit Committee	Submission of the Company's financial statements and operating reports for the year 2022.	Approved and proposed for adoption by the Board of Directors	2023.3.13	The 2nd meeting of the 8th Board of Directors Special Meeting
		Submission of the Company's "Internal Control System Statement" for the year 2022.		2023.3.27	The 10th meeting of the 8th Board of Directors
2023.4.17	The 9th meeting of the 4th Audit Committee	Submission of the profit distribution plan for 2022.	Approved and proposed for adoption by the Board of Directors	2023.4.27	The 11th meeting of the 8th Board of Directors
2023.5.11	The 4th special meeting of the 4th Audit Committee	Review of the investigation report for subsidiary reported cases.	Approved and sent to the Chairman for further approval		
2023.5.22	The 10th meeting of the 4th Audit Committee	Submission of the financial report for the first quarter of 2023.	Approved and proposed for adoption by the Board of Directors	2023.5.25	The 12th meeting of the 8th Board of Directors
		Submission of the pre-approved case of the Company's financial report to Deloitte Taiwan as a non-assurance service to the Company.			
		Submission of the results of 2022 Group Anti-Money Laundering and Counter Terrorist Financing Risk Assessment (IRA), Risk Acceptance Statement, and the Anti-Money Laundering and Counter-Terrorist Financing Prevention Plan and its action plan for 2023.			
2023.7.17	The 11th meeting of the 4th Audit Committee	Submission of amendments to the Company's "Key Points for Internal Control System Self-Evaluation Processes".	Approved and proposed for adoption by the Board of Directors	2023.7.31	The 14th meeting of the 8th Board of Directors
2023.8.21	The 12th meeting of the 4th Audit Committee	Submission of the financial report for the second quarter of 2023.	Approved and proposed for adoption by the Board of Directors	2023.8.28	The 15th meeting of the 8th Board of Directors
2023.9.11	The 13th meeting of the 4th Audit Committee	Submission of the Subsidiary Hua Nan Commercial Bank's plan to invest in the TaiAx Life Science Fund L.P. (Taiwania Capital Biotech Fund VII) raised by Taiwania Capital Management Corporation for USD 4 million/case.	If approved by the Hua Nan Commercial Bank Board of Directors, then the Auditing Committee shall approve the proposal.		
2023.11.20	The 14th meeting of the 4th Audit Committee	Submission of the financial report for the third quarter of 2023.	Approved and proposed for adoption by the Board of Directors	2023.11.23	The 18th meeting of the 8th Board of Directors
		Submission of proposed amendments to the "Subsidiary Management Guidelines"			
2023.12.11	The 15th meeting of the 4th Audit Committee	Submission of the amendments to the Company's "Hierarchical Responsibility Implementation Guidelines" and "Hierarchical Responsibility Detailed Table (Appendix)".	Approved and proposed for adoption by the Board of Directors	2023.12.25	The 19th meeting of the 8th Board of Directors
		Submission of the Company's audit plan for the year 2024.			

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

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

(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 Company website discloses contact information for these personnel, ensuring the delegation and proper handling of various opinions from investors and shareholders in the current corporate governance operations."	Shareholder affairs are handled by Hua Nan Securities. The shareholder suggestions, concerns, disputes or litigation matters are handled according to internal procedures.
(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 regulations. 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 on 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 Holdings 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) 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 operations (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	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?	V		(II) 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
(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) 1. The Company regularly inspects the independence and competence of the certified public accountants every year, including whether they are directors or shareholders of the Company or receive salaries from the Company, so as to confirm their non-stakeholders. In addition, it strictly requires the certified public accountants to implement the withdrawal system and conduct internal rotation in accordance with the regulations if they have direct or indirect interests in the entrusted matters.  2. In the recent year, in addition to the "Independent Statement of Transcendence" provided by accountants, we also obtained the "Audit Quality Index (AQIs) for evaluation. The evaluation results were discussed and approved by the Audit Committee on January 15, 2024, and submitted to the Board of Directors for resolution on January 29, 2024.	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 are 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>A Corporate governance head was assigned on May 27, 2019 to take charge of Board of Directors meeting affairs and Corporate governance affairs. The main duties for the Corporate Governance Officer are as follows:</p> <ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(3) Assist independent directors and general directors in drawing up annual continuing education plan and making arrangements for courses.</li> <li>(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.</li> <li>(5) Assist in and remind directors of the regulations to be complied with when performing their duties or official voting on resolutions by the Board of Directors, and offer suggestions when the Board of Directors is going to vote on an illegal resolution.</li> <li>(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.</li> <li>(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.</li> </ol>	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 on 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 spokes persons, web casting investors conference on the financial holding company's website, etc.)?	V		(II) 1. The Company has Chinese and English websites. 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	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		(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.	Compliant
			(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 operations.	Compliant
			(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.	Compliant
			(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 Holdings. 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.	Compliant
			(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 rights.	Compliant
			(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.	Compliant
			(VII) Donations to political parties, stakeholders, of public interest groups: The Company does not donate to any political party or stakeholders. Please refer to the corporate responsibility chapter for donations to public interests groups.	Compliant
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 10th 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 10th Corporate Governance Evaluation, the Company was assessed as the top 6% to 20% of listed companies.

(II) Indicators already improved

Indicators already improved in 2023	Status of Improvement
Does the Company disclose the interim financial report in English within two months after the filing deadline for the Chinese version of the interim financial report?	The Company disclosed the interim financial report in English within two months after the filing deadline for the Chinese version of the interim financial report.
Indicators with no points or additional points in 2023	Improvement and Actions
Does the Company record the important contents of shareholder inquiries and the Company's responses in the minutes of the shareholders' meetings?	Proposal to adjust the way shareholder inquiries and the Company's responses are recorded in the minutes of shareholders' meetings, presenting them separately.

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

Jan 01, 2023 ~ Dec 31, 2023

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	2022/06/17	20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231002	20231002	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
Vice Chairman	Ming-Cheng Lin	2022/06/17	20230413	20230413	Taiwan Academy of Banking and Finance	Corporate Governance Seminar - Practical Case Analysis of Criminal Liability of Directors and Supervisors	3	Yes	None
			20230724	20230724	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
Director and President	Yao-Ching Li	2022/06/17	20230412	20230412	Taiwan Independent Director Association	How to Develop Sustainable Governance Strategies for the Board of Directors? Latest ESG Sustainability Information Disclosure Governance Standards	3	Yes	None
			20230724	20230724	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231107	20231107	Ministry of Finance	Corporate Governance Special Lecture for the Year 2023	3	Yes	None
Independent Director	Ming-Hsien Yang	2022/06/17	20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230724	20230724	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20230901	20230901	Taiwan Independent Director Association	Regulations and Practices of Net-Zero Transformation and Sustainable Finance 3.0	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231101	20231101	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231116	20231116	Taiwan Independent Director Association	Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
Independent Director	Kuo-Chuan Lin	2022/06/17	20230328	20230328	Taiwan Independent Director Association	How Directors (Independent Directors) Guard Against Pitfalls: Identifying Financial Business Warnings from Cases of Financial Misreporting	3	Yes	None
			20230412	20230412	Taiwan Independent Director Association	How to Develop Sustainable Governance Strategies for the Board of Directors? Latest ESG Sustainability Information Disclosure Governance Standards	3	Yes	None
			20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
Independent Director	Sung-Tung Chen	2022/06/17	20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230724	20230724	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231002	20231002	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
Independent Director	Jui-Chia Lin	2022/06/17	20230724	20230724	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231213	20231213	The Greater Chinese Financial Development Association (GCFDA)	Corporate Circular Economy and Sustainable Development	3	Yes	None
Director	T. Lin	2022/06/17	20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231109	20231109	Taiwan Academy of Banking and Finance	Corporate Governance Workshop - Important Information Security Standards and Compliance	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
Director	Chih-Yu Lin	2022/06/17	20230221	20230221	Taiwan Corporate Governance Association	Disclosure of Company Material Information and the Duties of Directors and Supervisors	3	Yes	None
			20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231002	20231002	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	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	2022/06/17	20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20230901	20230901	Taiwan Independent Director Association	Regulations and Practices of Net-Zero Transformation and Sustainable Finance 3.0	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231101	20231101	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231116	20231116	Taiwan Independent Director Association	Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
Director	An-Lan Hsu Chen	2022/06/17	20230428	20230428	Taiwan Corporate Governance Association	Information Technology Progression and Board of Directors Duties	3	Yes	None
			20230512	20230512	Taiwan Corporate Governance Association	Introduction of Global and Taiwan Tax Reform and How to Improve Corporate Tax Governance Under ESG Trends and Post Covid Environment	3	Yes	None
Director	Yuan-Lin Hsu	2022/10/05	20230218	20230218	Taipei Foundation of Finance	Corporate Governance - Sustainable Environment and Climate Change - Climate Change (Causes and Human Impact on the Climate)	2	Yes	None
			20230223	20230223	Securities and Futures Bureau	Third Generation Power Semiconductor Component Technology and Application Opportunities	3	Yes	None
			20230411	20230411	Taiwan Corporate Governance Association	Practical Methods for Climate Risk Management (TCFD)	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231026	20231026	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231101	20231101	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231116	20231116	Taiwan Independent Director Association	Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3	Yes	None
Director	Yviven, Chia-Ying Shen	2022/06/17	20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
			20230315	20230315	Taiwan Independent Director Association	Analysis of Asset-Liability Management in Taiwan's Financial Industry and the Application of IFRS	3	Yes	None
			20230328	20230328	Taiwan Independent Director Association	How Directors (Independent Directors) Guard Against Pitfalls: Identifying Financial Business Warnings from Cases of Financial Misreporting	3	Yes	None
			20230414	20230414	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3	Yes	None
			20230724	20230724	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231017	20231017	Taipei Foundation of Finance	Financial Friendly Service Guidelines	3	Yes	None
			20231101	20231101	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231129	20231129	Securities and Futures Bureau	Workshop on Financial Consumer Protection and Fair Treatment of Customers	3	Yes	None
Director	Shih-Ching Jeng	2022/06/17	20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231213	20231213	The Greater Chinese Financial Development Association (GCFDA)	Corporate Circular Economy and Sustainable Development	3	Yes	None
Director	Chou-Wen Wang	2022/06/17	20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20231204	20231204	Taipei Foundation of Finance	Corporate Governance - Detection and Prevention of Digital Fraud and Cyber Financial Crimes	3	Yes	None
Director	An-Pang Wang	2022/06/17	20231218	20231218	Taipei Foundation of Finance	International Financial Reporting Standards (IFRS) S1 and S2	2	Yes	None
			20231222	20231222	Taipei Foundation of Finance	Corporate Governance - Financial Friendly Service Guidelines	2	Yes	None
			20231225	20231225	Taipei Foundation of Finance	Corporate Governance - Brief Introduction to Natural Carbon Sinks	2	Yes	None
Director	Chen-Yuan Tu	2023/6/16	20230718	20230718	Taiwan Independent Director Association	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3	Yes	None
			20230913	20230913	Securities and Futures Bureau	Analysis of Key Points in Corporate Governance Evaluation for Directors and Supervisors	3	Yes	None
			20230919	20230919	Securities and Futures Bureau	How the Board of Directors Utilizes OKR to Enhance Corporate Governance Efficiency	3	Yes	None
			20231002	20231002	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3	Yes	None
			20231107	20231107	Ministry of Finance	Corporate Governance Special Lecture for the Year 2023	3	Yes	None
Director	Yu-Chen Wang	2023/10/04	20230922	20230922	Securities and Futures Bureau	Sustainable Finance and Risk Management	3	Yes	None
			20231108	20231108	The Greater Chinese Financial Development Association (GCFDA)	Geopolitics: Current Global Supply Chain Status and Trends for Taiwanese Businesses	3	Yes	None
			20231121	20231121	Securities and Futures Bureau	How Directors and Supervisors Oversee Corporate Risk and Crisis Management	3	Yes	None
			20231206	20231206	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Sustainable Finance	3	Yes	None

## 2. Continuing Education/Training of Managers

Jan 01, 2023 ~ Dec 31, 2023

Title	Name	Name of Training	Duration
President	Yao-Ching Li	How to Develop Sustainable Governance Strategies for the Board of Directors? Latest ESG Sustainability Information Disclosure Governance Standards	3
		Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
		Corporate Governance Special Lecture for the Year 2023	3
Executive Vice President	Greta Lin	How Board of Directors Promote Corporate Cybersecurity Management From an ESG Perspective	3
		TCFD Climate-Related Financial Disclosures - Discussing How Companies Implement TCFD from a Board Perspective	3
		IFRS 17 Competitive Blueprint and Sustainable Development	3
		Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
		Analysis of the principle of fair hospitality	3
		Corporate Governance Special Lecture for the Year 2023	3
		Financial Inclusion Course for the Elderly and Impaired	0.5
Executive Vice President (Head Office Regulatory Compliance Supervisor)	Amy. M. C. Chiou	Practical Methods for Climate Risk Management (TCFD)	3
		Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
		Regulations and Practices of Net-Zero Transformation and Sustainable Finance 3.0	3
		Corporate Governance Forum - Development Trends of Financial Technology and Cybersecurity Risks	3
		On-the-job Workshop for Compliance Officers (Issue 301)	15
		Financial Friendly Service Guidelines	3
		Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3
Chief Auditor Executive G.M. of the Auditing Department	Pi-E Huang	Innovation and Transition in Corporate Governance: Post Pandemic New Viewpoints on Internal Audits	8
		Considerations and Practical Analysis of Shareholder Meetings and Corporate Law	6
		Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
		2023 Workshop for Internal Auditors	35
		Financial holding company internal audit symposium	3
		Corporate Governance Special Lecture for the Year 2023	3
		2023 Internal Stakeholder Equity Legal Compliance Advocacy Seminar	3
G. M. of the Administration Department	Po-Hsun Chen	ESG: Objectives and Profitability, Sustainable Finance, Appraisal and Evaluation	3
		Leadership Thinking and Corporate Decision-making	3
		Key Thinking Behind Talent Sustainability Strategies	3
		Strategies for Startup Ventures - Dare to Fail: 30 Tips Towards Success	3
		Zero-Carbon Transformation and Green Manufacturing	3
		Reflections and Transformations amid the Waves of Sustainability: From Corporate Ethics to ESG	3
		2023 Taishin Net Zero Summit: Go Towards Green Energy	3
		Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
G.M. of the Marketing Department	Chao-Chi Yeh	Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
		Corporate Governance Special Lecture for the Year 2023	3
G.M. of the Risk Management Department	Han-Chun Hsieh	Practical Methods for Climate Risk Management (TCFD)	3
		Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3
		Regulations and Practices of Net-Zero Transformation and Sustainable Finance 3.0	3
		Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3
G.M. of the Information Technology Department and Chief Information Security Officer	His-Han Chen	Practical Methods for Climate Risk Management (TCFD)	3
		Taiwan-US Financial Cybersecurity Summit	6
		Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3
		Financial Industry Fair Hospitality Principles	3
G.M. of the Finance Department and Chief of Corporate Governance	Shih-Wei Kuo	The New Face of Corporate Governance in the Era of ESG Trends	3
		Tax Regulations and Practices for Controlled Foreign Corporations (CFCs)	3
		Risks and Opportunities for Business Operations from Climate Change Trends	3
		The Process and Practices of Companies in Compiling Financial Reports In-House	3
		Practical Methods for Climate Risk Management (TCFD)	3
		Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3
		Global Net Zero Emissions Impact and ESG Actions	3
		How to Correctly Understand Corporate Governance Evaluation Indicators	3
		Fraud Prevention through Police-Bank Collaboration and Digital Financial Technology	3
		Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	3
G.M. of the Law and Ordinance Compliance Department	Kun-Shu Hsu	Practical Methods for Climate Risk Management (TCFD)	3
		Corporate Governance Forum - Principle of Ethical Corporate Management and Fair Treatment of Stakeholders	3
		Seminar for Overseas Regional Managers, Compliance Officers and Internal Auditors	9
		Ethical Corporate Management and Corporate Governance: Director Responsibilities as the Core	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 Remuneration 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	Conditions Name	Professional Qualifications and Experience	Independence Status	Number of Concurrent Positions as a Member of the Compensation Committee of Other Publicly Listed Companies
Independent Director (Chairman)	Kuo-Chuan Lin	For the professional qualifications, experience and independence of independent directors, please refer to the relevant information disclosed on P. 20-21.		0
Independent Director	Ming-Hsien Yang			0
Independent Director	Sung-Tung Chen			0
Independent Director	Jui-Chia Lin			0

**2. Operations of the Remuneration Committee**

- (1) The Remuneration Committee of the Company consists of 4 members.
- (2) The term of office of the current committee members: The term of office of the fifth session of the committee starts from June 17, 2022 until the expiry of the term of the eighth session of the board of directors. The recent annual remuneration committee held 9 meetings (A).The qualifications and attendance of the committee members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Rate of Attendance in Person (%) (B/A)	Remarks
Chairman	Kuo-Chuan Lin	9	0	100%	
Committee Member	Ming-Hsien Yang	9	0	100%	
Committee Member	Sung-Tung Chen	8	1	89%	
Committee Member	Jui-Chia Lin	9	0	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 2023 are as follows:

Remuneration Committee Term	Content of Proposal	Resolution	The Company's Actions in Response to Opinions of the Remuneration Committee
The 5th meeting of the 5th Remuneration Committee 2023.02.15~ 2023.02.16	Finalization of the subsidiary Hua Nan Securities' "Employee Remuneration Management Key Points".	Resolution: The resolution of this case is suspended, and the proposal will be submitted after the relevant information has been completely collected by Hua Nan Securities (such as determining factors and expected effects of the salary distribution among employees of different job grades, as well as the determination of the salary upper limits for each job grade in the new salary scale). The case will be resubmitted following the preliminary review of the proposed amendments to the content of the articles during this meeting.	A request has been sent to Hua Nan Securities on February 22, 2023 to revise the content of the articles according to the preliminary review and provide specific supplementary information.
	Amendments to the Company's "Employee Bonus Management Key Points"	Resolution: Approved by the chairman after consultation with all attending committee members, and the sponsoring unit is requested to make textual amendments on the proposal and appendix. Suggestions: I. Part-time staff members are currently planned to be evaluated based on their individual annual performance ratings at their respective subsidiary companies. Please discuss the feasibility of internally evaluating part-time staff members by the financial holding company itself. II. Regarding the proposed amendment to Article 7, Paragraph 1, Subsection 3 concerning the deduction of performance bonuses for losses under FVOCI, please consider the feasibility of incorporating peer comparison factors.	Submitted on February 20, 2023 to the 9th meeting of the 8th board of directors of the Company for approval.
The 6th meeting of the 5th Remuneration Committee 2023.03.09	The Company's 2022 annual director's remuneration and employee remuneration distribution ratio and amount.	Resolution: Approved by the Chairman after consultation with all attending committee members, and the sponsoring unit is requested to make textual amendments on the proposal and appendix.	Submitted on March 14, 2023 to the 2nd extraordinary meeting of the 8th board of directors of the Company for approval.
The 7th meeting of the 5th Remuneration Committee 2023.03.22	The 2022 performance bonus case for G.M. and above personnel of the Company.	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 10th meeting of the 8th board of directors of the Company on March 27, 2023 for approval.
	The 2023 performance bonus case for G.M. and above personnel of the Company.	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 10th meeting of the 8th board of directors of the Company on March 27, 2023 for approval.
The 8th meeting of the 5th Remuneration Committee 2023.04.19	Amendments to the Subsidiary Hua Nan Commercial Bank's "Key Points for the Remuneration Structure of the Chairman and Vice-Chairman".	Resolution: Approved by the chairman after consultation with all attending members. Suggestions: Refer to Hua Nan Commercial Bank's "Key Points for the Remuneration Structure of the Chairman and Vice-Chairman".	Submitted to the resolution of the 11th meeting of the 8th board of directors of the Company on April 27, 2023 for approval.
	Amendments to the subsidiary Hua Nan Venture Capital's "Employee Bonus and Remuneration Distribution Key Points".	Resolution: Approved by the chairman after consultation with all attending members. Suggestions: I. Hua Nan Venture Capital currently plans to add return on assets, return on equity, cost rate, case source numbers and investment amount as five strategic performance indicators. Please amend the brief description column of Article 3 with the definitions of cost rate, case source numbers and investment amount. II. Please provide further explanation from Hua Nan Venture Capital regarding the rationale	Submitted to the resolution of the 11th meeting of the 8th board of directors of the Company on April 27, 2023 for approval.
	Amendments to the "Performance Bonus Payment Measures" of the subsidiary Hua Nan Assets Management Co.	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 11th meeting of the 8th board of directors of the Company on April 27, 2023 for approval.
The 9th meeting of the 5th Remuneration Committee 2023.05.10	Subsidiary Hua Nan Investment Trust finalization of the "Key Points of the Remuneration Structure of the Chairman and President".	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 12th meeting of the 8th board of directors of the Company on May 25, 2023 for approval.
	Amendments to the subsidiary Hua Nan Investment Trust's "Employee Bonus Rules".	Resolution: Approved by the chairman after consultation with all attending members. Suggestions: To attract talent and support employees, Hua Nan Investment Trust should amend Article 4-2 on regulations for performance bonuses and performance bonuses for departing employees. Please refer to related procedures by Hua Nan Financial Holdings and Hua Nan Commercial Bank to consider amendments.	Submitted to the resolution of the 12th meeting of the 8th board of directors of the Company on May 25, 2023 for approval.
The 10th meeting of the 5th Remuneration Committee 2023.06.12	Finalization of the subsidiary South China Insurance's "Employee Bonus Compensation and Remuneration Distribution Key Points".	Resolution: Approved by the chairman after consultation with all attending members. Suggestions: I. Article 3 stipulates that performance bonuses are issued to employees who are in service at the end of the year, but exclude those who are not in service on the date of issuance. It is recommended that South China Insurance revise its practices to align with those of Hua Nan Financial Holdings and Hua Nan Commercial Bank. II. The provision in Article 4 regarding the adjustment by the Chairman of strategic performance indicators lacks clarity. It is suggested that a comprehensive assessment be made in line with the consistency of the Group's compensation policy to determine if there is room for improvement. III. The mention of "inferior" in some of the grades listed in Article 5-1 paragraph 2 seems inappropriate. It is suggested that South China Insurance, in line with other internal regulations, consider whether to adjust the relevant wording.	Submitted to the resolution of the 13th meeting of the 8th board of directors of the Company on June 26, 2023 for approval.
The 11th meeting of the 5th Remuneration Committee 2023.07.21	Subsidiary South China Insurance finalization of the "Key Points of the Remuneration Structure of the Chairman and President".	Resolution: Approved by the chairman after consultation with all attending members. Suggestions: Taking into account the historical bonus payout levels, South China Insurance is requested to adjust the lower limit of the performance bonus months range as listed in Article 4.	Submitted to the resolution of the 14th meeting of the 8th board of directors of the Company on July 31, 2023 for approval.
	Amendments to the Subsidiary Hua Nan Commercial Bank's "Employee Bonus Management Key Points".	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 14th meeting of the 8th board of directors of the Company on July 31, 2023 for approval.
	Finalization of the subsidiary Hua Nan Securities Co.'s "Employee Remuneration Management Key Points".	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 14th meeting of the 8th board of directors of the Company on July 31, 2023 for approval.
	Finalization of the subsidiary Hua Nan Securities Co.'s "Employee Bonus Management Key Points".	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 14th meeting of the 8th board of directors of the Company on July 31, 2023 for approval.
The 12th meeting of the 5th Remuneration Committee 2023.08.17	Subsidiary Hua Nan Venture Capital's salary and remuneration proposal for the Acting Chairman Concurrent Position.	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 15th meeting of the 8th board of directors of the Company on July 31, 2023 for approval.
The 13th meeting of the 5th Remuneration Committee 2023.10.23	Proposal for implementation of the Employee Stock Trust Program within the Group and the establishment of the "Hua Nan Financial Holdings Employee Stock Trust Implementation Guidelines".	Resolution: Approved by the chairman after consultation with all attending members, if the approval by the Ministry of Finance does not contain major revisions. Suggestions: I. Please discuss the feasibility of extending the scope of application to include subsidiaries of this group. II. Please discuss the method of returning trust funds in the form of stocks (current state) or converting them into cash, as well as the handling of cash dividends distribution, as stipulated in the charter of the Employee Stock Trust Committee of each company.	Submitted to the resolution of the 17th meeting of the 8th board of directors of the Company on October 30, 2023 for approval.
	The remuneration adjustment proposal for the Chairman and President of the subsidiary South China Insurance.	Resolution: Approved by the chairman after consultation with all attending members.	Submitted to the resolution of the 17th meeting of the 8th board of directors of the Company on October 30, 2023 for approval.

## (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)													
I. Has the Company established a governance framework to promote sustainable development, setup a dedicated(or concurrent) position to drive sustainable development, and authorized senior management by the board to handle it, with oversight by the board?	V		(I) Promoting a Sustainable Governance Framework Based on the Points for Establishing the Group's Sustainable Development Committee approved by the board of directors, the Company has established the Sustainable Development Committee. The chairman of the financial holdings serves as the convenor and the vice chairman the vice convenor. The financial holdings president and the chairmen and vice chairmen of the subsidiaries serve as the eight committee members.  (II) Current Operations of the Sustainable Development Committee 1. The Sustainable Development Committee comprises five work groups, "sustainable governance", "financial services", "staff cultivation", "environmental sustainability", and "common good in society". For each group, there is a host and a secretary promoting relevant affairs and planning/executing annual goals. They are also responsible for tracking implementation results and fulfilling sustainable development strategies. To learn more about the operations and annual implementation results, please refer to the Company's 2023 Sustainability Report. 2. The date of report to the board: July 31, 2023 - presenting the Group's short-term, mid-term, and long-term ESG plans and the sustainability report to the board.  (III) The board's supervision on sustainable development The Company's board acquires reports from the Sustainable Development Committee regularly. Through the board, the Company examines the strategies and implementation of sustainable development, and makes adjustments when necessary.	Compliant												
II. Does the Company conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with materiality principles, and establish relevant risk management policies or strategies? (Note 3)	V		(I) The disclosed information covers the sustainability performance of the Company and its subsidiaries within the period from January 2023 to December 2023. The risk assessment boundary primarily focuses on the Company and its subsidiary, Hua Nan Commercial Bank, including operational locations in Taiwan. The Company regularly conducts surveys on environmental, social, and corporate governance issues among stakeholders to analyze the significant concerns raised by stakeholders. Based on the identified issues and their associated risks, the Company reports to the Group Sustainability Development Committee to formulate risk management policies or strategies.  (II) The Sustainability Development Committee conducts analysis based on the materiality principle of the sustainability report. It engages in communication with internal and external stakeholders and evaluates significant ESG issues through the review of domestic and international research reports, literature, and integration of assessment data from various departments and subsidiaries. The evaluation follows the climate risk and opportunity framework set forth by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The identified risks include transition risks, physical risks, and climate opportunities, for which corresponding measures are taken. Effective risk management policies are established, including risk identification, measurement, assessment, supervision, and control, along with concrete action plans to mitigate the impact of related risks.  (III) Based on the assessed risks, formulate relevant risk management policies or strategies as follows: <table><tr><th>Major issues</th><th>Risk assessment project</th><th>Explanation</th></tr><tr><td>Environment</td><td>Climate change</td><td>1. The Company has introduced "ISO 14064-1 Greenhouse Gas Inventory (Scope 1 and 2)" since 2016, and has completed the greenhouse gas inventory of all the Group's branches in 2023. 2. Hua Nan Financial Holdings has set its carbon emission targets: Scopes 1 and 2 emissions for the current year will decrease by 2% compared with previous year, and achieving net zero emissions by 2050. 3. The headquarters building of the subsidiary Hua Nan Commercial Bank has introduced ISO 50001 (energy management system) and ISO 14001 (environmental management system). 4. The Company has newly formulated the "Hua Nan Financial Holdings Group Climate Risk Management Policy" on December 30, 2022.</td></tr><tr><td>Society</td><td>Occupational safety</td><td>The Company conducts regular employee health checks and fire safety checks in accordance with relevant laws and regulations to ensure the safety and health of employees. Hua Nan Bank Hua Nan Bank obtained the ISO45001 (occupational safety and health management system) verification certificate in July 2022.</td></tr><tr><td>Corporate Governance</td><td>Strengthen the functions of directors</td><td>1. Plan relevant training topics for directors, and provide directors with the latest regulations, system development and policies every year. 2. To insure directors' liability insurance for directors to protect them from lawsuits or claims.</td></tr></table>	Major issues	Risk assessment project	Explanation	Environment	Climate change	1. The Company has introduced "ISO 14064-1 Greenhouse Gas Inventory (Scope 1 and 2)" since 2016, and has completed the greenhouse gas inventory of all the Group's branches in 2023. 2. Hua Nan Financial Holdings has set its carbon emission targets: Scopes 1 and 2 emissions for the current year will decrease by 2% compared with previous year, and achieving net zero emissions by 2050. 3. The headquarters building of the subsidiary Hua Nan Commercial Bank has introduced ISO 50001 (energy management system) and ISO 14001 (environmental management system). 4. The Company has newly formulated the "Hua Nan Financial Holdings Group Climate Risk Management Policy" on December 30, 2022.	Society	Occupational safety	The Company conducts regular employee health checks and fire safety checks in accordance with relevant laws and regulations to ensure the safety and health of employees. Hua Nan Bank Hua Nan Bank obtained the ISO45001 (occupational safety and health management system) verification certificate in July 2022.	Corporate Governance	Strengthen the functions of directors	1. Plan relevant training topics for directors, and provide directors with the latest regulations, system development and policies every year. 2. To insure directors' liability insurance for directors to protect them from lawsuits or claims.	Compliant
Major issues	Risk assessment project	Explanation														
Environment	Climate change	1. The Company has introduced "ISO 14064-1 Greenhouse Gas Inventory (Scope 1 and 2)" since 2016, and has completed the greenhouse gas inventory of all the Group's branches in 2023. 2. Hua Nan Financial Holdings has set its carbon emission targets: Scopes 1 and 2 emissions for the current year will decrease by 2% compared with previous year, and achieving net zero emissions by 2050. 3. The headquarters building of the subsidiary Hua Nan Commercial Bank has introduced ISO 50001 (energy management system) and ISO 14001 (environmental management system). 4. The Company has newly formulated the "Hua Nan Financial Holdings Group Climate Risk Management Policy" on December 30, 2022.														
Society	Occupational safety	The Company conducts regular employee health checks and fire safety checks in accordance with relevant laws and regulations to ensure the safety and health of employees. Hua Nan Bank Hua Nan Bank obtained the ISO45001 (occupational safety and health management system) verification certificate in July 2022.														
Corporate Governance	Strengthen the functions of directors	1. Plan relevant training topics for directors, and provide directors with the latest regulations, system development and policies every year. 2. To insure directors' liability insurance for directors to protect them from lawsuits or claims.														
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 an environmental management system (ISO 14001) 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. It has also set up an "Intelligent Energy Management Platform" to effectively optimize the power consumption and interior temperature of the Company's branches. 2. The Company has also setup 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). The identified risks include transition risks, physical risks, and climate-related opportunities, for which corresponding measures are taken.	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) 1. Greenhouse Gas Emissions Management The Group has established a greenhouse gas reduction goal to decrease scope 1 and scope 2 emissions by 2% compared to the previous year, and to achieve net zero by 2050. The greenhouse gas emissions data for 2023 and 2022 is as follows:  Unit: Tons of CO2e <table><tr><th>Item</th><th>2023</th><th>2022</th></tr><tr><td>Scope 1</td><td>2,331.52</td><td>2,003.68</td></tr><tr><td>Scope 2</td><td>20,590.12</td><td>18,178.67</td></tr><tr><td>Total</td><td>22,921.64</td><td>20,182.35</td></tr></table> Note 1: The data for the year 2023 is verified by SGS Taiwan Ltd. with reasonable assurance. Note 2: The data for the year 2022 is verified by the Taiwan branch of British Standards Institution Pacific Limited (BSI) and Universal Certification Service Co., LTD. (UCS) with reasonable assurance. Note 3: The scope 1 and scope 2 emissions for the year 2023 was 22,921.64 tons of CO2e, an increase of 2,739.29 tons or 13.57% over the 20,182.35 tons of CO2e in 2022. This was primarily due to the boundaries of the verification expanding to encompass locations, including Hua Nan Bank Information Building (2023 electricity consumption of 5,324,200 kWh, a scope 2 emissions increase of 2,635.48 tons CO2e) and Information Backup Center (2023 electricity consumption of 1,648,287 kWh, a scope 2 emissions increase of 815.90 tons of CO2e)	Item	2023	2022	Scope 1	2,331.52	2,003.68	Scope 2	20,590.12	18,178.67	Total	22,921.64	20,182.35	Compliant
Item	2023	2022														
Scope 1	2,331.52	2,003.68														
Scope 2	20,590.12	18,178.67														
Total	22,921.64	20,182.35														

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)																			
			<div>2. Water Management</div> <div>The Group has established a water resource reduction management policy for the year 2023, aiming for a 0.5% decrease in water consumption density compared to the previous year. It is projected to reach the limit of reduction by 2030, and the management goal from 2031 onwards is to maintain water consumption at a steady level without growth.</div> <div>Unit: Cubic meters</div> <table><tr><td>Item</td><td>2023</td><td>2022</td></tr><tr><td>Total water consumption</td><td>275,247</td><td>303,443</td></tr><tr><td>Water consumption per capita</td><td>24.72</td><td>28.56</td></tr></table> <div>Note: In 2023, the total water consumption for the Group was 275,247 cubic meters, which is a decrease of 28,196 cubic meters or 9.29% compared to 303,443 cubic meters in 2022. The water consumption density in 2023 was 24.72 cubic meters per person, a reduction of 3.84 cubic meters per person or 13.45% compared to 28.56 cubic meters per person in 2022.</div> <div>3. Waste Management</div> <div>The Group has established a Waste Management policy for the year 2023, with the goal of achieving an annual 1% reduction in total waste volume.</div> <div>Unit: KG</div> <table><tr><td>Item</td><td>2023</td><td>2022</td></tr><tr><td>Waste</td><td>526,944</td><td>1,219,263</td></tr><tr><td>Recycle</td><td>320,515</td><td>-</td></tr></table> <div>Note 1: The formula of waste activity data in 2022 is as following: The number of group employees × the average daily general waste weight per person calculated by the Accounting and Accounting Office of the Executive Yuan× the 1/3 number of working days in the year.</div> <div>Note 2: The formula of waste activity data in 2023 is as following: The average daily general waste weight per person calculated by HUA NAN bank headquarter and all domestic branches from January to November in 2023 is 0.1876 kg and the resource recycling weight is 0.1140 kg × the number of group employees × number of working days in the current year.</div>	Item	2023	2022	Total water consumption	275,247	303,443	Water consumption per capita	24.72	28.56	Item	2023	2022	Waste	526,944	1,219,263	Recycle	320,515	-	
Item	2023	2022																				
Total water consumption	275,247	303,443																				
Water consumption per capita	24.72	28.56																				
Item	2023	2022																				
Waste	526,944	1,219,263																				
Recycle	320,515	-																				
IV. Social Issues																						
(I) Has the Company drafted the management policies and procedures according to the relevant laws and the International Conventions on Human Rights?	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. The Company has established its "Human Rights Policy" in accordance with the International Conventions on Human Rights on November 25, 2021.	Compliant																		
(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) <div>1. The Company conducts regular employee health checks and fire safety checks in accordance with relevant laws and regulations to ensure the safety and health of employees. Hua Nan Commercial Bank obtained the ISO 45001(occupational safety and health management system) verification certificate in July 2022.</div> <div>2. In cases where employees sustain injuries while performing their duties or commuting between their residence and the Company, the Company will proactively investigate the cause of the incident and provide health care support. Additionally, the Company will assist in applying for relevant occupational injury benefits in accordance with labor insurance regulations and grant sick leave for work-related injuries. As of December 31, 2023, there were a total of 40 occupational injury cases involving 40 employees in the group, accounting for 0.36% of the total number of employees.</div>	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 a "supplier acknowledgment letter" to commit themselves to the 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 Corporate Social Responsibility 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		Based on the publication principles of the Global Reporting Initiative (GRI), the Company compiles sustainability reports, discloses the major topics and influences identified by the Company, and reveals industry-specific information according to the Sustainability Accounting Standards Board (SASB) standards and the SASB index corresponding to report content. The Company's 2023 sustainability report is subject to independent limited assurance by KPMG Taiwan in accordance with the Statement of Assurance Engagement Standards No. 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information," issued by the Accounting Research and Development Foundation.	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 Company passed the stipulation of the Code of Practice of Corporate Social Responsibility for Enterprises at its board meeting in June 2015. In December 2022, in compliance with the Code of Practice of Sustainable Development for Listed Companies, the Company renamed its guidelines as the Corporate Code of Practice of Sustainable Development. Based on the code, the Company has governed the effects and risks of its own operational activities on economy, environment, and society. As of now, there have been no discrepancies in the implementation.																						
VII. Other important information that helps to understand the implementation of sustainable development:  Please refer to the description on Pages 48 to 51 of the annual report and the 2023 Annual Sustainability Report.																						

Note1: If you ticked "Yes" for the status of implementation, please specify the important policies, strategies, measures and implementation status adopted; if you ticked "No" for the status of implementation, please specify The "Code Differences and Reasons" column explains the differences and reasons, and explains the plan to adopt relevant policies, strategies and measures in the future.

Note2: For non-listed OTC financial holding companies, it is not necessary to fill in the column "Differences from the code of practice for sustainable development of listed OTC companies and reasons."

Note3: The principle of materiality refers to issues related to environment, society and Corporate governance that have a significant impact on company investors and other stakeholders.

## (VIII) Financial Holding Company Climate-Related Information

## 1. Implementation Status for Climate-Related Information

Item	Implementation Status
1. Outline the supervision and governance of climate-related risks and opportunities by the board of directors and management team.	1. The Company has set 2050 as its target year for net zero emissions. The Board of Directors, as the highest governing body on climate issues, is responsible for approving, reviewing, and overseeing the Group's climate risk management policies and systems. The identification and management of climate risks and opportunities are overseen by the Risk Management Committee and the Sustainable Development Committee. Additionally, through three lines of defense in internal controls, climate risk and opportunity management are cascaded down from top to bottom within each unit, integrating climate risk management into the existing risk management framework.
2. Clarify how the identified climate risks and opportunities affect the Company's operations, strategies, and finances (short-term, medium-term, long-term).	2. The Company identifies climate risks and opportunities by considering subsidiary industries' characteristics. Annual discussions assess their impact on operations, products/services, and operations, including potential financial impacts and connections with existing risks. Through climate scenario analysis, the Company evaluates the effects and identifies significant impacts on investment and operational activities. Based on this assessment, short-term, medium-term, and long-term response strategies and action plans are developed.
3. Describe the financial impact of extreme weather events and transition actions.	3. The Company prioritizes climate risks to assess the financial impact of extreme weather events and transition actions. In the year 2023, it identified that an increase in extreme weather frequency could raise claim amounts for high-risk properties. Approximately 0.2% of cases were deemed high-risk, leading to enhanced climate risk assessment in underwriting and reinsurance reinforcement. Additionally, the potential imposition of carbon taxes could increase operating costs for clients, impacting repayment capacity and default risk. Estimated losses for investment and financing clients represent about 0.0038% and 0.08% of the group's net loss value, respectively.
4. Describe how the identification, assessment, and management processes of climate risks are integrated into the overall risk management system.	4. In July 2022, the Company signed the Task Force on Climate-Related Financial Disclosures (TCFD) endorsement. In 2023, it established the Group's climate risk management policy, implemented quota controls and differentiated management for investment and financing targets in high climate risk industries. Through continuous adoption and implementation of the TCFD framework, the processes for identifying, assessing, and managing climate risks are incorporated into investment, financing, and underwriting operations, enhancing scrutiny and monitoring of high climate risk industries.
5. When using scenario analysis to assess resilience to climate change risks, it is essential to detail the scenario, parameters, assumptions, analysis factors, and primary financial impacts.	<p>5. The Company utilizes climate scenario analysis to assess the impact of climate risks on investment, financing, and operational activities. This analysis helps identify significant financial or operational impacts and guides the development of response strategies and planning, integrating the results of climate risk and opportunity identification and assessment. A summary of the scenario analysis employed is as follows:</p> <p>5.1 Transition Risks</p> <p>(1) The Company utilizes the NGFS framework, assessing three scenarios: Ordered Transition, Disordered Transition, and Global Warming Out of Control, for the years 2030, 2040, and 2050. The analysis focused on the impact of transition risk factors (such as carbon taxation) on investment and financing in high-carbon industries.</p> <p>(2) By the end of 2022, under the Ordered Transition scenario for 2050, investment and financing targets in high-carbon industries are expected to face the highest carbon fee expenditures, with the electricity supply sector bearing the greatest impact.</p> <p>5.2 Physical Risks</p> <p>(1) The Company used the RCP 8.5 scenario from the IPCC Fifth Assessment Report to simulate and assume the impacts of physical risk factors, like flooding disasters, on all townships and cities in Taiwan under the most severe climate change scenario of this century.</p> <p>(2) By the end of 2023, after calculating exposure and hazard parameters, upon evaluation, high-risk cases accounted for roughly 9% of the value of real estate collaterals.</p>
6. If there is a transition plan to manage climate-related risks, please outline its contents, including the indicators and objectives used to identify and manage physical risks and transition risks.	<p>6. The Company identifies and manages physical and transition risks while planning relevant decarbonization measures to address the net zero strategy.</p> <p>(1) The Company has completed ISO 14064-1 greenhouse gas inventory (Scope 1, Scope 2) for all locations, setting a 2% annual reduction target for carbon emissions. It's also planning to assess adopting Science-Based Targets (SBT) methodology for decarbonization.</p> <p>(2) Subsidiary Hua Nan Bank plans to allocate 7.26% of its bond portfolio to sustainable development bonds and aims to hold over 80% of the component stocks in the jointly compiled Taiwan Sustainability Index by the Taiwan Stock Exchange and FTSE International Limited.</p> <p>(3) Continued promotion of PETG credit cards made with environmentally friendly materials: Issuance increased by 100.61% in 2023 compared to 2022.</p>
7. If internal carbon pricing is used as a planning tool, the pricing foundation should be explained.	7. The Company intends to evaluate and plan internal carbon pricing, followed by an explanation of the pricing foundation.

Item	Implementation Status																																
8. If climate-related goals are set, details on covered activities, emission scopes, planning time frame, annual progress, and the use of carbon offsets or Renewable Energy Certificates (RECs) should be provided.	8. The Company aims for net-zero emissions by 2050 and actively engages in environmental and energy management, along with group-wide carbon reduction planning. Details regarding climate-related goals are as follows:  (1) The Company's climate-related goal is to reduce Scope 1 and Scope 2 carbon emissions by 2% compared to the previous year.  (2) Covered activities include direct emissions from Scope 1 sources such as natural gas, gasoline, diesel, and fugitive emissions from raw materials. Additionally, indirect emissions from Scope 2 electricity consumption are considered.  (3) Emission reduction status: The scope 1 and scope 2 emissions for the year 2023 was 22,921.64 tons of CO2e, an increase of 2,739.29 tons or 13.57% over the 20,182.35 tons of CO2e in 2022. The major reason for the increasing was from two of the enhancing locations, including Hua Nan Information Building (2023 electricity consumption was 5,324,200 kWh, cause scope 2 emissions increasing of 2,635.48 tons CO2e) and Information Backup Center (2023 electricity consumption was 1,648,287 kWh, cause scope 2 emissions increasing of 815.90 tons of CO2e).																																
9. Greenhouse gas inventory and assurance status, along with reduction targets, strategies, and specific action plans, are detailed separately in sections 1-1 and 1-2.	<div>1-1 Status of the Company's greenhouse gas inventory and assurance over the last two years</div> <table><tr><th>2023</th><th>Total Emissions (Tons of CO2e)</th><th>Density (Tons of CO2e / Millions of NTD)</th><th>Verification Body</th><th>Verification Status</th></tr><tr><td>Scope 1</td><td>2,331.52</td><td>0.04</td><td rowspan="3">SGS Taiwan Ltd.</td><td rowspan="3">The Company discloses that 22,921.64 metric tons CO2e, representing 100% of total emissions, have been assured by an ISO 14064-1: 2018 compliant assurance provider, with a reasonable assurance opinion.</td></tr><tr><td>Scope 2</td><td>20,590.12</td><td>0.35</td></tr><tr><td>Total</td><td>22,921.64</td><td>0.39</td></tr><tr><th>2022</th><th>Total Emissions (Tons of CO2e)</th><th>Density (Tons of CO2e)</th><th>Verification Body</th><th>Verification Status</th></tr><tr><td>Scope1</td><td>2,003.68</td><td>0.04</td><td rowspan="3">Taiwan branch of British Standards Institution Pacific Limited (BSI) and Universal Certification Service Co., LTD. (UCS)</td><td rowspan="3">The Company discloses that 20,182.35 metric tons CO2e, representing 100% of total emissions, have been assured by an ISO 14064-1: 2018 compliant assurance provider, with a reasonable assurance opinion.</td></tr><tr><td>Scope2</td><td>18,178.67</td><td>0.34</td></tr><tr><td>Total</td><td>20,182.35</td><td>0.38</td></tr></table> <div>1-2 Greenhouse gas reduction targets, strategies, and specific action plans</div> <div>(1) Greenhouse gas reduction baseline year and data: The Company's reduction baseline year is 2023, with Scope 1 and Scope 2 carbon emissions totaling 22,921.64 metric tons CO2e.</div> <div>(2) Reduction target: Reduce Scope 1 and Scope 2 carbon emissions by 2% compared to the previous year.</div> <div>(3) Strategies and specific action plans:<div>A. Regularly conduct ISO 14064-1 greenhouse gas inventories and assurance to monitor and manage its carbon emissions situation.</div><div>B. Regularly conduct ISO 14001 environmental management system recertification.</div><div>C. Regularly conduct ISO 46001 water efficiency management systems recertification.</div><div>D. Regularly conduct ISO 50001 energy management system recertification.</div><div>E. Plan to replace air conditioning equipment and lighting fixtures at operational sites with energy-efficient devices.</div><div>F. Actively pursue green building certification for operational sites.</div><div>G. Phased replacement of company vehicles for hybrid electric vehicles.</div><div>H. Installation of self-built solar power generation facilities.</div><div>I. Purchase of Renewable Energy Certificates.</div></div> <div>(4) Emission reduction status: The scope 1 and scope 2 emissions for the year 2023 was 22,921.64 tons of CO2e, an increase of 2,739.29 tons or 13.57% over the 20,182.35 tons of CO2e in 2022. The major reason for the increasing was from two of the enhancing locations, including Hua Nan Information Building (2023 electricity consumption was 5,324,200 kWh, cause scope 2 emissions increasing of 2,635.48 tons CO2e) and Information Backup Center (2023 electricity consumption was 1,648,287 kWh, cause scope 2 emissions increasing of 815.90 tons of CO2e). Excluding the increased inventory scope in 2023, the carbon emissions of Scope 1 and 2 will be 19,470.26 tons of CO2e, reducing 712.09 tons CO2e or 3.53% compared to 20,182.35 tons CO2e in 2022. Achieved the goal of “decrease scope 1 and scope 2 emissions by 2% compared to the previous year”.</div>	2023	Total Emissions (Tons of CO2e)	Density (Tons of CO2e / Millions of NTD)	Verification Body	Verification Status	Scope 1	2,331.52	0.04	SGS Taiwan Ltd.	The Company discloses that 22,921.64 metric tons CO2e, representing 100% of total emissions, have been assured by an ISO 14064-1: 2018 compliant assurance provider, with a reasonable assurance opinion.	Scope 2	20,590.12	0.35	Total	22,921.64	0.39	2022	Total Emissions (Tons of CO2e)	Density (Tons of CO2e)	Verification Body	Verification Status	Scope1	2,003.68	0.04	Taiwan branch of British Standards Institution Pacific Limited (BSI) and Universal Certification Service Co., LTD. (UCS)	The Company discloses that 20,182.35 metric tons CO2e, representing 100% of total emissions, have been assured by an ISO 14064-1: 2018 compliant assurance provider, with a reasonable assurance opinion.	Scope2	18,178.67	0.34	Total	20,182.35	0.38
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Total	20,182.35	0.38																															



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 charitable events sponsored, donated or hosted by the Company in 2023 are as follows:

Item	Name	Date	Description
1	Sponsorship for gymnasts Chuang Chia-lung, Hsiao You-jan and Lai Pin-ju, as well as coaches Lin Yu-hsin and Cheng Kun-chie	Jan. ~ Dec. 2023	To keep promoting gymnastics in the country, since 2022, sponsorship has been provided to gymnasts Chuang Chia-lung, Yeh Cheng, Hsiao You-jan and Lai Pin-ju, as well as coaches Lin Yu-hsin and Cheng Kun-chie. On an annual basis, training funds, personal injury insurance, trust services, personal finance management plans, and incentive bonuses are provided.
2	2nd "Hua Nan Financial Holdings Youth Catcher Training Camp"	2023.02.01 - 02.03	The Company joined hands with the Chinese Baseball Association and Taiwan Little League Association in hosting the Youth Baseball Catcher Intensive Training Camp to improve Taiwan's little league catcher's defense skills and knowledge, solidifying the foundations of catcher trainees from all over Taiwan's junior high school baseball teams.
3	Assisted in reconstruction efforts after the earthquake disaster in Turkey	2023.02.06	A severe earthquake occurs in the early hours of February 2, 2023 in southern Turkey near the Syria border. The Group donated NT\$4 million to assist in reconstruction efforts in disaster-struck areas of Turkey.
4	The "United Ukrainian Ballet" Charity Project	2023.04.29	The first performance of the United Ukrainian Ballet in Taiwan was also the first international-level ballet performance in Taiwan in three years. The Company supported this show via a charity project, allowing students to purchase and watch the performance at a discounted price.
5	8th "President Tsai face-to-face forum with high school students"	2023.05.13	Sponsored Business Today in hosting the "President Tsai face-to-face forum with high school students", with the theme "Our Generation - Taiwan's Future", which featured a speech by President Tsai Ing-wen and interactive discussions between the President and student representatives from high schools across the country.
6	2023 Hua Nan Financial Holdings Cup National Little League Championship Games	2023.05.21 - 05.28	Hosted the "2023 Hua Nan Financial Holdings Cup National Little League Championship" as the title sponsor, aiming to promote grassroots baseball and select players for the national representative team.
7	2023 Hua Nan Financial Holdings Cup Youth Baseball Championship Games	2023.06.04 - 06.11	Hosted the "2023 Hua Nan Financial Holdings Cup National Little Youth Championship" as the title sponsor, aiming to promote grassroots baseball and select players for the national representative team.
8	2023 Wealth Magazine Impact Forum	2023.07.05	Sponsorship of the "2023 Financial News Impact Forum" organized by Wealth Magazine, featuring a keynote speech by Mr. Chao-Ming Koo, Chief Economist of Nomura Research Institute in Japan, with a theme of "World Economy Facing Geopolitical and Stagflation Risks".
9	2023 Financial Services Charity Carnival (Kaohsiung)	2023.07.08	Participated in the 2023 Financial Services Charity Carnival (Kaohsiung) event held at Aozihdi Forest Park in Kaohsiung on July 8, 2023. Two booths were set up in the "Financial Education" section to promote public welfare and raise awareness against fraud.
10	The National Community Student Baseball Tournament of 2023	2023.07.08 - 07.16	Continued to sponsor the "2023 National Community Student Baseball Tournament," which had a total of 167 community baseball teams and 2,553 people participate in the event, an increase of 1,103 people over the 89 teams and 1,450 people of 2022. The tournament champions were the Fulin Elementary School Team for the U10 group, the NCU League Baseball Academy team for the U12 group, and the Taichung Hsiang-Shang Team and TWBAA Team for the U15 and U15 woman's group, respectively.

Item	Name	Date	Description
11	The 7th World Baseball Softball Confederation (WBSC) World Cup for Little League Baseball in 2023	2023.07.28-08.06	Sponsored the "7th WBSC World Cup for Little League Baseball" held in 2023. The representative team from our country was selected from the "Hua Nan Financial Holdings Cup National Little League Baseball Championship" and achieved second place in this year's World Cup for Little League Baseball.
12	2023 Financial Services Charity Carnival (Yilan)	2023.08.19	Participated in the 2023 Financial Services Charity Carnival (Yilan) event held in the square of the Yilan Sports Park auditorium on Aug. 19, 2023. Two booths were set up in the "Financial Education" section to promote public welfare and raise awareness against fraud.
13	The "Hua Nan is Great, Forever Young" Elderly Appreciation event (Sanxia)	2023.09.15	Joined hands with the Hongdao Senior Citizens Welfare Foundation to organize the first charity event of 2023 in Sanxia, New Taipei City. Other than providing daily breakfast for the elderly, Hua Nan employees also kept the senior citizens company during the event and serve their needs.
14	The "Hua Nan is Great, Forever Young" Elderly Appreciation event (New Taipei City)	2023.09.23	On the eve of Mid-Autumn Festival, company employees accompanied solitary elders from New Taipei City and Taoyuan City to the Vigor Kobo Pineapple Cake Factory in the morning, assisting them in pineapple cake baking lessons. Lunch was served at the Chateau de Chine Hotel Xinzhuang, and classic song guessing games and financial fraud prevention quizzes were held, with gifts of daily household goods provided to the elderly.
15	Hua Nan Financial Holdings and Hua Nan Commercial Bank presented gymnasts and coaches incentive bonuses for winning medals at the Asian Games	2023.09.24	Hua Nan Financial Holdings Group sponsored gymnasts Yu-Jan Hsiao, Cheng Yeh, and Pin-Ju Lai to represent Taiwan at the Hangzhou Asian Games. Under the leadership of head coach Yu-Hsin Lin and coach Kun-Chieh Cheng, the team won a bronze medal during the games, the first gymnastics group medal for Taiwan in the Asian Games. Hua Nan Financial Holdings Group and Hua Nan Commercial Bank awarded the athletes and coaches a total of NT\$800,000 in incentive bonuses.
16	The 35th Accounting Elite Cup Debate Competition	2023.10.14 - 10.15	Sponsored the "35th Accounting Elite Cup Debate Competition" organized by the Accounting Research and Development Foundation to encourage the development of the accounting profession in Taiwan.
17	The "Hua Nan is Great, Forever Young" Elderly Appreciation event (Kaohsiung)	2023.10.20	On the eve of Double Ninth Festival, the Company invited 51 elderly people living alone in the Kaohsiung area to stroll along the banks of Lotus Pond in the morning, enjoying the scenery and taking photos at the famous landmark "Yuantian Temple". A century-old bakery was next visited to make the famous local delicacy "Chess Cakes". Lunch was served at the Lian Shang Hotel, and a financial fraud prevention quiz activity was held to remind the elderly to be cautious of scams and distributed gift bags containing daily necessities to them.
18	The Ministry of Finance 2023 Unified Invoice Cup Road Race event.	2023.10.29	Co-organized the "Ministry of Finance 2023 Unified Invoice Cup Road Race" to promote sports participation among the general public.
19	The "Grassroots Baseball Cultivation Fund" for the year 2023.	2023.11.03	Donated to the "Grassroots Baseball Cultivation Fund" for the 2023 to purchase baseball equipment for Taitung County Beinan Elementary School, Taoyuan Elementary School, Hsin-Sheng Junior High School, and Tai Yuan Junior High School baseball teams.
20	The MLB Cup Dream Baseball Camp.	2023.11.03	Invited Taitung County's Beinan, Taoyuan, Feng Tian, Hongye, and Puyuma little league teams to participate, and invited Dreams Mini Baseball Club Director Chia-Wei Lin as the head coach. The Camp allowed the students to experience an American teaching style characterized by rhythmic music and a playful atmosphere, combining music and games into baseball training.
21	Activities of the Chinese National Association of Industry and Commerce.	2023.01-2023.12	The Company made a donation to the Chinese National Association of Industry and Commerce, Taiwan (CNAIC) for the 2023 activity budget.



1. At the "2023 Hua Nan Financial Holdings Cup National Little League Championship" promotional press conference, Vice Chairman of the Chinese Baseball Association Shih-Chiang Chao (3rd from the left) presented a certificate of appreciation to Yun-Peng Chang (2nd from the left), Chairman of Hua Nan Financial Holdings and Hua Nan Commercial Bank, T. Lin (2nd from the right), Vice Chairman of Hua Nan Commercial Bank, Jin-Ming Huang (1st from the left), Chairman of Hua Nan Securities, and Chih-Chi Tu (1st from the right), Chairman of South China Insurance.
2. The ceremonial first pitch for the championship match of the "2023 Hua Nan Financial Holdings Cup National Little League Championship" was performed by Yao-Ching Li, President of Hua Nan Financial Holdings, and Tien-Szu Huang, MVP of the previous year's games.
3. The ceremonial first pitch for the championship match of the "2023 Hua Nan Financial Holdings Cup Junior Baseball Championship" was performed by Jun-Zhi Huang (center), President of Hua Nan Commercial Bank, and Sheng-Zhi Wu (2nd from the right), MVP of the previous year's games.
4. At the press conference for the formation of the Chinese Taipei national team for the Little League World Series, Hua Nan Financial Holdings and Hua Nan Commercial Bank Chairman Yun-Peng Chang (right) presents a symbolic defensive glove to the young players. Chinese Taipei team captain Sheng-Kai Gau (left) accepts the blessing on behalf of the team.
5. Hua Nan Financial Holdings and Hua Nan Commercial Bank Chairman Yun-Peng Chang (center) served as the guest of honor to throw the ceremonial first pitch for the U-12 Baseball World Cup.
6. Greta Lin (right), Executive Vice President of Hua Nan Financial Holdings, served as the guest of honor to throw the ceremonial first pitch in the "2023 National Community Student Baseball Tournament" U-12 championship game.
7. Group photo during the "Hua Nan is Great, Forever Young" Elderly Appreciation (New Taipei City) event, where Hua Nan volunteers kept senior citizens company during an early Mid-Autumn Festival celebration.
8. Group photo during the "Hua Nan is Great, Forever Young" Elderly Appreciation (Kaohsiung) event, where Hua Nan volunteers kept senior citizens company during an early Double Ninth Festival celebration.
9. President Ing-Wen Tsai (center) poses for a photo with high school students during the "President Tsai Face-to-Face Forum with High School Students".
10. "2023 Financial Information Influence Forum" group photo of VIPs. Executive Yuan Vice Premier Wen-Tsan Cheng (4th from left), Chief Economist of Nomura Research Institute Chao-Ming Ko (4th from the right), President of Wealth Magazine Jin-He Xie (4th from right), Chairman of Hua Nan Financial Holdings and Hua Nan Commercial Bank Yun-Peng Chang (2nd from left) and other attending guests.

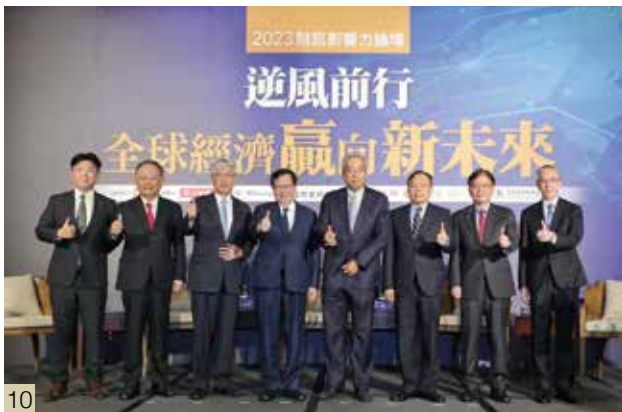




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11. In the "2023 Financial Services Charity Carnival (Kaohsiung)" event, Financial Supervisory Commission Chairman Tian-Mu Huang (front row, left 5) poses for a photo with Hua Nan Financial Holdings and Hua Nan Bank Chairman Yun-Peng Chang (front row, left 4) and colleagues.
12. In the "2023 Financial Services Charity Carnival (Yilan)" event, Financial Supervisory Commission Chairman Tian-Mu Huang (front row, left 5) poses for a photo with President of Hua Nan Financial Holdings Yao-Ching Li (front row, left 4) and colleagues.
13. Hua Nan Financial Holdings cheers on the Taiwanese gymnastics team competing in the Hangzhou Asian Games. Chairman Yun-Peng Chang (3rd from the left) poses for a photo with head coach Yu-Hsin Lin (2nd from the left), coach Kun-Chieh Cheng (3rd from the right), and athletes Cheng Yeh (1st from the left), Pin-Ju Lai (2nd from the right), and Yu-Jan Hsiao (1st from the right).
14. The "Dream Baseball Camp" invited Taitung County's Beinan, Taoyuan, Feng Tian, Hongye, and Puyuma little league teams to experience the American teaching style characterized by rhythmic music and a playful atmosphere.
15. Group photo of the second edition of the "Hua Nan Financial Holdings Youth Baseball Catcher Intensive Training Camp". Zong-Cheng Lin (9th from the right, back row), Secretary-General of the Chinese Baseball Association, Ying-Hua Huang (6th from the left, back row), Chairman of the Taiwan Little League Association, Po-Hsun Chen (4th from the left, back row), G.M. of Hua Nan Financial Holdings,
16. Hua Nan Financial Holdings received the 2023 Sports Activists Awards for Gold Sponsorship and Long Term Sponsorship, as well as the Bronze Prize in Advocacy. Vice President of Hua Nan Financial Holdings Kuei-Chi Lin (right) accepted the awards from Executive Yuan Minister without Portfolio Wan-I Lin (left).



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# (IX) 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)			Non-implementation of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and its reasons (Note 2)
	Yes	No	Brief Description	
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. 2. These regulations are the Company's integrity management policies. 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 activity 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 dishonest 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 dishonest behavior in procurement operations. (1) On April 18, 2018, the Company revised the relevant provisions of "Information on Supplier Behavior of Hua Nan Financial Holdings 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 2023. The minutes of the meetings are reported to the Board of Directors and placed into the 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. All departments are required 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 maybe 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 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	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.				
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. All company operations follow the Ethical Corporate Management Principles.				

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

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

## (X) 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>

## (XI) 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.

## (XII) The implementation of Corporate governance, Corporate sustainable development, 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>



**(XIII) 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, 2023 to December 31, 2023, 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: Yao-Ching Li (Signature/Seal)

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

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

March 25, 2024

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

Date of Share Subscription: Dec. 31, 2023

Deficiencies pending improvement	Corrective action	Estimated date of completion
<b>[Subsidiary Hua Nan Commercial Bank]</b> I. The Bank's case of "the public pointing out doubts about the bank's handling of stakeholder credit." was corrected by the Financial Supervisory Commission: Inadequacies in the control, verification, and confirmation mechanisms regarding legal compliance matters concerning stakeholders.	I. 1. The Bank has enhanced its search operations for external website news events related to current directors and supervisors, strengthening the review of their relatives' information to enhance the completeness of the Bank's stakeholder database. 2. Mechanisms for conducting Internet searches using an automated system. 3. The enhanced improvement measures mentioned above were included in the internal audit workpapers to review the implementation status of relevant improvement measures.	I. Improvement completed.
II. For the case of abnormalities in the Company's processing of the delivery of the Financial Information System Group (FISG) Unified Invoice Bonus distribution, the Financial Supervisory Commission approved a fine of NT\$4 million: 1. The conversion operation for the IT system did not establish comprehensive measures to protect customer rights. 2. Failed to implement relevant guidelines for the IT system conversion. 3. Failed to implement the notification process for major incidents. 4. The audit report failed to provide a comprehensive overview of the entire incident.	II. 1. Proposal to amend the Bank's "Information Service Demand Change and Launch Management Instructions" to incorporate customer service education training (including handling abnormal dialogue) into pre-launch system preparations. Additionally, the "Notice for Handling Emergency Incidents in Information Operations" will integrate the Customer Service Department into the emergency response plan. 2. (1) The Bank has amended its "Programming and Testing Details" as follows: A. The program testing process should conduct parallel verification operations for the conversion between old and new systems. If there are updates to programs, systems, or database parameters, continuous verification should be conducted to ensure that the functions are correct before the new system is launched. B. Projects involving accounting-related functions will integrate the in-house software quality assurance unit and third-party testing. (2) An automated system to verify the number and amount of entries against the source files has been introduced. Deduction operations will proceed after confirmation of the entries' accuracy, replacing manual verification tasks. 3. Enhance employee education and training on recognizing and analyzing the impact of major incidents. 4. (1) The Audit Department will conduct in-depth investigations into future cases suspected of significant internal control lapses, collecting evidence from various sources to ensure data integrity, and propose effective improvement measures. (2) Strengthening education and training for audit personnel to enhance their auditing capabilities and implementing a quality assessment mechanism for audit reports. Adding relevant checklists to facilitate a thorough review of the root causes of issues.	II. 1. Expected to be completed before 2024.04.30. 2. Improvement completed. 3. Expected to be completed before 2024.04.30. 4. Improvement completed.
<b>[Subsidiary Hua Nan Securities Co., Ltd.]</b> I. The Financial Regulatory Commission found operational mistakes during the Company's general business inspection between 2022.09.15 to 10.04. According to FSC Punishment No.1120336432 Sanction Letter and Jin Guan Securities Zi No.11203364321 on 2022.10.26, the Company was fined a sum of NT\$720,000 and NT\$50,000 respectively. 1. Handling the account opening process for internal personnel failed to distinguish between accounts held by internal personnel and those held by their spouses or minor children. Furthermore, after the minor children of internal personnel reached the age of majority, their accounts were not appropriately changed to individual accounts for their own use. 2. During the review process for customer entrusted trading limits and financial capability, when the principal is a restricted person and their daily trading volume exceeds NT\$20 million, or when the total cross-company trading volume for a client exceeds NT\$5 million in a single day, the proof of financial capability equivalent to 30% of the total cross-company trading volume was not requested. 3. When conducting brokerage activities, verification to ensure whether the orders are personally placed by the principal and the reasonableness of orders being placed from the same IP address was not effectively implemented. 4. When handling entrusted trading of foreign securities, there were instances where relevant information regarding the transaction was not promptly communicated to the principal via phone or other means, or a trade confirmation report was not provided. Additionally, comprehensive details of the entrusted funds from financial institutions were not accurately recorded in the statements provided to non-professional institutional investors. 5. When conducting entrusted trading of securities, there were instances where trade statements for client transactions were sent to the email addresses of internal company personnel without verifying their appropriateness. 6. When performing quotation operations for emerging stocks on the Taipei Exchange, there was a failure to establish limits and procedures for adjusting the rates for the first quote of each trading day for recommended stocks. 7. When conducting regular reviews of customer accounts for anti-money laundering and counter-terrorism financing purposes, there was a failure to adhere to internally established logic for checking, comparing, and screening customer names; inappropriate use of date of birth as the basis for regular review dates; Failure to obtain relevant identification documents from foreign institutional investor clients. 8. During the process of reviewing transactions suspected of money laundering, discrepancies were found between the audit explanations and the facts pertaining to transactions exhibiting characteristics of suspected money laundering.	I. 1. (1) For the listed internal personnel spouses or minor children that opened ordinary trading accounts, the Company has changed the accounts to unique account number (98*). For the 98 accounts that have been inactive for over 3 years without inventory and have not been canceled, the Company has completed the cancellation process according to procedures. (2) When a customer opens a new account, the newly established system automatically compares it with the personnel database (including spouses and minor children) to control internal personnel from opening 98 accounts, and inversely compares non-internal personnel to prohibit opening 98 accounts. 2. The missing cases have been corrected, and the daily trading limit for a person who has no capacity to make juridical acts has also been set by the system to NT\$20 million. During the process of handling entrusted trading limit reviews, it is now required for branch office employees to print the customer's total aggregated reports as attachments for credit investigation and limit review forms. 3. A letter was issued on December 30, 2022 that requires branch offices to fully implement same IP verification procedures, and continuously verify them at manager meetings to ensure branch offices compliance. 4. (1) During the manager's monthly meeting on January 6, 2023, it was announced that sales personnel should ensure proper transaction reporting when accepting customer entrusted orders and remind customers of the settlement amount and date. (2) The reconciliation statement has been amended to include entries from the sub-brokerage agency on the client's reconciliation statement. To prevent omissions, the clearing department must correlate with the sub-brokerage business unit in the future. Only after mutual confirmation can the reconciliation statement be printed. 5. A new verification program was launched and implemented on April 24, 2023. It provides daily comparisons to check if there are any instances where the customer's OTP application matches an employee's address, phone number, or email address. If such cases are found, the individuals involved are required to provide an explanation. 6. The "Operating Guidelines for Negotiated Trading of Emerging Stocks" have been revised to include additional provisions regarding quotation determination criteria: maximum quotation adjustment ratio, decision-making levels and procedures for handling quotation adjustment ratios exceeding the upper limit, and other related regulations. The revised guidelines were approved for implementation by the Board of Directors on February 15, 2023. 7. (1) All deficient cases have been completely corrected, and a system comparison mechanism has been added in May 2023 to prevent such errors from occurring again. (2) The calculation of customer periodic review dates has been enhanced. In February 2023, a column for the review date was added to the system's customer risk rating operation. This date serves as the starting point for the next periodic review. (3) Missing cases have been addressed through business colleagues requesting relevant identification documents from clients who are foreign institutional investors for periodic review. If no valid reasons are provided and no valid proof of existence is provided, trading restrictions are imposed. 8. During the Financial and Banking Supervisors' Meeting convened on October 24, 2022, and the manager's monthly meeting on February 10, 2023, there was increased education and promotion for branch financial and banking supervisors as well as managers, emphasizing the importance of constantly monitoring customer trading activities. Quarterly inspections of branch office operations are conducted through responsible units, and the review of branch office operations has been included as a component of the 2023 compliance inspection.	I. Improvement completed.
II. On December 29, 2022, a TWSE inspection on the Yingge Branch found that branch manager Cheng-redacted Yang had loaned funds from clients and performed customer entrusted trading via mobile phone without voice recording. In addition, the Company did not report to the FSC within 5 business days of discovering the illegal activities or incident occurrence, and was found to be in violation of securities regulations. A fine of NT\$ 240,000 was imposed according to Financial Supervisory Commission 2023.08.02 Sanction Letter No. 11203372352.	II. 1. Enhanced promotion and educational training have been implemented, requiring business personnel to strictly adhere to the Company's internal control systems and relevant regulations. 2. II. It has been reiterated to all units that abnormal findings should be reported in accordance with the Operating Rules of the TWSE and relevant reporting requirements.	II. Improvement completed.

Deficiencies pending improvement	Corrective action	Estimated date of completion
<p>III.</p> <p>The Taipei Exchange conducted routine audits on the Company on November 10 and November 14 to 22, 2023. According to TZSFZ No. 1120600729, the following deficiencies were found:</p> <p>I. Failure to regularly perform operating system security updates on the market server.</p> <p>II. Some systems that directly support customer trading or facilitate the continuous operation of trading services were not included in the list of core systems.</p> <p>III. The client-side application program was included in the list of core systems on May 22, 2023. However, the acceptable downtime was not assessed.</p> <p>IV. Some outsourced vendors provided source code security declaration documents, but the content of the declarations were incomplete.</p> <p>V. Some systems still used sealed hardcopy password letters to control the highest privilege accounts, and the password change frequency for these hardcopy password letters is once per year.</p> <p>VI. The firewall access control rule review only retained inspection records focusing on the "Trading Firewall," failing to retain inspection contents for OA and COLO firewall access control rules. Additionally, the review scope did not include DMA firewalls. Furthermore, some firewall rules allowed DMZ segments unrestricted access to internal network segments regardless of service type (Service set to ALL).</p>	<p>III.</p> <p>1. The operating system security updates for market servers (e.g., SYSTEX-00DB01, FM32-0073) were completed by the external vendor SYSTEX on January 4, 2024, and December 19, 2023, respectively.</p> <p>2. As of January 9, 2024, systems directly providing customer transactions (such as web-based ordering systems, network-based ordering systems, etc.) or supporting the continuous operation of trading businesses (such as electronic trading intermediate systems, sub-brokerage accounting systems, etc.) have been added to the list of core systems.</p> <p>3. As of January 11, 2024, the improved business impact analysis table has incorporated acceptable downtime evaluation, recovery time objective (RTO), and recovery point objective (RPO) for the newly added client-side application program.</p> <p>4. Six external vendors (Sysjust, MDBS, EY, TWCA, Intumit and Mitake) have been asked to re-sign declarations including the statement regarding the appropriateness of parties involved in sensitive data transmission. The improvement was completed on January 11, 2024.</p> <p>5. The missing highest privilege accounts were included in the privileged account management via sealed hardcopy password letters on January 9, 2024. Passwords will be automatically changed every three months.</p> <p>6.</p> <p>(1) On January 16, 2024, OA, COLO, and DMA firewalls were added as key items for regular semi-annual review of firewall rules. Additionally, firewall rules with zero traffic for over six months are now subject to periodic review, with records being retained as required.</p> <p>(2) On January 10, 2024, the firewall rule opening application (change) form has been updated according to the provided firewall rule numbers. The service types have been revised to adhere to the principle of least privilege, only opening the service types necessary within the scope of business requirements.</p>	<p>III.</p> <p>Improvement completed.</p>
<p>[Subsidiary South China Insurance Co, Ltd.]</p> <p>I.</p> <p>In the underwriting process for residential fire insurance, there are instances where different insured items within the same building have different recalculated replacement costs based on different building structures, premiums calculated based on different total floor heights or building grades, and inadequate records of reasonable assessments for excess coverage. Additionally, there are cases in commercial fire insurance where no additional fees are charged for higher floors. Due to failure to assess the suitability of insurance products, it was found to be in violation of Article 148-3, Paragraph 2 of the Insurance Act, as well as Article 7, Paragraph 1, Subparagraph 12, Item 2, and Article 17 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" as authorized under Article 171-1, Paragraph 5 of the Insurance Act. A fine of NT\$ 600,000 was imposed.</p>	<p>I.</p> <p>1. In processing residential fire insurance, inconsistencies in the premium calculation basis for different insured items within the same building, as well as the lack of checks and controls in the excess insurance system, have been identified as deficiencies. System controls and relevant supporting measures have been completed on June 30, 2022.</p> <p>2. In processing commercial fire insurance, system controls and relevant supporting measures have been completed on December 29, 2021 when calculating premiums for high-rise buildings.</p>	<p>I.</p> <p>Improvement completed.</p>
<p>II.</p> <p>According to the regulations outlined in Article 6, Paragraph 1, Subparagraph 8, Item 7 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" authorized by Article 148-3, Paragraph 2 of the Insurance Act, it has been found that the payment recipients for the incentive bonuses differed from the solicitors listed in the insurance policy. A fine of NT\$600,000 was imposed according to Article 171-1, Paragraph 5 of the Insurance Act.</p>	<p>II.</p> <p>Deleted the relevant regulations on rewards in the "Implementation Measures of the Insurance Business Specialist System" from October 1, 2022. Afterwards, the business specialists only receive commissions according to implementation guidelines, and do not reissue rewards.</p>	<p>II.</p> <p>Improvement completed.</p>
<p>III.</p> <p>According to Article 5, Paragraph 1, Subparagraph 8 of the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" authorized by Article 148-3, Paragraph 1 of the Insurance Act, it has been found that the disbursement of investment incentive bonuses was conducted without reporting to and approval from the Board of Directors, and did not avoid conflicts of interest. A fine of NT\$600,000 was imposed according to Article 171-1, Paragraph 4 of the Insurance Act.</p>	<p>III.</p> <p>The Company revised and approved the "Investment Personnel Operational Reward Regulations" at the 5th meeting of the 20th Board of Directors on April 21, 2022. The revised rewards are limited to investment department personnel and investment supervisors, and the review unit has been revised to be the Board of Directors, preventing future occurrences of the above-mentioned incidents.</p>	<p>III.</p> <p>Improvement completed.</p>
<p>IV.</p> <p>Inadequate security control of Application Programming Interfaces (APIs) and web services resulted in failure to accurately monitor the application services available externally and establish appropriate authentication authorization, regular risk assessment and inventory mechanisms. This has resulted in sensitive data being exposed on the Internet, accessible without authentication by unidentified individuals, posing a risk of customer data leakage.</p>	<p>IV.</p> <p>1. The API audit was completed on May 24, 2023. Simultaneously, Internet access functionality was disabled for services that do not need to be provided externally. Upon investigation, no abnormal situations were found. An investigation report has been commissioned from Acer Cyber Security Inc. (ACSI) for confirmation.</p> <p>2. Regular quarterly API inventory checks are conducted to strengthen the access security of API programs.</p> <p>3. III. To enhance the information security protection of the API, implementation of the API management platform is expected to be complete by the first quarter of 2024. It is planned to commission an external vendor to conduct penetration testing on the API website providing external services by the second quarter of 2024.</p> <p>4. The annual "Computer Information Security Assessment" will include information security checks for APIs or web pages providing external access.</p>	<p>IV.</p> <p>1. Completed the API audit and web service security control investigation. Upon investigation, no abnormal situations were found.</p> <p>2. Implementation of the API management platform is expected to be complete by the first quarter of 2024, with penetration testing on the API website providing external services to be completed by the second quarter of 2024.</p>

**(XIV) 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><b>Hua Nan Commercial Bank</b></p> <p>I. In the case of the bank's "Former Linkou Branch staff misappropriating customers' deposits and tax payment and other funds" case, on June 2, 2022, the Financial Supervisory Commission approved a fine of NT\$4 million:</p> <ol style="list-style-type: none"> <li>The audited records related to foreign exchange deposit transactions and accounting day-end accounting operations are missing as follows: <ol style="list-style-type: none"> <li>Incompletely established internal control system: <p>The control mechanism for "temporary deposits" and "transitional accounts" has not been effectively established; the Bank lacks the internal control and anti-fraud function for the implementation of "temporary deposits" and "transitional accounts" by bank staff, so that Zhang staff can execute these transactions on their own Client Money.</p> </li> <li>Failure to implement the internal control system: <ol style="list-style-type: none"> <li>Failure to Implement the supervisory supervisor's authorized transactions and review operations for corrected/canceled transactions. <ol style="list-style-type: none"> <li>The supervisor did not check the original vouchers and error contents of the payment collection correction transaction According to the bank's internal regulations, and then released them, nor did he check the correctness and completeness of the corrected transaction information, and confirm that the payment receipt Retrieve and verify full set of fund subpoenas.</li> <li>The supervisor did not check the "Registration Form of Approved Transaction by Supervisor", which caused Zhang to modify it without realizing it.</li> <li>The supervisor did not actually review the entire set of subpoenas for the transactions of "temporary balance" and "transitional items" and confirm the rationality of the transactions.</li> </ol> </li> <li>The audit work of supervising the closing of accounting days has not been implemented: <p>Relevant tellers failed to register and verify the summons, and supervisors did not check the summons. As a result, they failed to find out that the amount of the summons did not match the system, and Zhang staff concealed or destroyed the summons.</p> </li> </ol> </li> </ol> </li> <li>The status of improvement and handling of missing matters in the case: <ol style="list-style-type: none"> <li>"Temporary Debt" and "Transitional Subjects" add the "Supervisor Authorization Approval" procedure: <ol style="list-style-type: none"> <li>From January 13, 2022, the control of "temporary deposit and arrears" cash withdrawal transactions has been added. The transaction must be authorized by the supervisor before the transaction can be completed, and the supervisor must find out the reason in accordance with the regulations before releasing it.</li> <li>Starting from May 26, 2022, when handling transactions related to NT dollar deposits and foreign exchange transactions through the "transitional account" to perform the opening of credit accounts, the addition needs to be authorized by the supervisor to complete the transaction. The supervisor should confirm the rationality of the use of the "transitional account" and check the transaction in accordance with relevant regulations.</li> </ol> </li> <li>Correction/cancellation of transactions and review of accounting day closing, strengthening system or transaction control measures: <ol style="list-style-type: none"> <li>From January 13, 2022, new tellers have been added to monitor the number of corrected transaction statistics on a daily and weekly basis, and the detailed date of each authorized transaction has been added to the "Supervisor's Approved Transaction Registration Form", and the revision stamp has been added. Transactions are limited to control mechanisms such as "on the same day".</li> <li>From February 8, 2022, the new "correction transaction" subpoena must be reviewed by dual supervisors.</li> <li>On February 10, 2022, control measures related to "correction transactions" and "supervisor authorized transactions" were included in the self-inspection topics.</li> <li>Since 2022, relevant correction transactions and supervisory authorization and approval transactions that have not been handled in accordance with regulations have been included in the interest deduction items of business units.</li> <li>Continue to conduct education and training publicity, and strengthen the familiarity of depository business supervisors and personnel with operating standards.</li> <li>Review of accounting day-end accounts: <p>Since November 23, 2021, the account transaction of the teller at the counter has been changed from the original checkout mechanism of self-clearing and then checking by others to cross-checkout. In addition, from June 23, 2022, the system will automatically count the number of subpoenas, and the system will automatically print the subpoena number to ensure that the number of checkout subpoenas is correct, so as to strengthen the internal control of teller checkout operations.</p> </li> </ol> </li> </ol> </li> </ol> <p>II. A member of the bank sent a customer's surname and mobile phone number to the website of the loan company. On October 19, 2022, the Financial Supervisory Commission imposed a fine of NT\$ 50,000:</p> <ol style="list-style-type: none"> <li>The deficiencies are as follows: <p>Violation of Article 20, Paragraph 1 of the Personal Data Protection Act.</p> </li> <li>To improve the handling of this case: <ol style="list-style-type: none"> <li>Strengthen employee education and training: <ol style="list-style-type: none"> <li>Strengthen the publicity of "Personal Information Protection Law Complying with Laws and Re affirming that Customer Service Personnel Check-into Perform Duties in accordance with Business Standard Operating Procedures "to all colleagues in the customer service department.</li> <li>Strengthen the teaching materials for preventing personal data infringement and complying with standard operating procedures, and include them in the monthly routine education training materials and examination content for the on-the-job customer service check-in personnel.</li> </ol> </li> <li>Implement the personal data protection statement of customer service personnel: <p>Amend the "Certificate of Ending Work for Customer Service Personnel" to include "Confirmation of Responsibility for Leak age of Personal Data" as an enhanced confirmation content, and ask the current customer service personnel to re-sign.</p> </li> <li>Increase the evaluation items of side-talk detection and evaluation of customer service personnel using mobile phones, which can be evaluated in quality management.</li> </ol> </li> </ol> <p>III. For the case of abnormalities in the Company's processing of the delivery of the Financial Information System Group (FISC) Unified Invoice Bonus distribution, the Financial Supervisory Commission approved a fine of NT\$4 million on January 31, 2023:</p> <ol style="list-style-type: none"> <li>The deficiencies are as follows: <ol style="list-style-type: none"> <li>Incompletely established internal control system: <p>The conversion operation for the IT system did not establish comprehensive measures to protect customer rights.</p> </li> <li>Failure to implement the internal control system: <ol style="list-style-type: none"> <li>Failed to implement relevant guidelines for the IT system conversion.</li> <li>Failed to implement the notification process for major incidents.</li> <li>The audit report failed to provide a comprehensive overview of the entire incident.</li> </ol> </li> </ol> </li> </ol>

Item	Case and Status of Improvement
	<p>2. The status of improvement and handling of missing matters in the case:</p> <p>(1) The conversion operation for the IT system did not establish comprehensive measures to protect customer rights.: Proposal to amend the Bank's "Information Service Demand Change and Launch Management Instructions" to incorporate customer service education training (including handling abnormal dialogue) into pre-launch system preparations. Additionally, the "Notice for Handling Emergency Incidents in Information Operations" will integrate the Customer Service Department into the emergency response plan. The amendments are expected to be completed before April 30, 2024.</p> <p>(2) Failed to implement relevant guidelines for the IT system conversion:</p> <p>A. The Bank has amended its "Programming and Testing Details" on August 23, 2023 as follows:</p> <p>a. The program testing process should conduct parallel verification operations for the conversion between old and new systems. If there are updates to programs, systems, or database parameters, continuous verification should be conducted to ensure that the functions are correct before the new system is launched.</p> <p>b. Projects involving accounting-related functions will integrate the in-house software quality assurance unit and third-party testing.</p> <p>B. An robotic process automation (RPA) to verify the number and amount of entries against the source files has been introduced on September 27, 2023. Deduction operations will proceed after confirmation of the entries' accuracy, replacing manual verification tasks.</p> <p>(3) Failed to implement the notification process for major incidents:</p> <p>Issued a letter to reiterate the Bank's "Key Points for Notification of Major Incidents" on February 7, 2024. Proposal to complete internal management training courses for employees on recognizing major incidents and impact analysis to correctly implement the major incident reporting process.</p> <p>(4) The audit report failed to provide a comprehensive overview of the entire incident:</p> <p>A. The Board of Directors Audit Department will conduct in-depth investigations into future cases suspected of significant internal control lapses, collecting evidence from various sources to ensure data integrity, and propose effective improvement measures.</p> <p>B. Strengthening education and training for audit personnel to enhance their auditing capabilities and implementing a quality assessment mechanism for audit reports. A relevant checklist to facilitate a thorough review of the root causes of issues was established on February 23, 2024.</p> <p><b>Hua Nan Securities</b> Those who violated the laws and regulations were fined by the FSC</p> <p>I. The Financial Regulatory Commission's 2022.12.13 FSC Punishment No.1110385574 Sanction Letter, HNSC handles anti-money laundering and combating terrorism operations, and for customer risk classification operations, there are cases where assessments are not made in accordance with the established norms, and the system output conforms to Suspicious transaction pattern case inspection time schedule, there are deficiencies such as failure to complete the review According to the internally stipulated time schedule, and the verification has violated the provisions of Article 2, Item 2 of the Securities Firm Management Rules, and is in accordance with Article 178-1, Item 1 of the Securities Exchange Act Paragraph 4 provides for a fine of NT\$ 720,000.</p> <p>Improvement status: Relevant improvement measures have been implemented in accordance with the opinions of the Financial Supervisory Commission.</p> <p>II. Financial Supervisory Commission 2023.08.02 Sanction Letter No. 1120337235 to the TWSE found that HNSC's Yingge Branch Office manager Yang had loaned funds from clients and performed customer entrusted trading via mobile phone without voice recording. The Company did not report to the FSC within 5 business days of discovering the illegal activities or incident occurrence, and was fined NT\$240,000 for violating securities regulations of Article 178-1 Item 1 Paragraph 4 of the Securities and Exchange Act.</p> <p>Improvement status: Relevant measures have been implemented in accordance with the opinions of the Financial Supervisory Commission, and a response has been returned to the Taiwan Stock Exchange.</p> <p>III. According to the FSC Punishment No.1120336432 Sanction Letter, HNSC did not follow regulations on opening accounts for internal personnel, and did not correctly implement client entrusted trading limits and financial capability review. The following deficiencies were found: Not verifying the reasonableness and legitimacy of placing orders under the same IP, failing to accurately handle transaction data for entrusted buying and selling, and notify and disclose information about the custodian institution; sending account statements for customer trading transactions to the internal email addresses of sanctioned individuals; and failing to conduct quotation operations for stocks on the OTC general board as required by regulations. These shortcomings have been found in violation of Article 2, Paragraph 2 of the Regulations Governing Securities Firms. Failure to properly conduct periodic reviews of customer accounts for anti-money laundering and counter-terrorism financing based on customer risk levels, and failure to conduct checks on suspected money laundering transactions, also violate Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act, resulted in a fine of NT\$720,000. In addition, in accordance with Article 7, Paragraph 5 of the Money Laundering Control Act, a fine of NT\$500,000 was imposed.</p> <p>Improvement status: Relevant improvement measures have been implemented in accordance with the opinions of the Financial Supervisory Commission.</p> <p>The deficiency is corrected by the FSC.</p> <p>I. FSC 2022.12.13 Jin Guan Securities Zi No.1110385574 Letter inspected HNSC's anti-money laundering and anti-terrorism operations, and found deficiencies that violated securities management laws and regulations, and should be corrected. Main deficiencies:</p> <ol style="list-style-type: none"> <li>1. The system automatically summarizes the setting of "no geographical relationship", but it is not assessed according to the facts and automatically assigns a lower risk level with reasonable explanation for those who have not checked the geographical relationship factor.</li> <li>2. Customers who reported suspicious transactions to the investigation bureau were not directly assessed as high-risk according to internal regulations, resulting in under estimation of customer risks.</li> <li>3. The inspection schedule for cases with suspicious transaction status generated by the system varies from 19.2 days to 78.5 days on average, which does not comply with the requirement that the inspection should be completed within 14 business days according to the established regulations. Improvement: The improvement operation has been completed in accordance with the regulations of the FSC, and the improvement situation has been reported to the board of directors for approval, and then written to the FSC.</li> </ol> <p>II. Financial Supervisory Commission 2023.08.02 Letter No. 11203372352 to the TWSE found that HNSC's Yingge Branch Office manager Cheng-redacted Yang loaned funds from clients and performed customer entrusted trading via mobile phone without voice recording. The Company did not report to the FSC within 5 business days of discovering the illegal activities or incident occurrence, and was corrected for violating securities regulations.</p> <p>Improvement status: Relevant measures have been implemented in accordance with the opinions of the Financial Supervisory Commission, and a response has been returned to the Taiwan Stock Exchange.</p> <p>III. The FSC performed a general business inspection on the Company as according to Jin Guan Securities Zi No.11203364321 on October 26, 2023, and found mistakes that violated the securities management laws and regulations and should be corrected. Main deficiencies:</p> <ol style="list-style-type: none"> <li>1. Handling the account opening process for internal personnel failed to distinguish between accounts held by internal personnel and those held by their spouses or minor children. Furthermore, after the minor children of internal personnel reached the age of majority, their accounts were not appropriately changed to individual accounts for their own use.</li> <li>2. During the review process for customer entrusted trading limits and financial capability, when the principal is a restricted person and their daily trading volume exceeds NT\$20 million, or when the total cross-company trading volume for a client exceeds NT\$5 million in a single day, the proof of financial capability equivalent to 30% of the total cross-company trading volume was not requested.</li> <li>3. When conducting brokerage activities, verification to ensure whether the orders are personally placed by the principal and the reasonableness of orders being placed from the same IP address was not effectively implemented.</li> <li>4. When handling entrusted trading of foreign securities, there were instances where relevant information regarding the transaction was not promptly communicated to the principal via phone or other means, or a trade confirmation report was not provided. Additionally, comprehensive details of the entrusted funds from financial institutions were not accurately recorded in the statements provided to non-professional institutional investors.</li> <li>5. When conducting entrusted trading of securities, there were instances where trade statements for client transactions were sent to the email addresses of internal company personnel without verifying their appropriateness.</li> <li>6. When performing quotation operations for emerging stocks on the Taipei Exchange, there was a failure to establish limits and procedures for adjusting the rates for the first quote of each trading day for recommended stocks.</li> <li>7. When conducting regular reviews of customer accounts for anti-money laundering and counter-terrorism financing purposes, there was a failure to adhere to internally established logic for checking, comparing, and screening customer names; Inappropriate use of date of birth as the basis for regular review dates; Failure to obtain relevant identification documents from foreign institutional investor clients.</li> <li>8. During the process of reviewing transactions suspected of money laundering, discrepancies were Status found between the audit explanations and the facts pertaining to transactions exhibiting characteristics of suspected money laundering.</li> </ol> <p>Improvement status: The improvement operation has been completed in accordance with the regulations of the FSC, and the improvement situation has been reported to the board of directors for approval, and then written to the FSC.</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><b>South China Insurance</b></p> <p>Those who violate laws and regulations and are fined by this association</p> <p>I. The fire insurance underwriting operation for South China Property Insurance has not been evaluated for the lack of suitability of insurance products: Jinguan Baochan Zi No. 11104955082, February 8, 2023</p> <p>Cause: SCIC handles residential fire insurance business, and has verified replacement costs for different insurance objects located in the same building based on different building structures, and calculated premiums based on different total building heights or building levels. The amount of building decoration insurance is higher than the "Taiwan Residential Building Cost Reference Table" formulated by the Property Insurance Association, but there is no reasonable underwriting evaluation record, Not in compliance with the letter from the Insurance Bureau of the Financial Supervisory Commission on February 27, 2020, numbered 1080439408; When applying for commercial fire insurance, there are cases where the premium for high-rise buildings is not handled according to the approval rate, and the premium is calculated based on a commission of 0, while a specific proportion of the signed premium income is paid to the business specialist as a reward. The suitability of the insurance product has not been evaluated based on its content, and it does not comply with the Company's internal solicitation and underwriting standards. A penalty of NT\$ 600,000 was imposed.</p> <p>Improvement status:</p> <p>(I) SCIC has completed the adjustment of the address comparison rules on July 1, 2022 to improve the accuracy of the system comparison.</p> <p>(II) In the case where the building insurance amount exceeds the replacement cost amount, the customer must provide the residential fire insurance building evaluation form, and the underwriting personnel will review and evaluate the insurance before the original insured amount can be covered.</p> <p>(III) If the total number of floors of the same address is different, it is necessary to ask the salesman to confirm with the customer or the channel, and provide relevant documents to support it, and the underwriting personnel will review and confirm it and keep it together with the request for guarantee before printing.</p> <p>(IV) It has been publicized again at the underwriting meeting and education and training.</p> <p>(V) According to the inspection opinion, SCIC no longer pays the bonus rewards for business specialists since January 1, 2022.</p> <p>II. Handling the reward payment operation, the reward payment object is different from the recruitment personnel stated in the application for guarantee: Jinguan Baochan Zi No. 11104955082, February 8, 2023</p> <p>Cause: It was found that the recipient of the reward was issued on December 21, 2020, which was different from the recruiting salesman mentioned in the insurance proposal; in 2020, the auto insurance business was handled, and the commission was calculated according to the actual premium received, and then the "insurance policy" stipulated by the Company was followed. The "Measures for the Implementation of the Business Specialist System" regulates the calculation of performance incentives, and the total commission payment has exceeded the upper limit of the direct solicitation fee rate. A penalty of NT\$ 600,000 was imposed.</p> <p>Improvement status: SCIC has deleted the relevant regulations on rewards in the "Implementation Measures of the Insurance Business Specialist System" from October 1, 2022. Afterwards, the business specialists only receive commissions according to SCIC's "Implementation Measures for the Insurance Business Specialist System" and do not reissue rewards.</p> <p>III. South China Insurance disbursement of investment incentives did not report to the board of directors for approval, and did not avoid the absence of conflicts of interest: Jinguan Baochan Zi No. 11104955082, February 8, 2023</p> <p>Cause: Article 26, Paragraph 10 of the Code of Practice for Corporate Governance in the Insurance Industry stipulates that the performance appraisal and remuneration standards for managers, business personnel, and insurance brokers and agents should be submitted to the board of directors for resolution and approval. In March 2021, the investment department signed and reported the investment rewards, but it was not reported to the board of directors for approval; and the chairman's remuneration was approved by the chairman himself, and he did not recuse from his own interest. A penalty of NT\$ 600,000 was imposed.</p> <p>Improvement status: SCIC revised and approved the "Investment Personnel Operational Reward Regulations" at the 5th meeting of the 20th Board of Directors on April 21, 2022. The revised rewards are limited to investment department personnel and investment supervisors, and the review unit has been revised to be the Board of Directors, preventing future occurrences of the above-mentioned incidents.</p> <p><b>Hua Nan Investment Trust</b></p> <p>The FSC corrected the following deficiencies on 2022.05.17:</p> <p>During an FSC inspection, the Company's self-audit found employee spouses who performed stock trading on stocks within the Company's funds, but did not apply to the Company for approval beforehand or report the trading afterwards. The Company did not immediately discover the illegal incident, showing deficiencies in the internal control system design and implementation.</p> <p>Improvement status: Strengthen publicity of the situation, and relevant mistakes have been corrected.</p>
3. Disciplinary action imposed by the FSC in accordance with Paragraph Article 61-1 of the Banking Act.	<p><b>Hua Nan Bank</b></p> <p>I. The case of "the loss of accounting subpoenas of Yuanshan Branch and Jiadong Branch" of our bank should be corrected by the Financial Supervisory Commission on March 1, 2022:</p> <p>(I) Check the relevant deficiencies as follows:</p> <ol style="list-style-type: none"> <li>The Yuanshan Branch and Jiadong Branch did not follow the internal accounting operation rules to handle the binding, warehousing, and destruction of the subpoenas, resulting in the loss of the subpoenas on August 26, 2019 and February 18, 2020, respectively.</li> <li>The Yuanshan Branch did not follow the internal regulations to notify the head office immediately when the subpoena was found to be lost.</li> <li>Although this case was a defect in the operation of the branch, the head office failed to fulfill its duty of supervision and inspection, resulting in the occurrence of such defects in several branches in succession.</li> </ol> <p>(II) The status of improvement and handling of missing matters in the case:</p> <ol style="list-style-type: none"> <li>In order to strengthen the control measures for the custody of subpoenas, the Finance and Accounting Department has added relevant measures as follows: <ol style="list-style-type: none"> <li>Notified business units on July 28, 2021, August 13, 2021, November 17, 2021, and December 22, 2021 to revise the relevant specifications of the accounting practice manual (such as before the tenth business day of each month, the head of the business department of the custodian should check the number of subpoenas in the previous month, the date of binding in the subpoena directory book, the person in charge of handling and reviewing, the head of the business department of the custodian, and the non-accounting manager, while regularly in March every year take inventory of the number of subpoenas in the previous five years, etc.), and related control measures were included in the self-check question bank on August 12, 2021 and November 16, 2021, so that business units can familiarize themselves with the norms and follow them.</li> <li>A letter was sent on December 15, 2021 to reiterate the bank's destruction norms for subpoenas, account books and statements.</li> </ol> </li> <li>In order to prevent such cases from being notified immediately in accordance with the Bank's internal regulations and to fulfill the responsibility of the Head Office's supervision and inspection, the relevant measures are as follows: <ol style="list-style-type: none"> <li>The audit department of the board of directors issued a letter on December 17, 2021 to reiterate that all units should handle the reporting operation in accordance with the Bank's "Key Points for Notification of Major Incidents" when major incidents occur.</li> <li>Since 2022, if a business unit finds that there is a lost subpoena, the Finance and Accounting Department will deduct 5 points for each item under the "Accounting Management" item in the "Business Performance Measuring Index Allocation and Evaluation Standard Formulation Form".</li> </ol> </li> </ol>

Item	Case and Status of Improvement
	<p>II. The Bank's case of "a major incident in which a former member of the Xinzhuang Branch misappropriated a call for a loan to advance legal fees" was corrected by the Financial Supervisory Commission on July 7, 2022:</p> <p>(I) Check the relevant deficiencies as follows:</p> <ol style="list-style-type: none"> <li>1. When the accountants and supervisors of the Xinzhuang Branch claimed the money with the falsified court receipts, they failed to follow the bank's internal operating rules, review the originals of the relevant receipts, and verify that the account was disbursed. Amounts and other items, causing the forest staff to falsely report expenses and embezzle funds.</li> <li>2. The Bank did not include "whether the original receipts of various collection fees are consistent with the expense record sheet" in the internal audit and self-inspection items of the business unit, so that the fraudulent behavior of the forest staff could not be found in the existing audit procedures.</li> </ol> <p>(II) The status of improvement and handling of missing matters in the case:</p> <ol style="list-style-type: none"> <li>1. The Act strengthens the control over various collection fees, <ol style="list-style-type: none"> <li>(1) On April 15, 2022, the creditor's rights management department notified the business units that when handling various collection expenses, in addition to attaching the original receipts and entering the "expense record sheet" one by one, the new collection and review operation supervisor should In the "Expense Record Sheet" amount column and confirm with the original receipt, and standardize the expense record sheet to be kept by the supervisor.</li> <li>(2) On August 26, 2022, the business unit was notified that when the system executes the transaction of suing, adjudicating, and enforcement fees, the relevant fields and trial calculation functions to assist in verifying the correctness of the amount were added to assist the supervisor to manually review nuclear homework.</li> <li>(3) On May 27, 2022, the Finance and Accounting Department notified the business unit to amend the Bank's "Accounting Pre-audit Notes" to regulate that if the attached voucher is a photocopy, it should be checked against the original to strengthen the review of the voucher, and ask the business unit to conduct educational publicity to relevant personnel.</li> </ol> </li> <li>2. On May 5, 2022, the creditor's rights management department revised the self-inspection question bank, and included "whether the original receipts of various collection fees are consistent with the expense record table" into the inspection procedure; the audit department of the board of directors has started the previous project since June 2011 included in the internal audit work papers for review.</li> </ol> <p>III. The Bank solicited investment-type insurance policies. On November 3, 2022, the Financial Regulatory Commission approved and approved a one-month improvement in accordance with Article 164-1, Item 1 of the Insurance Law:</p> <p>(I) Check the relevant deficiencies as follows:</p> <ol style="list-style-type: none"> <li>1. The salesperson fails to fully explain the important content of the financial product.</li> <li>2. Failure to implement the verification mechanism after solicitation and before delivery.</li> </ol> <p>(II) The status of improvement and handling of missing matters in the case:</p> <ol style="list-style-type: none"> <li>1. Add warnings in the bank's "Insurance Agency Business Sales Service Description and Customer Confirmation Form" and mark them in enlarged bold text. After the customer confirms, check "Have fully understood the content of the insured product and confirmed that it meets my needs. Insured" then sign.</li> <li>2. For cases where the customer expresses that he does not know that the purchased product is insurance, in addition to the salesman's reply in the "note" and the business supervisor's review, a third person is added to confirm the phone call.</li> <li>3. In the monthly meetings of financial supervisors and the video courses of the code of conduct (including cases of violations of laws and regulations) of the Financial Management Institute, the salesperson should fully explain the important content of financial products to customers.</li> <li>4. In addition to confirmation by salespersons and sales managers of customer willingness to purchase insurance, when soliciting "investment-type insurance," it is now required for "non-financial business supervisors" to confirm customer willingness to purchase again. This confirmation should be documented on the "Insurance Case Delivery Schedule" form, specifying the review method and timing before signing.</li> </ol> <p>IV. The Bank's case of "the public pointing out doubts about the bank's handling of stakeholder credit." was corrected by the Financial Supervisory Commission on May 24, 2023:</p> <p>(I) The deficiencies are as follows:</p> <p>Inadequacies in the control, verification, and confirmation mechanisms regarding legal compliance matters concerning stakeholders.</p> <p>(II) The status of improvement and handling of missing matters in the case:</p> <ol style="list-style-type: none"> <li>1. Starting from the second quarter of 2023, the Bank has enhanced its search operations for external website news events related to current directors and supervisors, strengthening the review of their relatives' information to enhance the completeness of the Bank's stakeholder database.</li> <li>2. Starting in December 2023, the Bank implemented a process automation system to streamline manual tasks, using robotic process automation (RPA) for the aforementioned external website news event search operations.</li> <li>3. The enhanced improvement measures mentioned above were included in the internal audit workpapers in August 2023 to review the implementation status of relevant improvement measures.</li> </ol>
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><b>Hua Nan Commercial Bank</b></p> <p>Lin, a former staff member of the Xinzhuang Branch of the Bank, took advantage of his position between March 2019 and June-August 2021 to falsely report the payment collection litigation and other expenses. The Bank voluntarily reported the major incident on March 24, 2022, the money claimed by Lin for falsely reporting expenses has been returned with the assistance of his relatives, and the Bank has no financial loss.</p> <p>(I) To improve the handling of this case:</p> <ol style="list-style-type: none"> <li>1. The Act strengthens the control over various collection fees, <ol style="list-style-type: none"> <li>(1) On April 15, 2022, the creditor's rights management department notified the business units that when handling various collection expenses, in addition to attaching the original receipts and entering the "expense record sheet" one by one, the new collection and review operation supervisor should In the "Expense Record Sheet" amount column and confirm with the original receipt, and standardize the expense record sheet to be kept by the supervisor.</li> <li>(2) On August 26, 2022, the business unit was notified that when the system executes the transaction of suing, adjudicating, and enforcement fees, the relevant fields and trial calculation functions to assist in verifying the correctness of the amount were added to assist the supervisor to manually review nuclear homework.</li> <li>(3) On May 27, 2022, the Finance and Accounting Department notified the business unit to amend the Bank's "Accounting Pre-audit Notes" to regulate that if the attached voucher is a photocopy, it should be checked against the original to strengthen the review of the voucher, and ask the business unit to conduct educational publicity to relevant personnel.</li> </ol> </li> <li>2. On May 5, 2022, the creditor's rights management department revised the self-inspection question bank, and included "whether the original receipts of various collection fees are consistent with the expense record table" into the inspection procedure; the audit department of the board of directors has started the previous project since June 2022 included in the internal audit work papers for review.</li> </ol>
5. Other matters that should be disclosed as designated by FSC.	None

## (XV) Significant resolutions in Shareholders' Meeting and Board of Directors' meeting as of the date of 2023 annual report

### 1. Significant resolutions of the Board of Directors

Term and Session	Significant Resolutions
8th meeting, 8th term	I. Subsidiary Hua Nan Assets Management Co. handles the investment application and capital injection case of urban redevelopment for No. 851, Peibei Section, Tucheng District, New Taipei City.
	II. The commission and compensations for auditing and certifying the 2023 financial reports and certifying the income tax of the profit-seeking enterprise.
	III. The key points for setting up the Group Risk Management Committee of the Company and the amendments to the Group Risk Management Guidelines.
	IV. The new climate risk management policy of Hua Nan Financial Holdings.
	V. 2023 annual group credit risk concentration limit, trading book market risk limit, non-trading book loss warning value and capital adequacy ratio warning level.
	VI. The personnel case of the supervisor of the subsidiary Hua Nan Venture Capital.
9th meeting, 8th term	I. Amendments to the Company's "Group Legal Compliance Committee Setting Points".
	II. Amendments to the "Key Points of Maintaining Security of the Personal Data Files."
	III. Amendments to the Company's "Self-discipline Points for M&A Information Disclosure".
	IV. Amendments to the Company's "Employee Bonus Management Key Points".
	V. The 2022 performance appraisal case of President of the Company.
2nd extraordinary meeting, 8th term	I. The Company's 2022 remuneration distribution plan for directors and employees.
	II. The Company's 2022 annual financial report and business report.
10th meeting, 8th term	I. The Company's 2022 "Internal Control System Statement".
	II. The group's high climate risk industry quota case in 2023.
	III. Matters concerning the time, place and reason for the 2023 annual general meeting of shareholders of the Company.
	IV. The Company handles the nomination and announcement of candidates for the 8th by-election of directors.
	V. The 2022 performance bonus case for G.M. and above personnel of the Company.
	VI. The 2023 annual salary adjustment proposal for the G.M. and above personnel of the Company.
11th meeting, 8th term	I. Subsidiary Hua Nan Commercial Bank's application to the Ministry of Economic Affairs for subletting and sub-purchasing the premises of the Pei-Nankang Branch.
	II. The 2022 profit distribution (loss compensation) plan of each subsidiary company.
	III. The Company's 2022 surplus distribution plan.
	IV. The Company intends to apply for a one-year credit line from a financial institution.
	V. Amendments to the Company's "Key Points of Database Management".
	VI. Amendments to the Company's "Code of Practice on Corporate Governance".
	VII. It is proposed to consider the case of nomination of candidates for the by-election of the 8th term of directors by shareholders holding more than 1% of the Company's shares.
	VIII. It is planned to submit a proposal to lift the Company's 8th term of directors' non-competition restrictions at this year's general meeting of shareholders.
	IX. Amendments to the subsidiary Hua Nan Commercial Bank's "Key Points for the Remuneration Structure of the Chairman and Vice-Chairman".
	X. Amendments to the subsidiary Hua Nan Venture Capital's "Employee Bonus and Remuneration Distribution Key Points".
	XI. Amendments to the "Performance Bonus Payment Measures" of the subsidiary Hua Nan AMC.
12th meeting, 8th term	I. The Company's financial report for the first quarter of 2023.
	II. The pre-approved case of the Company's financial report to Deloitte Taiwan as a non-assurance service to the Company.
	III. The results of the Group's money laundering and terrorism risk assessment (IRA) in 2022, the risk appetite statement, and the 2023 anti-money laundering and terrorism prevention plan and its action plan.
	IV. Subsidiary Hua Nan Commercial Bank's renewal of its Collective Agreement with "Hua Nan Financial Holdings Co., Ltd. And Subsidiaries Union".
	V. Amendments to the subsidiary Hua Nan Investment Trust's "Employee Bonus Rules".
	VI. Subsidiary Hua Nan Investment Trust finalization of the "Key Points of the Remuneration Structure of the Chairman and President".
	VII. Personnel case of the subsidiary Hua Nan Assets Management Company Chairman.
13th meeting, 8th term	I. Finalization of the subsidiary South China Insurance's "Employee Bonus Compensation and Remuneration Distribution Key Points".
	II. Personnel case of the directors of subsidiary Hua Nan Commercial Bank.
14th meeting, 8th term	I. Drafted a proposal on August 25, 2023, as the base date for the Company to distribute cash dividends and issue new shares for capital increase.
	II. The Company made a customary donation to the Chinese National Association of Industry and Commerce, Taiwan (CNAIC) for the fiscal year 2023 as a contribution to the Board of Directors.
	III. Amendments to the Company's "Key Points for Internal Control System Self-Evaluation Processes".
	IV. Amendments to the subsidiary Hua Nan Commercial Bank's "Employee Bonus Management Key Points" and "Standards for Managers' Compensation Structure".
	V. Finalization of the subsidiary Hua Nan Securities' "Employee Bonus Management Key Points".
	VI. Finalization of the subsidiary Hua Nan Securities' "Employee Remuneration Management Key Points".
	VII. Subsidiary South China Insurance finalization of the "Key Points of the Remuneration Structure of the Chairman and President".
15th meeting, 8th term	I. The Company's financial report for the second quarter of 2023.
	II. Amendments to the "Organizational Regulations" of the subsidiary Hua Nan Investment Trust Co.
	III. Subsidiary Hua Nan AMC salary and remuneration proposal for the Acting Chairman Concurrent Position.

Term and Session	Significant Resolutions
16th meeting, 8th term	I. Annual renewal of the Group's directors' and managers' liability insurance.
	II. Procurement Report for Accounting and Investment Risk Management Systems for the subsidiary Hua Nan Investment Trust.
	III. Subsidiary Hua Nan Commercial Bank intends to apply to the competent authority to cycle issue non-cumulative subordinated financial bonds with no maturity date within NT\$10 billion.
	IV. The director transfer case for the subsidiary Hua Nan Securities.
	V. The personnel case of the Executive Vice President of the subsidiary Hua Nan Commercial Bank.
17th meeting, 8th term	I. Implementation of the Employee Stock Trust Program within the Group and the establishment of the "Hua Nan Financial Holdings Employee Stock Trust Implementation Guidelines".
	II. Chairman and President salary adjustment proposal for the subsidiary South China Insurance.
	III. The personnel case of the chief auditor of the subsidiary Hua Nan Investment Trust Co., Ltd.
	IV. The personnel case of the deputy general manager of the subsidiary Hua Nan Investment Trust Co., Ltd.
	V. The personnel case of the chief information security officer of the Company.
18th meeting, 8th term	I. The Company's financial report for the third quarter of 2023.
	II. Amendments to the "Subsidiary Management Guidelines".
	III. Amendments to the "Organizational Regulations" of the subsidiary Hua Nan Assets Management Company.
	IV. Amendments to the Company's "Employee Work Rules".
	V. The Company's "Dual Engine for Financial Holdings, Dual Wings for Banking" plan 2.0.
19th meeting, 8th term	I. Subsidiary's 2024 budget.
	II. The Company's 2024 budget.
	III. Amendments to the Company's "Employee Work Rules".
	IV. Amendments to the Company's "Implementation Key Points of Layered Responsibility" and "Appendix" (Detailed List of Layered Responsibility).
	V. Reappointment of the directors and supervisors of the subsidiary Hua Nan Assets Management Company, and the personnel case for its chairman and president.
	VI. The Company's "2024 Audit Plan".
20th meeting, 8th term	I. The commission and compensations for auditing and certifying the 2024 financial reports and certifying the income tax of the profit-seeking enterprise.
	II. The subsidiary Hua Nan Commercial Bank intends to apply to the competent authority to issue non-cumulative subordinated financial bonds with no maturity date within NT\$8 billion.
	III. 2024 annual group credit risk concentration, high climate risk industry limit, trading book market risk limit, non-trading book loss warning value and capital adequacy ratio warning level.
	IV. Amendments to the Company's "Employee Bonus Management Key Points".
	V. Amendments to the Subsidiary Hua Nan Commercial Bank's "Employee Bonus Management Key Points".
	VI. Amendments to the Subsidiary Hua Nan Securities' "Employee Bonus Management Key Points".
	VII. Amendments to the subsidiary South China Insurance's "Employee Bonus Compensation and Remuneration Distribution Key Points".
21st meeting, 8th term	I. Amendment to "Hua Nan Financial Holdings Co., Ltd. Group Risk Management Guidelines".
	II. Amendments to "Key Points of Transaction Management between Hua Nan Financial Holdings Co., Ltd. and its subsidiaries and interested parties".
	III. Amendments to the Company's "Director Election Procedures" and "Code of Practice on Corporate Governance".
	IV. The 2023 performance appraisal case of President of the Company.
3rd extraordinary meeting, 8th term	V. The Company's 2023 remuneration distribution plan for directors and employees.
	VI. The Company's 2023 annual financial report and business report.
22nd meeting, 8th term	I. The Company's 2023 Statement of Internal Control.
	II. To facilitate capital arrangement, the Company intended to apply for a one-year credit line from financial institutions.
	III. The time, location, and topics of discussions of the Company's 2024 annual shareholders' meeting.
	IV. Amendments to the Company's Points for Staff Salary Management.
	V. Amendments to subsidiary Hua Nan Bank's Points for Salary Management.
	VI. The case of vice president appointment of subsidiary South China Insurance.
	VII. The 2023 performance bonus case for G.M. and above personnel of the Company.
	VIII. The 2024 annual salary adjustment proposal for the G.M. and above personnel of the Company.
23rd meeting, 8th term	I. The case of earnings distribution (loss compensation) for all subsidiaries in 2023.
	II. The case of earnings distribution for the Company in 2023.
	III. Amendments to the Company's Article of Incorporation.
	IV. Amendments to the Article of Incorporation of subsidiary Hua Nan Securities.
	V. Capitalization of profits through the issuance of new shares for the Company.
	VI. The proposal of removal of restrictions on non-compete agreements for the 8th board of directors at the upcoming annual shareholders' meeting.
	VII. Amendments to the Company's Procedural Rules for the Board of Directors.
	VIII. Amendments to the Company's Audit Committee Organizational Regulations.
	IX. The draft of the Points for the Chairman's and President's Remuneration Structure for subsidiary Hua Nan Assets Management.

## 2. Important resolutions made by the general shareholders' meeting and their implementation in 2023

Date of the Meeting	Proposed Resolutions	Resolution	Implementation Status
2023.6.16	To approve the proposal for appropriation of 2022 earnings: Shareholders Cash dividend of NT\$0.59 per share	The affirmative voting shares exceeded the legal threshold. Proposed resolution approved.	1. The dividend distribution has been completed according to shareholders' resolution. 2. The 2022 dividend distribution in cash and through capital increase have been announced on 2023.08.02. 3. The cash dividend of NT\$0.59 per share for 2022 was distributed by the stock transfer agent Hua Nan Securities agent department through wire transfer or check sent by registered mail on 2023.09.08.
	Termination of non-compete obligations for the Company's directors.	Upon voting, the affirmative votes surpassed the statutory threshold; the resolution was approved as per the voting outcome.	The announcement was made in accordance with the resolution of the shareholders' meeting.

(XVI) 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.

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

(XVIII) Resignation or Dismissal of personnel related with financial reports (including Chairman, President, Heads of Accounting, Finance, and Internal Audit) during 2023 and as of the date of this annual report: None.

## IV Information on CPA Professional Fees:

Unit: In Thousands of New Taiwan Dollars

Accounting Firm	Name of CPA	Auditing Period	Audit Fees	Non-audit Fees	Total	Remarks
Deloitte Taiwan	Yi-Chun Wu	2023.1.1.~2023.12.31	2,500	1,888	4,388	
	Han-Ni Fang					

Note: Non-audit fees refer to the professional services fees including taxation certification, BEPS action plans, ISO 27001 certification consultancy fees, public expenses for non-managerial employees' salary information verification and ESG consulting.

(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 the Company changes its accounting firm and the audit fees paid for the year where such change took place are lower than those for the previous year, the amounts of audit fees before and after the change and the 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	2023.09.26		
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	NA	
	CPA declined to accept (continue with) the appointment	NA	
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, Han-Ni Fang
Date of Appointment	2022.09.26
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	2023		As of April 30, 2024	
		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	0	0	0	0
Institutional Representative of Chairman	Yun-Peng Chang	0	0	0	0
Vice Chairman (Major shareholder)	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	0	0	0	0
Institutional Representative of Vice Chairman	Ming-Cheng Lin	0	0	0	0
Director (Major shareholder)	Ministry of Finance	0	0	0	0
Institutional Representative of Director	Yao-Ching Li	0	0	0	0
Director (Major shareholder)	Bank of Taiwan	0	0	0	0
Institutional Representative of Director	Shih-Ching Jeng	0	0	0	0
Director (Major shareholder)	Bank of Taiwan	0	0	0	0
Institutional Representative of Director	Chou-Wen Wang	0	0	0	0
Director (Major shareholder)	Bank of Taiwan	0	0	0	0
Institutional Representative of Director	An-Pang Wang	0	0	0	0
Director (Major shareholder)	Bank of Taiwan	0	0	0	0
Institutional Representative of Director	Yu-Chen Wang	0	0	0	0
Director (Major shareholder)	The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin	0	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	0	0	0	0
Institutional Representative of Director	Chih-Yu Lin	0	0	0	0
Director	He Quan Investment Co., Ltd.	0	0	0	0
Institutional Representative of Director	An-Lan Hsu Chen	0	0	0	0
Director	He Quan Investment Co., Ltd.	0	0	0	0
Institutional Representative of Director	Yuan-Lin Hsu	0	0	0	0
Director	China Man-Made Fiber Corporation	0	0	0	0
Institutional Representative of Director	Vivien, Chia-Ying Shen	0	0	0	0
Director (Natural Person)	Chih-Yang Lin	0	0	0	0
Director (Natural Person)	Chen-Yuan Tu	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
Independent Director	Jui-Chia Lin	0	0	0	0
President	Yao-Ching Li	0	0	0	0
Chief Auditor and G.M. of the Auditing Department	Pi-E Huang	0	0	0	0
Executive Vice President	Greta Lin	0	0	0	0
Executive Vice President (Head Office Regulatory Compliance Supervisor)	Amy. M. C. Chiou	0	0	0	0
Chief Secretary of Board of Directors	Hui-Ling Hsu	0	0	0	0
G.M. of the Information Technology Department and Chief Information Security Officer	His-Han Chen	0	0	0	0
G.M. of the Marketing Department	Chao-Chi Yeh	0	0	0	0
G.M. of the Administration Department	Po-Hsun Chen	0	0	0	0
G.M. of the Risk Management Department	Han-Chun Hsieh	0	0	0	0
G.M. of the Finance Department and Chief of Corporate Governance	Shih-Wei Kuo	0	0	0	0
G.M. of the Law and Ordinance Compliance Department	Kun-Shu Hsu	0	0	0	0
Entity Holding a Stake of 10%or More Bank of Taiwan	Bank of Taiwan	0	0	0	0
Related Party Holding a Stake of 10%or More Bank Taiwan Life Insurance Co., Ltd.	Bank Taiwan Life Insurance Co., Ltd.	0	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.

## 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: 2024.04.23

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 (Shares)	Shareholding Percentage	Number of Shares (Shares)	Shareholding Percentage	Number of Shares (Shares)	Shareholding Percentage	Company Name (or Name)	Relationship	
Bank of Taiwan (Chieh-Cheng Lu)	2,896,525,649	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. (Chih-hung Chang)	524,236,888	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 Co., Ltd. (Yueh-Chin Chiu)	333,112,793	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)	296,569,243	2.17%	0	0	0	0	None	None	None
Yung Tsai Investment Co., Ltd. (Zhi-Mei Huang Yan)	262,688,864	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)	240,940,858	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 (Tsui-Yun Chuang)	231,907,810	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	184,177,065	1.35%	0	0	0	0	None	None	None
GTI in Custody for Dedicated investment account of Norges Bank	146,973,683	1.08%	0	0	0	0	None	None	None
J.P. Morgan Chase Bank as custodian of the Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	140,276,714	1.03%	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.	9,793,800,000	100.00	-	-	9,793,800,000	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	1,628,114	0.25	2,701,919	0.41	4,330,033	0.66
Hua Nan Securities Investment Management	-	-	3,718,319	99.95	3,718,319	99.95
Hua Nan 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

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## 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	Stock swap 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
2022.09	\$10	18,000,000,000	180,000,000,000	13,642,745,898	136,427,458,980	Capitalization of Earnings: 4,486,009,280	Ministry of Economic Affairs—Sep. 21, 2022—Letter No. of Ching-shou-shang-tzu-ti-11101172820

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	13,642,745,898	4,357,254,102	18,000,000,000	Listed stock

**(II) Shareholder Structure**

Date: April 23, 2024

Shareholder Structure Quantity	Government Agency	Financial Institution	Other Corporation	Individual	Foreign Company or Foreigner	Total
Number (people)	12	40	1,024	411,386	1,148	413,610
Shares of holding (shares)	3,852,466,496	492,356,511	2,794,200,004	3,999,627,198	2,504,095,689	13,642,745,898
Percentage of Ownership (%)	28.24%	3.61%	20.48%	29.32%	18.35%	100.00%

**(III) Status of Stock Dispersion**

Date: April 23, 2024

Level of Shares Held	Number of Shareholders	Ratio to the total number of shareholders(%)	Number of Shares Held	Ratio to the total number of shares (%)
1 ~ 999	150,284	36.33%	20,771,045	0.15%
1,000 ~ 5,000	155,959	37.71%	337,562,088	2.47%
5,001 ~ 10,000	40,076	9.69%	284,403,999	2.08%
10,001 ~ 15,000	20,245	4.89%	244,372,530	1.79%
15,001 ~ 20,000	10,493	2.54%	183,535,573	1.35%
20,001 ~ 30,000	11,754	2.84%	284,198,426	2.08%
30,001 ~ 40,000	6,213	1.50%	214,087,780	1.57%
40,001 ~ 50,000	3,660	0.88%	164,377,791	1.20%
50,001 ~ 100,000	7,828	1.89%	544,370,974	3.99%
100,001 ~ 200,000	4,087	0.99%	554,788,999	4.07%
200,001 ~ 400,000	1,626	0.39%	442,459,719	3.24%
400,001 ~ 600,000	450	0.11%	216,506,173	1.59%
600,001 ~ 800,000	209	0.05%	142,159,847	1.04%
800,001 ~ 1,000,000	137	0.03%	121,936,478	0.89%
1,000,001 above	589	0.14%	9,887,214,476	72.47%
Total	413,610	100.00%	13,642,745,898	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 23, 2024

Name of Major Shareholders	Shares	Shares of holding (shares)	Shareholding Percentage (%)
Bank of Taiwan		2,896,525,649	21.23%
Bank Taiwan Life Insurance Co., Ltd.		524,236,888	3.84%
First Commercial Bank		333,112,793	2.44%
Yuan Ding Investment Co., Ltd.		296,569,243	2.17%
Yung Tsai Investment Co., Ltd.		262,688,864	1.93%
The Memorial Scholarship Foundation to Mr. Hsiung-Chen Lin		240,940,858	1.77%
Ministry of Finance		231,907,810	1.70%
HWATAI Bank as custodian of Trust Account		184,177,065	1.35%
CITI in Custody for Dedicated investment account of Norges Bank		146,973,683	1.08%
J. P. Morgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		140,276,714	1.03%

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

Item		Year	2023	2022
Market value per share (Note 1)	Highest		23.60	25.70
	Lowest		20.20	19.90
	Average		21.94	22.68
Net value per share (Note 2)	Before issuance		15.23	13.55
	After issuance		Note 8	13.55
Earnings Per Share	Weighted average of shares (thousand shares)		13,642,746	13,642,746
	Earnings per share—before adjustment (Note 3)		1.58	1.27
	Earnings per share—after adjustment (Note 3)		Note 8	1.27
Dividend per share	Cash dividend		Note 8	0.59
	Stock dividend	Appropriated from retained earnings	Note 8	None
		Appropriated from capital surplus	Note 8	None
	Accumulated undistributed dividends (Note 4)		None	None
Return on Investments	Price/earnings ratio (Note 5)		13.89	17.86
	Dividend ratio (Note 6)		Note 8	38.44
	Cash dividend yield (Note 7)		Note 8	2.60%

\* 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 2023 earnings distribution will be resolved in the 2024 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\$1.30 per share, which comprise cash dividends of NT\$1.20 per share totaling NT\$16,371,295,078 and stock dividends of NT\$0.10 per share totaling NT\$1,364,274,580. Cash dividends of NT\$1.20 per share is about 92% of dividends of NT\$1.30 per share, stock dividends of NT\$0.10 per share is about 8% of dividends of NT\$1.30 per share.

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

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies and Taiwan Stock Exchange Corporation Standards for Determining Whether a TWSE Listed Company Shall Publish Complete Financial Forecasts, the Company does not publicize financial forecasts for 2024's, and therefore is unable to disclose information containing predictability including operating income, operating loss, and earnings per share.

**(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 2023 employee compensation and director remuneration are estimated pursuant to the Articles of Incorporation of the company and profits in 2023 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 2023, NT\$215,375 thousand was distributed to directors for remuneration, and NT\$21,364 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 2022 director remuneration and employee compensation distributed in 2023 were NT\$174,552 thousand and NT\$14,734 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 B	2019 First term of unsecured ordinary corporate bonds	2022 First term of unsecured ordinary corporate bonds— Issue A	2022 First term of unsecured ordinary corporate bonds— Issue B	2022 First term of unsecured ordinary corporate bonds— Issue C
Issuance (processing) date		Jan. 9, 2018	Jan. 9, 2020	Dec. 12, 2022	Dec. 12, 2022	Dec. 12, 2022
Face Value		NT\$10,000,000	NT\$10,000,000	NTD 10,000,000	NTD 10,000,000	NTD 10,000,000
Place of Issuance and Transaction		R.O.C.	R.O.C.	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	Issued according to 100% of face value	Issued according to 100% of face value
Total Amount		NT\$5 billion	NT\$5 billion	NT\$3 billion	NT\$1 billion	NT\$1 billion
Coupon Rate		Fixed annual rate of 1.75%	Fixed annual rate of 0.88%	Fixed annual rate of 2.15%	Fixed annual rate of 2.40%	Fixed annual rate of 2.70%
Term		10 years, maturity date: January 9, 2028	10 years, maturity date: January 9, 2030	5 years, maturity date: Dec. 22, 2027	7 years, maturity date: Dec. 22, 2029	10 years, maturity date: Dec. 22, 2032
Priority order of compensation		Placed behind all other company creditors	Normal order	Normal order	Placed behind all other company creditors	Placed behind all other company creditors
Warranty Agency		None	None	None	None	None
Trustee		Yuanta Commercial Bank Trust Department	Yuanta Commercial Bank Trust Department	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	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	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: Ting- Sheng Chang, Kuang-Chung Lai	Deloitte & Touche: Yi-Chung Wu, Han-Ni Fang	Deloitte & Touche: Yi-Chung Wu, Han-Ni Fang	Deloitte & Touche: Yi-Chung Wu, Han-Ni Fang
Terms of Payment		One-time payment upon maturity	One-time payment upon maturity	One-time payment upon maturity	One-time payment upon maturity	One-time payment upon maturity
Unpaid Principal		NT\$5 billion	NT\$5 billion	NT\$3 billion	NT\$1 billion	NT\$1 billion
Provisions for redemption or advance payoff		None	None	None	None	None
Restrictive Clauses		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 extend- ed term).	None	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 extend- ed term).	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 extend- ed term).
Inclusion in qualifying capital		Yes	No	No	Yes	Yes
Name of Credit Rating Agency (CRA), Rating Date, and Results of Corporate Bond Ratings		None	None	None	None	None
Other Appended Rights	Amount of converted (exchanged or sub- scribed) ordinary shares, GDRs, or other securities as of the annual report publishing date	None	None	None	None	None
	Issuance and conversion (swap or subscription) methods Rules and Procedures	None	None	None	None	None
Dilution Effect and Other Effects on Existing Shareholders Caused by the Issuance, Conversion, Trade, or Sub- scription, and Issuance Condition of Shares		None	None	None	None	None
Name of the Custodian Institution En- trusted with Securities to be Converted		None	None	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

Continuous improvement  
and pursuit of excellence  
Take responsibility in the  
face of challenges

## V. Business Overview

### I. Details on Group Businesses

#### (I) Hua Nan Financial Holdings

##### 1. Business scope:

##### (1) Businesses:

- A. The Company is engaged in the financial holding business. According to the Financial Holding Company Act, the Company should ensure the sound operation of its subsidiaries' businesses, which are limited to investment and management of invested businesses.
- B. According to Article 36 of the Financial Holding Company Act, the Company may invest in the following businesses:
- |                              |   |
|------------------------------|---|
| a. Financial Holding Company | g. Securities enterprises   |
| b. Banking enterprises       | h. Futures enterprises  |
| c. Bills financial business  | i. Venture capital business   |
| 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 enterprise      |   |
- C. In addition, according to Article 37 of the Financial Holding Company Act, any financial holding company and its representative shall not act as directors or supervisors or appoint persons to be managers of businesses other than those specified under the second paragraph of Article 36 of the Financial Holding Company Act for which approval must be obtained from competent authorities, except with the consent of the competent authorities. The total amount of investments in other businesses by a financial holding company shall not exceed 15% of such company's net value. The investments in other businesses by a financial holding company shall not exceed 5% of the investee's total issued voting shares.
- D. The subsidiaries of Hua Nan Financial Holdings Co., Ltd. include Hua Nan Bank, Hua Nan Securities, South China Insurance, Hua Nan Investment Trust, Hua Nan Venture Capital and Hua Nan Assets Management Company. According to Article 6 of the Regulations Governing Cross-selling Among Subsidiaries of Financial Holding Company, cross-selling businesses shall be conducted among subsidiaries of a financial holding company, mainly including deposit account opening, credit cards, securities brokerage, futures, funds, insurances and pension trust. Hua Nan Financial Holdings utilizes the channel advantages and large customer bases of its subsidiaries to cross-sell its products, thus complementing each other's business and achieving resource integration and co-prosperous development. In addition, we have strengthened the integration of joint marketing business cooperation with corporate customers and established a promotion mechanism to enhance business capacity and risk control, in order to improve service efficiency through precise marketing and create a professional image of the Group's product units, so that corporate customers will gradually become the core of the Group's development.

##### (2) Proportion of business operations over the past two years:

Unit: In Thousands of New Taiwan Dollars

Item	Year	2023		2022	
		Amount	%	Amount	%
Returns on investments recognized by equity method	Hua Nan Commercial Bank	20,054,844	89	16,727,056	92
	Hua Nan Securities	1,506,115	7	1,106,900	6
	South China Insurance	916,175	4	457,722	3
	Hua Nan Investment Trust	( 9,710)	- (	3,271)	-
	Hua Nan Venture Capital	77,694	-	47,329	-
	Hua Nan Assets Management Company	27,018	-	145,804	1
	Lateral-flow transaction write-off (Note)	-	- (	278,861)	( 2)
	Subtotal	22,572,136	100	18,202,679	100
Other revenues		42,210	-	36,512	-
Total		22,614,346	100	18,239,191	100

Note: The 2022 profit of the Company offset the real estate income generated from the real-estate transaction between HNCB and HNMC for NT\$278,861 thousand.

## 2. 2024 business plan:

The Company's business plan for 2024 is to "improve capital utilization efficiency", "enhance financial and risk management", "optimize performance appraisal, reward and remuneration systems", "deepen digital transformation", and "keep up with the development trend of sustainable finance", which are introduced as follows in detail:

### (1) To improve capital utilization efficiency

- A. Promote inclusion of capital utilization efficiency in the performance appraisals of the subsidiaries and branches; provide behavioral incentives for guiding businesses; adjust structures of risk assets and pricing strategies and conduct risk assessment; focus on businesses which yield higher returns on capital, to increase overall customer contributions.
- B. Continue to optimize the lending business' asset structure and appropriately control its lending volume to maintain a small volume and stable growth as the main axis of development and guide the business units to increase the lending rates in a timely manner to achieve the surplus target, taking into account the revenue and capital utilization efficiency of the credit business.
- C. In response to the market environment, diversify sources of income, reduce reliance on interest income, provide a full range of asset allocation and consulting services such as brokers, investment, insurance, trusts, and real estate, and launch a high-asset wealth management business to increase the fee income from corporate credit, foreign exchange, deposits, and guarantees.
- D. Invest in diverse assets and make dynamic adjustments; improve capital utilization efficiency and take advantage of widened Taiwan-US interest spreads to undertake USD/TWD swaps, in order to improve performance in financial operations.

### (2) Enhance financial and risk management

- A. In accordance with the Ministry of Finance's "Two Engines for Financial holding companies and Two Wings for Banks" 2.0, draft the "plan for increasing profits in the next three years." Set the Company's profit goals top down through the Group and perform annual rolling review. Synchronously adjust the 3-year profit goals according to the profit increase and decrease within the industry in the year of plan execution.
- B. Increase cash dividend payout ratio, avoid over inflation of capital stock and dilute dividends.
- C. Continue to optimize and build a risk management mechanism that keeps pace with the times, dynamically adjust risk management indicators, capture changes in risk exposure, and make timely analysis and recommendations to enhance risk control and early warning functions.
- D. In order to quickly respond to the impact of drastic changes in the market at an early stage, the Group's capital adequacy ratio estimation incorporates situational analyses and forecasts the possible points of capital adequacy ratios of the Group and its subsidiaries for each month until the end of the year.
- E. In line with the Company's three-year financial planning blueprint, strengthen the management of capital utilization efficiency, including the regular reporting of target achievement and countermeasures, as well as the evaluation of the possible impact of important events (such as adjustments to business strategies or capital accrual regulations) and recommendations.

### (3) Optimize performance appraisal, reward and remuneration systems

- A. Enhance the financial holding company's and its subsidiaries' combination of their reward, remuneration and performance appraisal systems with corresponding performance ratings to encourage each company to continue to improve and actively increase profits, so as to jointly enhance the Group's overall ranking and market position for the purpose of increasing the colleagues' awareness of hardships and strengthening organizational competitiveness.
- B. The reward, remuneration and performance appraisals will focus on indexes of business efficiency, including return on assets (ROA), return on equity (ROE), earnings per share (EPS) and capital utilization efficiency. Avoid using impact scale and value as indexes for measurement, to ensure that the companies will consider their asset and capital utilization efficiency while increasing their profits.

- C. Enhance behavioral incentives by changing reward, remuneration and performance appraisal methods, to effectively guide managers and employees to be more efficient, shape Corporate cultures and attract talents to join in the Group.
- (4) Deepen digital transformation
  - A. Set up smart services - continue to develop various smart services and experiment with generative AI to accelerate internal knowledge transfer and expand RPA applications to improve operational efficiency.
  - B. Create data value - establish a modern data platform and expand data analysis and business application scenarios to enhance the efficiency of data usage and the value of data application.
  - C. Leverage cloud flexibility - continuously develop cloud-native technologies and introduce cloud-based collaborative work frameworks to improve employee productivity, and utilize cloud services to accelerate the delivery of digital content and increase resource utilization.
  - D. Enhance information security resilience-improve information security monitoring and control, introduce a zero-trust framework, implement defense drills, and cultivate information security talents.
  - E. Through the three digital transformation strategies of convergence of value-added information (knowledge economy), strengthen of integrated services (collaborative integration), and partner with customer experience (generational layout), aim to satisfy the needs of financial and digital life of customers of different generations, and upgrade to become a leading group in the digital financial field.
- (5) Keep up with the development trend of sustainable finance
  - A. Deepen GRC cultures 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. Through constant implementation of the Group's key compliance matters, consistent compliance standards and regulations, periodical Group compliance meeting and reporting mechanism, investigation of project and implementation effects, compliance risk appraisal, analysis and management of violations, and continuous monitoring and assessment, the Group continues to implement the compliance system, whistle-blowing system, and the principle of fairness in handling customer complaints for ensuring the effectiveness of implementation.
  - C. Continue to optimize the functions of the compliance information reporting system and the Group's money laundering prevention information sharing platform, plan and discuss with the information unit the establishment of the Group's compliance management system, and strengthen the hierarchical management of subsidiaries' legal compliance affairs, in order to assist in identifying the weaknesses of their legal compliance, protect the company's rights and interests, and reduce legal risks, and to further enhance the effectiveness of compliance management and operations.
  - D. The Group continues to strengthen its corporate governance, fulfill its corporate social responsibility and practice environmental sustainability. In addition to complying with the Action Plan for Sustainable Development of Listed and OTC Companies issued by the FSC in 2023, the Action Plan for Green Finance 3.0 issued by the FSC in 2022, and the specific implementation plan of the ESG Advocacy Platform issued by the Ministry of Finance (MOF), as well as the standards of TCFD (Task Force on Climate-related Financial Disclosure), SASB (Sustainable Accounting Standards Board), and IFRS S1, S2. The Group also conducts regular education and training programs on sustainability, with a view to integrating these issues into its operations. Following the domestic and international trend, the Group has also adhered to ESG spirit undertaking business, undertaken the responsibility of investment and financing, and continuously assisted industries of green energy technology and circular economy in sustainable operation.
  - E. Under the decent sustainability governance architecture, clarify main themes of ESG, define main jobs and set short-term, mid-term and long-term objectives for different projects. In addition to regular reviews of target performance, rolling adjustments are made annually. Cooperate with the companies of the Group by labor division to realize objectives through joint efforts. Realize sustainable development with countries and the society.



### 3. Industry overview:

#### (1) Financial management

In 2023, the overall financial sector net income before tax was NT\$703.6 billion, an increase of 46.7% compared to the previous year. The reasons for this increase by sector are explained below:

- A. Banking: The banking sector's pre-tax profit was approximately NT\$505.7 billion in 2023, an increase of 17.03% from the previous year, mainly due to the growth in net investment income and net fee income.
- B. Securities and futures: the securities and futures sector earned NT\$99.8 billion before tax in 2023, an increase of 50.98% from the previous year, mainly due to the increase in brokerage and proprietary profits as a result of the increase in the price and volume of Taiwan stocks.
- C. Insurance : the insurance sector reported a net profit before tax of NT\$98.1 billion in 2023, a turnaround from a loss of NT\$18.6 billion in the previous year, mainly due to the rebound in equity and debt and the expiration of claims for pandemic prevention insurance.

#### (2) Marketing

In terms of FinTech issues, the most relevant FinTech development themes for the next five years are, in order, Artificial Intelligence (AI), Digital economy, Open finance, and Embedded finance.

AI will affect the business model and customer engagement, and with the "Core Principles and Policies for the Application of Artificial Intelligence (AI) in the Financial Sector" issued by the competent authority on October 17, 2023, which reveals the six core principles and eight supporting policies for the application of AI in the financial sector in R.O.C. and the release of the draft of "Guidelines for the Application of Artificial Intelligence (AI) in the Financial Sector" for public consultation on December 28, 2023, it will affect the scope of the application of AI in R.O.C.'s financial sector.

The use and growth of digital platforms will kick-start the digital economy, which in turn will drive the development of more embedded financial products. Open finance will be used in more scenarios with the consent of customers through data sharing, realizing cross-border new business models and product innovation, and improving the consumer experience as the key direction of operating the financial ecosystem.

### 4. Research and development

The Company's R&D expenditures for employee training in 2023 and 2022 amounted to NT\$1,463 thousand and NT\$1,649, respectively. Our future R&D programs will be implemented in accordance with the Company's development strategies. The Company shall, when 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. AI intelligence (AI): It was the first time that AI dialogue mobile banking emerged. In addition, AI smart stock selection, AI smart customer services, AI smart financial planning, AI smart quotation system and other smart innovation services were launched in succession, among which AI smart stock selection and AI smart quotation system have obtained patents in 2022. In the future, we will continue to apply AI to develop new business services.
- b. Digital economy: Through the Group's official website, mobile banking, internet banking, cloud banking, securities order APP, online insurance, social media and other digital trading platforms, the Group collects and utilizes the data of platform users and combines them with offline information for precise marketing.
- c. Open finance: Through APIs and third-party service providers (TSPs), we have completed the first phase of "Public Information Inquiry" for "Open Banking" and "Open Securities" and cooperated with Taiwan Depository & Clearing Corporation to launch the second phase of "Consumer Information Inquiry".
- d. Embedded finance: Continuously promote Group and cross-industry cooperation to gradually cross over to other areas, embedding financial products and services into the end-to-end customer journey of cross-industry partners to build a more complete financial ecosystem.

B. Future R&D plans are as follows:

Hua Nan Financial Holdings aims to meet the digital financial needs of various generations, aspiring to be a leading group with a significant voice in digital finance. Future strategies include "converging value-added information, enhancing synergistic services, and accompanying customer journeys," along with digital teams, digital talent, and data governance with infrastructure to coordinate and integrate digital transformation strategies of subsidiaries such as Hua Nan Commercial Bank, Hua Nan Securities, and South China Insurance.

- a. Convergence of value-added information: Set up a cross-border copywriting team, establish an issue strategy and output mechanism, operate the Group's image through digital channels and optimize customer experience through data analysis and management, in order to become a leading group with a voice in digital finance.
- b. Strengthen of integrated services: Establish the Group's sales collaboration mechanism and strengthen the Group's sales culture by re-engineering the end-to-end customer journey, automating the transaction process and internal workflow, building a co-sales collaboration platform, and empowering and educating sales personnel.
- c. Partner with customer experience: Conduct analysis and research on customers of all generations and formulate treatment plans, create a customer-centric human-machine collaboration business model, optimize data sharing to enhance customer experience, and carry out precision marketing.

(2) Risk management

A. Enhance the Group's Market value at Risk(VaR) system

In accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and with reference to the "Fundamental Review of the Trading Book (FRTB)" in the "Basel II," market risk capital accrual rules are established in the Group's Market Value at Risk System (VaR) to facilitate the calculation of the capital required for market risk.

B. Achieve balance between risks and returns

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 solid capital adequacy.

C. Achieve balance between risks and returns

In line with the Ministry of Finance's ESG Initiative Platform, introduced the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2023 and passed the British Standards Institution's (BSI) audit in June, achieving the highest level of BSI's "Level-5+: Excellence".

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

(1) Financial management

A. Short-term

- a. Improve capital utilization efficiency.
- b. Enhance financial and risk management.
- c. Optimize performance appraisal, reward and remuneration systems.
- d. Deepen digital transformation.
- e. Keep up with the development trend of sustainable finance.

B. Long-term

Pursue capital efficiency to enhance peer ranking, green and digital dual transformation towards a quality financial institution with sustainable operations.

## (2) Marketing management

## A. Short-term business development plan:

- a. Promote the Group's personal finance customer development program, continue to expand our customer base and proactively develop the young customer segment in preparation for our future medium- to long-term development. Also seek to cultivate existing customers through customer segmentation, gain insight into customer needs, explore possible expansion opportunities, and enhance customer retention and customer contribution.
- b. Continuously promote the business of Corporate and non-Corporate customers with credit granted to them, so as to increase customer stickiness and enhance customer value.
- c. Integrate the products of our subsidiaries into innovative composite products, plan appropriate composite merchandising activities to satisfy the needs of different customer segments for packaged financial products and to maximize the Group's marketing effectiveness by focusing on the values and aspirations of different generations of target customers.
- d. The Group has set up the "group digital agile action workshop" to highly integrate the human resources, resources and technologies of the Group and its subsidiaries. Through the workshops, the Group's financial control coordinates and integrates the subsidiaries' various co-marketing planning and development work, so as to achieve the re-engineering of the end-to-end journey of cross-subsidiaries' customer guidance and transaction application.
- e. Guide employees to garner various business marketing licenses to strengthen the professional image and business capacity of all employees for providing professional consultation to our customers, achieving the goal of marketing across the board.

## B. Long-term business development plans:

- a. In response to the development of digital channels, we continue to integrate resources from subsidiaries, enhancing the application of cyber-physical integration. By linking online and offline for customer solicitation, we optimized the functionality within the Group's ecological circle to enhance the service experience across subsidiary products and financial interactions. Moreover, data analytics are used dynamically to adjust digital marketing strategies, improving customer solicitation and acquisition within the Group.
- b. In response to open data sharing of the competent authorities, integrate the Group's cross-subsidiary resources, actively develop the Group's financial ecosystem, and conduct cooperation across industries, to build an ecosystem where consumers fully integrate with financial flows in terms of food, clothing, housing, transportation, education, and entertainment, creating new business models.
- c. Continue to refine our customer management model, adjust our customer development plan on a rolling basis, and deepen our customer base management through data management. Through the strategy of generational layout, the Group plans and promotes appropriate products and services for each customer group through the entire Group's product line, so as to increase the depth and breadth of the relationship between the customer groups of each generation and the Group, and to implement a customer-oriented business mindset to accompany the customers in their journeys.
- d. Continue to utilize the "Hua-well Points" to implement our membership program, and reward points are used to attract our customers and make them feel it's worth engaging in this program, and the cumulative points mechanism is used to enhance the breadth and depth of our relationship with our customers to increase the value of our customers and their retention rate.

**(II) Hua Nan Commercial Bank****1. Businesses scope:****(1) Main businesses:**

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.
- General foreign exchange transactions, inbound/outbound wire transfer, and foreign currency deposits.
- Engage in trading foreign- currency notes.
- Engage in derivative financial product business approved by the competent authorities.
- Engage in businesses prescribed by the Trust Enterprise Act.
- Eng age 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 superfices 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.
- Financial products and services for high-net-worth customers.

## (2) Proportions of main businesses

### Summary of Income from Main Businesses

Unit: In Millions of New Taiwan Dollars

Business item	Year	2023		2022		Increase/(decrease)	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage(%)
Corporate banking		24,377	22%	17,396	25%	6,981	40%
Consumer banking		20,198	18%	16,142	23%	4,056	25%
Financial transactions		32,388	29%	8,805	13%	23,583	268%
Foreign exchange		27,628	24%	19,818	29%	7,810	39%
Trust and wealth management		5,666	5%	4,836	7%	830	17%
Others		2,185	2%	2,264	3%	(79)	(3%)
Total main incomes		112,442	100%	69,261	100%	43,181	62%

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:

- Set up "Hua Nan Bank +" flagship APP as the main APP for the Bank's personalized gold digital channel, with customer experience, innovation and customer orientation as the main designs, and integrating digital channel resources, customers can easily apply for many services such as fund utilization, investment and finance, credit card, SnY products, and more innovative and expanded functions through "Hua Nan Bank +", providing customers with one-stop digital financial experience and more comprehensive and rich digital channel services.
- Build "an integrated application platform for personal financial products", to make one-stop financial services available to the customers to buy what they want. Integrate SnY digital account opening, trust account opening, application for preferential interest rates, application for credit cards, financial management (Hao Ji Zhi) and other online applications into a single application portal. The system automatically integrates data so that the customers needn't fill in the same data repeatedly, thus shortening application procedures and providing more opportunities for digital brand exposure.
- Build the "unified notification platform" to provide customers with personalized subscription services, dividing the Bank's 65 notification services into rights and marketing. Customers can customize their notification channels (e.g., APP push, e-mail, LINE BC) according to their own preferences, returning the autonomy of receiving notifications to customers and avoiding excessive notifications, thus enhancing customer experience and the image of the Bank's digital services.
- Take the initiative to care for our customers from the "heart" and implement fair banking services.
- In response to digital transformation of finance, promote digital transformation with robotic customer services, to improve efficiency of customer services and divert consultations.
- Provide a wide range of channels for customer inquiries and complaints, including a free 24-hour customer service hotline, Internet phone number, suggestion mailbox on the official website, chatbot customer service and SMS service, etc., and implement after-trace services to protect customers' rights and interests.



- Enhance promotion of businesses for small and medium-sized enterprises (SMEs), increase loans for the SMEs achieving more desirable revenues, and enhance the competitiveness of the SMEs in credit loans.
- In response to governmental ESG policies for strengthening promotion of energy storage, offshore wind power, water resources, environmental protection and green energies, plan related products, education and training, to seize green credit business opportunities derived from Corporate sustainable development, cooperate with the government to promote Green Finance Action Plan 3.0 for active expansion of financing to related industries, and seize business opportunities for enterprise transformation and upgrading.
- Promote application of enterprise mobile banking APP and increase KPI of digital customer groups.
- Carry out urban renewal, old and dilapidated buildings reconstruction; improve professional brand image within the industry, and increase the Company's revenues from deposits, credit loans and trust businesses.
- Plan the structure of the syndicated loan cases, submit applications and complete the organization of the syndicated loan cases, as well as strengthen the communication and cooperation among peers to avoid price competition, taking into account the earnings of the syndicated loan and the smooth fund-raising.
- In combination with governmental policies, constantly promote “three major plans for investment in Taiwan” in respect of enterprises returning to Taiwan for investment, provide special loans and services, and actively develop credit loan businesses.
- Promote net zero transformation financing programs to meet the working capital or capital expenditure needs of customers and their supply chain for net zero transformation.
- Expand the volume of import and export business and the scale of domestic and foreign currency lending, extend the Bank's new customer base for import and export business, and deepen the cultivation of existing customers.
- As the trend of interest rate hike by the Central Bank is slowing down, the market is gradually adapting to the higher mortgage rates and the regulatory policies, the housing market is expected to be supported by the rigid demand market. We will continue to stimulate the effect of the New Youth Loan for Home Starter, together with the three core strategies of the block loan and the annual loan promotion program, to increase the overall operating volume of the housing loans. In addition, we will also actively pursue the whole lot mortgage loan derived from civil engineering financing, and through the development of the whole lot mortgage loan business, generate mortgage life insurance business opportunities, increase handling fee income, and enhance our overall contribution. At the same time, we also adjust our housing loan regulations to keep abreast of the times. In view of the fact that some administrative districts have gradually developed and matured with the continuous growth of their population in recent years, we have adjusted the applicable loan-to-value ratios in some administrative districts according to the number of households and density of the population to strengthen the competitiveness of the Bank.
- Continue to optimize the online end-to-end journey experience for our customers by building the “an integrated application platform for personal financial products” to optimize the credit application process page, and at the same time, introduce automatic OCR ID card recognition to simplify the application form fields for customers to fill out online to enhance the customer experience.
- Through our excellent custodian team and service capacity, become a trusted professional custodian bank and the second largest bank in terms of custody of investment funds.
- Continue to diversify our third pillar product line by introducing fund products that meet market demand. By providing customers with a wide range of product lines, satisfy customers' diversified financial needs and increase the size of our non-discretionary monetary trust business.
- Through the integration of resources, cross-departmental and cross-industry cooperation, capitalize on the synergy between trust business and wealth management to meet the diversified financial needs of customers, strengthen the retirement banking team and combine it with the high-net-worth team to shape the Bank into a leading brand in the retirement profession.
- New financial products and services to be developed: Focus on user experience and value creation, promote end-to-end critical journey reengineering to enhance customer service experience and satisfaction, and reduce the occurrence of customer complaints.

- Continuously expand ATM service functions, optimize the operation interface and streamline the transaction process to enhance customer experience and shorten transaction time.

## 2. 2024 business plan:

- (1) Continue to increase the number of foreign currency deposits in Taiwan at a reasonable cost, emphasizing both quality and quantity.
- (2) Promote and effectively manage the Bank's payroll transfer deposit customer base to enhance the Bank's surplus.
- (3) Constantly absorb and consolidate sources of funds in foreign currencies.
- (4) To be aligned with the policy of the parent Financial Holdings, the Group cooperates closely with its affiliates to increase the number of its products held by customers, set objectives of cross-selling and increase service charge incomes.
- (5) Promote digital transformation, through the business remodeling strategy, built up "Digital Branches" of Hua Nan Commercial Bank. Adhering to the core orientation of customer needs, utilize innovative thinking and introducing financial technology, focusing on the dual-engine plan of "digital channel optimization" and "digital customer base management," aim to increase the "satisfaction" and "contribution" of its digital branches, and promote digital branding to increase the depth and breadth of customers' use of digital services.
- (6) Digital channel optimization focuses on "customer experience" and "action priority". By improving the Bank's "pre-, mid-, and post-digital platform" processes for application, transaction, and notification, as well as promoting the digitization of the Bank's products/services, incorporate "human interaction" into the digital financial experience and provide "warm" digital financial services, in order to enhance customer satisfaction and to manage the purchasing power of its digital channels, thus boosting our digital revenues.
- (7) Digital customer base management is based on the strategies of "segmentation management" and "precision marketing", using data-driven approaches to guide customer needs, formulate customized marketing plans, and establish a tracking mechanism for the marketing effectiveness of all channels (EDM, SMS, and LINE), and then create real flow through social media traffic to increase the number of products per customer and the degree of contribution.
- (8) Combine digital services and products, to enhance the satisfaction to the robot customer service and business opportunities.
- (9) Introduce "Intelligent IVR Voice Guidance Service" to effectively divert service traffic and optimize customer service experience.
- (10) Integrate the marketing resources of corporate finance business, to proactively develop corporate finance business, and to continue to promote the priority transfer of SME credit to the Credit Guarantee Fund in order to expand the credit insurance business of target customers.
- (11) Promote the "Net Zero Transformation Project for SMEs", through cooperation with external consultants, provide professional consulting and counseling services, deepen the relationship with customers, and plan supporting financing projects, in order to strive for green financing opportunities derived from the sustainable development of enterprises.
- (12) Expand the foundation for syndicated loans, strengthen high-quality project development and reinforcing cooperation with peers in the financial industry to jointly organize syndicated loans, for increasing the Bank's market share in the syndicated loan market and increase the income from service charges of the syndicated loans.
- (13) Integrate resources in the Group to constantly explore high-quality urban renewal and reconstruction of dangerous and old buildings projects. Continuously communicate with related government authorities, as well as constructors, land developers and building management companies experienced in integration, and maintain good relationships with them, to obtain instant business opportunities.
- (14) 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.

- (15) Enhance customer satisfaction in corporate digital channel services, corporate Internet banking and corporate mobile banking.
- (16) Increase commission income from Corporate banking, strengthen the professional knowledge and marketing capability of Corporate banking personnel so as to provide customers with customized financing solutions, shape ideas on fee collection and expand the sources of commission income from Corporate banking.
- (17) Plan related products, education and training in combination with changes in governmental ESG policies. In response to governmental ESG policies for strengthening promotion of energy storage, offshore wind power, water resources, environmental protection and green energies, plan related products, education and training, to seize green credit business opportunities derived from Corporate sustainable development to guide progressive transformation of the credit loan customers.
- (18) Lay out the business plans for interest rate reduction, actively pursue DBU foreign exchange business, organize the DBU foreign exchange business promotion campaign to strengthen the promotion momentum, and expand the proportion of the business to simultaneously increase the foreign exchange handling fee income.
- (19) Actively expand the scale of overseas profit-generating assets and enhance the efficiency of capital utilization, and seek to expand the scale of our overseas credit insurance business by increasing the portion of our credit facilities in the new southbound countries and strengthen our overseas captive lending business to increase our overall profits and raise the proportion of overseas profits.
- (20) 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 for customers.
- (21) Focus on the development of batch household loans and house loans for high-quality customers, obtain batch household loans through lending with other personal funds of the builder's civil construction financing and cross-selling of related personal funds products for house loans for high-quality customers, and increase the mortgage loan performance rate and increase the fee income by focusing on the batch household loans for the insurance.
- (22) Apply big data to conduct accurate telemarketing of credit products, and at the same time, in line with the digital transformation, make good use of big data analysis capabilities, focusing on the Bank's payroll transfer accounts and nearly one million credit card customers to expand credit business, and the branch channel with the telemarketing team and other diversified channels of revenue to increase the Bank's credit business volume.
- (23) Plan competitive credit card benefits, introduce new consumer segments, and utilize spending incentives through various channels to enhance the overall spending intentions of cardholders, as well as strengthen the services of the top credit card brands in order to manage high-asset or high-spending segments; at the same time, expand the scale of the corporate business card operation, and plan and organize promotional activities for the corporate business card in order to increase the overall amount of transactions.
- (24) Wealth management business
 

Product strategies: Allocate funds through core-satellite strategy, offer investment suggestions or operating instructions on bonds, reduce entry risks and increase revenues from service charges; procure insurances to return to the essence and assist with customers' asset inheritance and retirement planning.

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.
- (25) Focus on urban renewal and trusts for the old and dilapidated buildings to maintain the momentum of the real estate trust business; and through the retirement banking team, to enhance the business opportunities of customers' personal trust and treasury business, and to build up the Bank's professional brand image retirement business.

- (26) Capitalize on high-net-worth business to promote business opportunities and diversify financial products, introduce low-rated foreign bonds and deepened the types of overseas structured products and add real-time trading and fixed-term fixed-amount investment functions for ETFs, and work with the Wealth Management Department to strengthen the Bank's third pillar objectives.
- (27) Combine the use of the retirement trust with a family trust, allow high-net-worth customers to choose a corresponding trust structure according to different inheritance concepts, and satisfy different inheritance expectations, preservation and public welfare needs through differentiated trusts.
- (28) In response to the promotion for digital transformation, actively upgrade the functionality of our property trust business system and promote digital transaction instructions to increase wealth management fee income and enhance customer service.
- (29) Adjust the asset allocation appropriately to enhance the return on capital.
- (30) In line with the changes in the international financial situation, strengthen the investment in Taiwan and foreign currency bonds, increase interest income and capital gains, and take into account asset quality.
- (31) Flexibly undertake foreign currency swap (FX SWAP) transactions
- (32) Align with the changes in the international financial conditions, the allocations are focused on companies with world-class competitiveness, good management and reasonable yields. Disperse risks through the diversification of the industrial chain to expand capital gains and dividend income.
- (33) 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.
- (34) Realize the goals of the insurance agency business plan in three aspects: commodity, digital and cross-selling:
  - A. Commodity: In response to the needs of the ultra-aged retirement and high-net-worth customers, promote two main plans, namely, legacy high-multiplier protection products and bonus-sharing policies, while expanding our medical protection product line. Also plan corporate insurance policies to retain talent and retirement-type products to match the operation of retirement teams, in order to develop new customer segments for corporate employees' welfare needs or non-traditional needs.
  - B. Digital: Change mobile insurance to use SMS or MID to obtain customers' consent, build insurance proposals into the mobile insurance system, and enhance the use of digital tools such as the IPAD mobile insurance system. Continue to optimize insurance digital tools to increase the number of online, mobile and remote applications of insurance, reducing the use of paper to implement insurance ESG policies.
  - C. Cross-selling: Analyze the customer base from the online channels and continue to focus on proactive cross-selling marketing to target customers. Through the use of simple and low-priced e-investment products, aim to increase the adhesion between customers and the Bank, and utilize social media and accurate marketing lists to expand the customer base and increase the number of insurance applications.
- (35) Evaluate the benefits of physical access and regional development to plan new location, relocation or termination of business bases and enhance the overall access value.
- (36) Continue to promote the transformation of our physical channels, renovate our premises and standardize our business space, and provide a quality working environment for our employees to increase their motivation and efficiency, which in turn enhances the quality of service to our customers and the overall value of our channels.
- (37) Implement a sustainable environment, promote the use of renewable energy, and continue to improve financial friendly service measures to comply with the barrier-free facilities and ATM settings of financial institutions.
- (38) Introduce digital tools and hardware and software to enhance employee experience, provide automated and digitalized processes, and apply end-to-end process digitization to achieve paperless process at the head office and branches.
- (39) Build an smart data platform to effectively manage our customer base and increase the number of customers applying for the Bank's various products through precise marketing, thus increasing customer satisfaction and business loyalty.
- (40) Adopt an agile approach to promote the digital workshop with iterative development to improve the quality of financial products and the Bank's competitiveness.

### 3. Industry overview: Current situation and development of the industry

The spreads in the banking industry are relatively low compared to those in other Asian countries, with the spreads on deposits of stated-run banks ranging from 1.11 to 1.46 percentage points over the past 10 years. To enhance profitability, banks have increasingly expanded into overseas markets in recent years. Also, under the international trend towards carbon reduction, ESG has become a common direction for development in the banking industry.

In 2023, the profitability of domestic banks was strong, primarily due to an increase in the spreads that bolstered interest income, coupled with an expanded interest rate differential between Taiwan and the U.S., and contributions from SWAP currency exchange that bolstered income from derivative financial products trading. Looking ahead, the Directorate General of Budget, Accounting and Statistics, Executive Yuan forecasts that Taiwan's economic growth rate will rise from 1.31% to 3.43% in 2024, indicating a favorable economic climate. Plus, the ongoing promotion for Green Finance 3.0 in our country, which drives societal net-zero emissions reductions, is expected to accelerate corporate investments in carbon reduction equipment and process upgrades, as well as the continued deployment of renewable energy, all contributing to increased demand for funds. The banking sector is expected to maintain modest growth. However, risks such as high interest rates in the U.S., the China's real estate crisis, geopolitical conflicts in the Middle East, and competition within the industry all add uncertainty to the profits in the banking industry.

Amidst the trend towards financial digitization, the banking industry is actively adopting FinTech, expecting future financial services to be more diverse and convenient. However, as financial data becomes increasingly open, third-party service providers are expected to gain access to bank customer information. Their cross-industry and cross-domain new business models, such as small-scale currency exchanges and cross-platform transfers operated by electronic payment providers, may erode traditional banking services and bring competitive pressure. Nevertheless, this also encourages the banking industry to enhance FinTech innovation and improve overall financial services.

### 4. Research and development:

#### (1) R&D Expenses

The research and development expenses for the last two years are NT\$10,076 thousand in 2023, and NT\$10,345 thousand in 2022. Mainly used for: commissioned research and study, printing and binding, lecture fees and manuscript fees, as well as the procurement of newspapers and magazines.

#### (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 December 2023, the Bank had a total of 282 patents approved by the Intellectual Property Office of the Ministry of Economic Affairs. This total includes 155 invention patents, 126 new type patents, and 1 design patent. Besides, there are 30 patents currently under review, comprising 26 invention patents and 4 new type patents.
- C. There are in total of 73 proposals from employees' personal R&Ds which had been adopted by the Bank 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 plan:

- A. Design differentiated marketing activities and preferential deposit products for different target customer segments, and adjust product interest rates and quota conditions according to customer potential, past conditions, and market interest rate trends to help promote customer-centered business transformation, expand the customer base of the deposit business, and increase customer loyalty.
- B. In line with the Bank's digital transformation and continuous management of the Bank's payroll transfer customer base, utilize the payroll transfer area on the Bank's official website to plan related digital marketing and promotional activities, in order to expand the payroll transfer customer base, thereby increasing customer value.



- C. Manage the SnY digital account customer base, adopt a dual growth plan of "customer acquisition" and "profitability", focusing on "expanding new customer segments" and "deepening the cultivation of existing customers". Expand our SnY customer base by offering better-than-industry exclusive interest rates and cross-transfer and cross-withdrawal customer acquisition strategies, and then increase the penetration rate of customers holding the Bank's products by enhancing their digital behaviors, thereby gradually increasing the per capita contribution of customers.
- D. Launch the "Hua Nan Bank +" APP, which provides user-friendly visual design, simple operation experience, complete financial services and personalized functions, etc., including: The user interfaces and customer journeys, such as asset pie charts, product details, etc., facilitate the management of customers' finances and debts. Also continue to optimize the customer experience by focusing on customer needs, adopting a scientific approach to research, analysis, design, development and testing, and identifying customers' pain points for process reengineering to enhance customer satisfaction; and then by providing customized and diversified marketing to create business opportunities for the sale of financial products, in order to revitalize the number of financial trading opportunities.
- E. Adjust the loan structure for Corporate finance, and increase the operation volume of SME loans with better profitability, to increase the interest income of interest and service charges.
- F. Strengthen the integration of the Bank's financial product marketing services by the Corporate finance marketing team, to and submit customers with comprehensive financial service planning and increase the contributions from high-end customers.
- G. Increase the volume of foreign currency lending, and strive to get foreign exchange customers to use the Bank as their main foreign exchange correspondent bank, so as to increase the volume of foreign currency deposits and lending, and to keep track of customers' business dynamics and investment layout information.
- H. Enhance customer satisfaction in corporate digital channel services, corporate Internet banking and corporate mobile banking.
- I. In line with the Financial Supervisory Commission's approval of the Bank's financial products and services for high-net-worth customers, plan to offer "structured products with foreign-currency principal linked to domestic equity (including stock index) options (capital-protected)" for OBU high-net-worth customers and "structured bonds with foreign-currency-denominated bonds traded by securities dealers" for DBU high-net-worth customers.
- J. By focusing on the opportunity to promote the whole batch of mortgage loans and refining education and training, strengthen the marketing capabilities of personal finance AOs through diversified incentive activities and the design of classified training courses. Also cooperate with insurance companies to conduct preliminary explanations meetings and rehearsals targeting the business units that are expected to carry out the whole batch of mortgage loans, so as to increase the performance rate of mortgage life insurance.
- K. Targeting the Bank's "Salary Transfer Accounts" and "Employees of Enterprise Finance Credit Accounts", also utilize our existing list to develop different occupational segments, such as "Technology Newcomers Loans" and "Financial Interbank Credit Loans". In addition, through the digital transformation project, strengthen our telemarketing capacity by guiding customers to apply for credit loans through telemarketing. Also reduce the proportion of manual intervention in the vetting process through the use of credit score cards to make the approval criteria more competitive, so as to satisfy customers' needs for funds and increase the volume of credit facilities.
- L. Continue to eliminate unused cards and co-branded cards with poor contribution rates, focus our resources on top-tier card benefits, provide quality benefit services to increase the amount of spending, thereby creating profit opportunities, and promote key cards such as the SnY Credit Card, Rich+ Card, and the Super Diamond Cash Reward Card to increase the amount of spending and increase credit card revenue.
- M. Strengthen the fraud prevention mechanism of business management, and establish a learning map for graded cultivation of science majors, and continuously encourage bankers to obtain financial planning consultants(CFP) and the certificate of retired financial planning consultant(RFA) to strengthen the compliance of financial personnel's code of conduct and shape the integrity culture of the bank's financial management business.

- N. Connect with Digital Agile Workshop optimization tools and models to strengthen customer base management, and strengthen potential customer base development and implementation through the digital model.
- O. Exploit the Bank's existing advantages and combining with the Rich+ Card, the Bank expand the salary-transfer Corporates, credit cards and mortgage customers, to establish the marketing and supplementary marketing model for the salary-transfer Corporates, to increase the transaction scale.
- P. For the fund business, according to the market barometer and fluctuation risk, select the core targets suitable for a single investment every quarter, and match them with the satellite targets that enter the market regularly and regularly. In 2024, global inflation is expected to cool down, the pace of interest rate increases by the Federal Reserve is expected to slow down as well, and the economy is expected to grow moderately, so we will strategically promote a wide range of products based on customer needs.
- Q. Short-term business development plan: In response to the Trust 2.0 Plan, continuously develop 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.
- R. Long-term business development plans: 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.
- S. Deepen cooperation with major insurance companies, to introduce products that are specific to the Bank or have competitive advantages, including asset inheritance, asset enhancement and pension stream function, and to continue to upgrade the licensing qualifications and skills of financial management staff, so as to enhance the Bank's profitability and customer service.
- T. Business opportunity guidance: Utilize robot customer service to guide business opportunities, assisting product units to increase product exposure and expanding customer service channel business opportunities.
- U. Strengthen personnel education and training: cooperate with various industry management units to promote digital financial services, improve the efficiency of customer service staff in answering questions about digital services, and increase courses for customer service staff from external professional institutions to improve customer service staff's skills in handling customer complaints.
- V. Customer complaint review mechanism: Institutionalize management, highly value customers' opinions and needs.
- W. Continue to obtain greenhouse gas inventory certification (ISO14064-1), in addition to the existing head office, domestic and overseas locations, and expanding to our own building, warehouse, and Quanzhou Information Building.
- X. Through the environmental management (ISO14001), energy management (ISO50001), water resource efficiency management (ISO46001) and improvement program recommendations, continue to promote the installation of solar energy equipment in our own premises and branches to improve energy efficiency, not only to echo to the national renewable energy policy, but also to enhance the performance of environmental practice.
- Y. The smart energy-saving management platform is utilized to count and analyze the electricity, water, oil and waste information of the business units, as well as to monitor the temperature, humidity and CO<sub>2</sub> concentration, in order to achieve real-time management of the environment and energy.
- Z. Promote the action plan of "Digital Transformation Strategy Blueprint" and achieve the project goal.
- AA. Establish a customer-centered customer group base management model, analyze customer needs through data, provide appropriate financial products and services, and optimize business processes to improve customer financial service experience. At the same time, integrate external public data, clearly describe the data profile of corporate finance customers, and establish an intelligent voice quality detection system to enhance customer satisfaction.

BB. Promote digital office to create an immersive office environment, promote agile thinking internally and externally, and promote the development of an agile culture through cross-departmental team collaboration.

(2) Long-term business development plans:

- A. Strengthen the foundation of our deposit business by absorbing and consolidating foreign currency deposits, continue to monitor the trend of market interest rates and competition among our peers, and appropriately adjust our deposit pricing strategy in line with the Bank's overall business development, in order to build up a deposit structure that emphasizes both quality and quantity.
- B. Foster "Customer Group Management," which is a customer-centered approach that uses data analysis to build models and drive customer group management strategies, stratifying and segmenting customers, exploring customer insights and formulating differentiated strategies to provide each customer with a unique digital experience through precise marketing. Also, promote the current marketing model from coarse granular segmentation (10,000 people) to micro-segmentation (1,00,000 people), provide personalized and exclusive products, and further increase the penetration rate of the Bank's core products to create higher customer value and contribution.
- C. Expand the "electronic payment life circle," continue to cooperate with strong electronic payment operators (Jkos, PXPAY, etc.) to extend the use of the Bank's accounts through the channels of different brands and create a new business model, which in turn reaches out to different customer segments (electronic payment members) to lead them to become the Bank's new customers, and at the same time, revitalize the existing customer segments in order to enhance customer stickiness.
- D. The Bank continues to improve 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. Increase the import and export business volume and expand the scale of domestic foreign currency lending while increase foreign exchange fee income.
- F. Continuously develop new product to satisfy the investment needs from customers and monitor control risk, and continue to find good investment targets for long-term investment.
- G. Continuously control the loss of mortgage loans and analyze and manage the main reasons for customers to switch to other banks, namely, "credit line increase" and "interest rate reduction." Through various channels, such as SMS, e-mail and credit card statements, proactively spread promotional messages to qualified borrowers to trigger their willingness to increase their loan amount and minimize the chances of being persuaded to refinance by their peers. At the same time, launch a special interest rate program to reduce the interest rate of quality customers who intend to refinance to other banks, in order to retain customers and minimize the loss.
- H. Focus on the development of high spread personal loan business to maintain lending momentum and improve spreads, also respond to the government's policy to actively promote the reconstruction loan for the elderly at risk and the housing loan for the elderly, in order to fulfill its corporate social responsibility.
- I. Target customers for precise advertisement placement, with the digital transformation model, analyze the spending behavior of credit card users, outline their financial needs, and target the target customers to place corresponding advertisement messages to attract card users to apply for loans.
- J. Continue to recruit outperforming wealth management talents both internally and externally, to replenish the manpower and reinforce the wealth management team.
- K. Based on customers' needs, utilize digital financial tools to enhance our professional knowledge, provide customers with diversified product suggestions, and increase the per capita contribution of our high-net-worth customer base.
- L. Continue to promote and optimize the pilot membership system, and develop the high-net-worth business by expanding customer group in the high-net-worth segment and introducing customers in the high-net-worth segment, in order to increase the overall customer base in real terms and asset balances.

- M. Optimize the digital channel's broadcasting information, through the broadcasting of financial weekly reports, market trends or investment targets and other article columns, continue to cultivate customers' financial management concepts, and to attract potential customers who are not yet engaged in financial management to take practical financial actions.
- N. Continue to develop a wide range of financial products, provide customers with customized products and real-time trading services, strengthen the development of professional investors and high-net-worth customers, and increase the revenue share of the third source of profit in addition to treasury funds and insurance year by year.
- O. 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.
- P. Improve the overall efficiency of capital use, and actively select and undertake loans and securities from overseas units to increase overseas profits.
- Q. Continue to expand the Bank's overseas operation base, extend the Bank's financial service network, give priority to the new southbound areas with stable political and economic situation or business opportunities, and actively evaluate the feasibility of applying for operating base in the local area to expand the service scale and base of the Bank.
- R. Strengthen the deep cultivation and development of local customers, implement the localized development of business, and strive for potential local business opportunities, so as to enhance the business operation volume and customer adhesion.
- S. Continue to provide products and services that meet the needs of our customers and optimize the insurance process by integrating digital insurance tools in order to enhance the effectiveness of our customers' operations.
- T. Utilize intelligent voice technology to strengthen the service efficiency of the call center and enhance the quality of customer service.
- U. Plan the standardization of the business space of the whole bank, formulate consistent decoration design and Corporate identity, continue to renovate old houses in the future and gradually apply it to all business units of the Bank to enhance the image and service quality of the Bank.
- V. Promote the "Energy Saving and Environmental Optimization Project 2.0" to strengthen and accelerate the effectiveness of environmental optimization and incorporate improvement measures such as ESG energy saving and carbon reduction, financial friendly policies and barrier-free facilities environment, with a target of completing 30 branches per year.
- W. In response to the government's promotion of the "2030 Bilingual National Policy Development Blueprint," the Bank plans to gradually build a bilingual-friendly financial environment in all of its branches nationwide, with the goal of completing bilingual branches in all of the Bank's 186 branches by 2026.
- X. Continue to participate in various innovation center activities and collaborative experimental programs to rapidly enhance our staff's expertise in digital finance and to maintain our innovative product capabilities.
- Y. Through AI technology and data analysis and detection systems, continue to detect abnormal customer behavior, improve the ability to identify and prevent fraudulent behavior, effectively control and stop illegal activities, and reduce the risk of illegal behavior.
- Z. Continuously implement an agile mindset throughout the entire organization to improve work efficiency and product delivery speed and focus on customer satisfaction and practice the commitment to optimizing products and services.

**(III) Hua Nan Securities**

## 1. Business scope:

## (1) Main businesses:

- 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 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 b approved by the competent authorities

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

Unit: In Thousands of New Taiwan Dollars

Business item	Year	2023		2022	
		Amount	Percentage(%)	Amount	Percentage(%)
Brokerage		4,323,046	79.58%	4,001,016	92.00%
Underwriting		307,773	5.67%	154,435	3.55%
Proprietary business		801,451	14.75%	193,462	4.45%
Total		5,432,270	100%	4,348,913	100%

The changes in the contribution of each major business to revenue are explained as follows:

- A. Brokerage service: In 2023, the average daily market volume will be NT\$352.9 billion, which is 130.71% of the estimated budget volume. HNSC's market share is estimated around 2.883%, and our budget achievement rate is 90.09%; and the net income from brokerage fees is NT\$3.031 billion, which is 101.84% of the budget achievement rate. The overall operating profit and loss of the brokerage business amounted to NT\$2.105 billion, representing a budget achievement rate of 104.56%.
- B. Underwriting business: The total revenue from underwriting business in 2023 amounted to NT\$353,002 thousand (including stock proxy revenue), which reach 168.57% of the budget. Among them, underwriting fee revenue and revenue from sale of securities grow by 115.71% and 28.59% respectively compared with the same period in 2022, and will reach 345.58% and 140.03% of the budget for the same period in 2023 respectively.
- C. Proprietary business: For the year 2023, the market is up 26.83%. In 2023, HNSC's proprietary business division earned a pre-tax profit of NT\$301,577 thousand, achieving a budgeted achievement rate of 168.72%, a significant increase compared to the loss of NT\$62,376 thousand in 2022. The main reason was that in 2022, the global stock market plunged after high inflation and Fed's rapid interest rate hike. In 2023, with Fed's interest rate hike expected to come to an end and the depletion of manufacturing inventories has completed, coupled with the trend of the AI, the stock market rebounded starting from January and the stock market performed very well, with the proprietary business division's full-year operating performance budget attainment exceeding the target by 168.72%.
- D. Bond business: In 2023, the performance of the U.S. economy was stronger than expected. Due to a rapid rise in inflation following the easing of the pandemic, the Fed began to raise interest rates rapidly in a total of 525 basis points from 2022 to curb inflation. By the end of 2023, the Fed finally signaled its readiness to terminate the rate-hiking cycle and to lower rates at an appropriate time. U.S. bond rates experienced a significant decline



in the last two months of 2023. Regarding foreign bond trading, we positioned ourselves for buying as the rate-hiking cycle was ending and employed short-term futures operations to seek profits. As for Taiwan bonds, the market volatility was relatively small because the Taiwan Central Bank ceased hiking rates after its June 2023 board meeting. Our strategy involved buying government bonds in the primary market and opportunistically selling when appropriate. Accumulated profits from bond trading matching amounted to NT\$9,378 thousand, underwriting profits were NT\$21,228 thousand, and short-term trading profits reached NT\$12,199 thousand. However, losses from negative spreads amounted to NT\$110,370 thousand, and losses from foreign exchange transactions were NT\$28,631 thousand. These two items of losses were relatively significant and impacted the overall performance of the annual profit and loss.

The accumulated pre-tax profit and loss from bond business excluding exchange rate adjustments in 2023 were -NT\$146,159 thousand, with an achievement rate of -163.43% against the budget.

- E. Financial commodity business: The pre-tax profit and loss of the financial business department in 2023 amounted to NT\$38,269 thousand, with an achievement rate of 57.93%. Although it did not meet the annual target, there was still improvement and growth compared to the previous year.

Each key indicator:

Item	2023	2022	2021
Return on Assets	2.68%	1.97%	4.47%
Return on Equity	12.19%	9.79%	25.58%
Capital Adequacy Ratio	298%	389%	398%

Note: Figures for 2022 and 2021 are updated according to financial statements.

### (3) New financial products and services under planning

With the gradual opening of laws and regulations related to securities finance, various new financial products will be opened one after another, and all major securities firms in Taiwan are gearing up to actively carry out research and planning and cultivate various related talents. Looking forward to this year, Hua Nan Securities will cooperate with the opening progress of relevant laws and regulations of the competent authorities to evaluate and plan the following new commodities and related businesses:

- A. For bond business, diversify fixed income product trading based on market conditions: In the spot market, besides focusing on Taiwan bonds and USD bonds, we will also gradually increase the proportion of trading in bonds of other currencies based on interest rate differentials and the currency policies of various central banks. Regarding futures, we currently primarily focus on sovereign bond futures in North America and Western Europe with better liquidity. In the future, we plan to increase the proportion of strategic trades involving overnight and cross-currency based on changes in different countries' currency policies. We will also consider raising the proportion of trading in sovereign bond futures of Japan and South Korea in Asia.
- B. Actively participate in trading various financial products following regulatory openings: In line with regulatory additions of new financial products and futures contracts, and the promotion of innovative stocks, the Financial Products Department and Futures Trading Department not only actively engage in trading various products and contracts but also participate in market-making activities for innovative stocks to invigorate related trading markets.
- C. Promote listing on the innovative stocks: In coordination with the launch of the innovative stocks by the Exchange, our underwriting business will actively promote the listing of enterprises on the innovative stocks, guiding companies with critical core technologies, innovative capabilities, or innovative business models to access capital markets for fundraising.
- D. The Wealth Management Department actively plans and promotes the following related operational strategies:
  - a. Specific money trust platform to improve the breadth and depth of goods available for sale and provide customers with one-stop financial service.
  - 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. Introducing the new feature of sub-brokerage in the e-Trading App to enhance trading, account management, stock-related activities, and market information. This will create distinctive highlights, attract investors to use the app, and increase customer engagement.
- F. Plan to develop the following related new businesses to expand the Company's operating niche.
  - a. In terms of wealth management business, introduce commodities suitable for professional investors and high net worth customers.
  - b. Launch systematic investment plan for US stock.
  - c. Launch offshore structured commodity business.

## 2. 2024 business plan

Looking back at 2023, there have been significant changes in international politics, economics, and technological innovation. However, with global interest rate hikes coming to a halt and optimistic expectations for the Taiwan stock market, in 2023 the TAIEX closed at 17,930.81 points, marking a yearly increase of 3,793.12 points or 26.83%. The total market capitalization of listed companies reached NT\$56.84 trillion, an increase of NT\$13.98 trillion or 28.65%. Foreign investors had a net buy of NT\$177.8 billion throughout the year, ending three consecutive years of net selling.

Looking ahead to 2024, there is an expectation that global inflation will continue to slow down. Most central banks are expected to shift towards interest rate cuts, which is anticipated to improve consumer spending and boost business investment confidence. This shift is also expected to drive global trade momentum growth. The World Trade Organization (WTO) expects global commodity trade volume growth and GDP growth rates to reach 3.2% and 2.6%, respectively, surpassing the figures of 2023. Coupled with the AI trend and the global acceleration of digital transformation, Taiwan's electronics industry is expected to accelerate its return to growth trajectory. This is beneficial for our country's export momentum growth and boosts business investment confidence. Taking into account views from domestic and international institutions, it is estimated that Taiwan's economic growth rate in 2024 will be 3.0%. Regarding the stock market, Taiwan's performance in 2023 was robust, with international funds continuously flowing into the country. In 2023, foreign net inflows reached NT\$29.464 billion USD, setting a new high for the same period in history. Taiwan's critical position in the global semiconductor supply chain and its robust information technology industry cluster have made it a clear beneficiary of the global AI innovation wave. Looking ahead, it is estimated that in the first half of 2024, the Taiwan stock market will be close to consolidation. This is mainly due to the uncertainties in domestic and international situations in the first half of 2024, such as inflation, trade wars, elections, and the off-season for electronics. In the second half of the year, as we enter the traditional peak season and with the US interest rate reduction, the market is expected to be relatively bullish. Our country's consumer electronics, which have undergone two years of inventory depletion, are expected to see a revival. TSMC's CoWoS capacity is expected to expand significantly in 2024, leading to an increase in the AI server market and benefiting the supply chain. Moreover, with the traditional industries coming out of the economic trough, the outlook for the Taiwan stock market remains positive. Generally, HNSC's operating guidelines for this year are as below

- (1) Introduce external resources and enhance the securities OTC business internally, to increase the brokerage market share. Meanwhile, it develops the digital services and talent incubation, to prepare for the branch's OTC business.
- (2) Continue to promote industry-university cooperation, complete generational turnover and strengthen on-the-job training. Combined with new generation of customers, strive to cultivate business opportunities for young groups.
- (3) Balance development in brokerage, underwriting, proprietary, financial products and other businesses, combining with internal and external resources of the Group. Provide all-round financial planning services.
- (4) Continue to expand overseas sub-brokerage services, integrate group resources, strengthen securities channels and corporate services, launch regular investment plans for US stocks and offshore structured products, enhance product diversification, and develop a dedicated delegation app to enhance trading, accounting, stock services, and market information features, creating highlights, increasing customer stickiness, and enhancing the position in the delegated trading market.
- (5) Continue to develop strategic trading related to such financial commodities as arbitrage trading, stocks, futures, warrants and ETFs.

- (6) Integrate channels or move the location of operations to a place near Hua Nan Commercial Bank. Narrow the operating area and lower the operating costs while improving the cross-selling performance and making profits.
- (7) Value the sustainable ESG issues, to achieve sustainable management goals.
- (8) Strengthen digital transformation to reduce operating costs and improve efficiency, and continue to optimize the functions of the self-developed digital platform.
- (9) Promote the addition of online investment advisor membership functions to enhance investment advisor service channels and corporate performance.
- (10) Actively increase opportunities for customers to engage in security lending, and enhance business personnel's motives for promoting security lending.

### 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 dealers 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 dealers 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
2022		127	875	1,002
2023		125	857	982

Source: Website of Taiwan Securities Association

Due to the intense competition and price cutting in brokerage commission fees in the domestic securities industry recently, the net income from brokerage fees has continued to shrink. This unfavorable situation has prompted brokerage businesses to expand their development strategies towards overseas sub-brokerage, wealth management, trusts, securities lending, and other operational directions. With the advent of the digital era of finance, it is more necessary to strengthen digital development and Internet marketing. Therefore, in terms of organization, business, commodities and even services, we will move beyond its existing role in the securities brokerage business.

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

Although the outbreak of COVID-19 has spread globally for about three years, which sped but up digital transformation of many enterprises, and it was especially obvious in securities development. In the past years, HNSC has taken a great leap forward in digital transformation. The proportion of e-trading in HNSC had reached about 80% of the total transaction volume by the end of 2023. In terms of mobile trading, it accounted for about 70% of the overall e-trading performance by the end of 2022 and demonstrated constant high growth. In the past two years, the number of accounts opened online approximately increased by 51%, and its ratio to all accounts rose from 39.37% in 2022 to 59.68% in 2023.

Internally, safe and convenient digital tools are used for optimizing the operating procedures and cutting the labor costs. Externally, customer-oriented business strategies are adopted. Provide a comprehensive range of online mobile financial planning services and enhance the intelligent trading platform (cloud-based order/flash order). Meanwhile, take the lead within the industry, independently develop and create a brand-new ordering APP, covering abundant strategies for stock selection and with the function for rapid, efficient placing of multiple orders each time, which outperforms the peers'. Get committed to providing the customers with the latest and the best mobile ordering tool. Consolidate Sny digital accounts of Hua Nan Commercial Bank to facilitate quick online account opening via 3 steps and within 5 minutes.

#### 4. Research and development

- (1) Intensively made services mobile: Constantly improved mobile transaction platforms and provided the best services and experiences. The self-developed APP, Hua Nan e-Trading, was launched at the end of the year, marking a new milestone in the digital trading service of Hua Nan Securities.
- (2) Deepening intelligent financial planning services: Constantly improved the mobile trading platform, with the three main focuses of "stock selection", "trading", and "service", and to develop a "one-stop" user experience and service. Plan to integrate the Hua Nan e-Trading with the "re-entrustment" product, the U.S., Hong Kong, and Japanese stock quotes, and enhance the trading and account functions of the U.S. stock market, continuing to build up a "attractive service" and "brand styles".
- (3) 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 the precise marketing.
- (4) Integration of online and offline: Solving breakpoints and pain points in the customer's investment journey, 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 HNSC's products or services, for expanding the visibility of HNSC's products or services.
- (5) Implementation of competent authorities' open policies: In response to fintech development blueprint of the Financial Supervisory Commission, including financial data sharing, open securities and financial identification, constantly develop related financial applications and integrated businesses across businesses and fields, to provide investors with brand new and diverse financial services.
- (6) Continuing to improve and enhance the building of the information security safeguard, for the purpose of lowering the operational risks, upgrading the business continuity ability of the Company and providing investors with safer and more stable investment environment.
- (7) In conjunction with the planning of digital transformation of financial holding for building a complete financial environment and the followings goals are gradually implementing:
  - A. Integration of re-entrustment products to enhance the diversity of the trading platform.
  - B. Enhance customer satisfaction through outbound customer care.
  - C. Enhance digital marketing channels to increase brand exposure.
  - D. Deepen the social media engagement and word-of-mouth marketing.
  - E. Master FinTech development trends and plan for related technologies and services.
  - F. Analyze user data to provide suitable marketing solutions and services.
  - G. Use business intelligence analysis platform for real-time performance management.
- (8) Enhance American stock investment innovation services and compiled an "overview of American stock trends" investment strategy information, through the "American Stock Daily", "American Stock Evening News", "American Stock Weekly", the four major indexes and the S&P 11 major industries, so that investors can easily hold the investment opportunities in overseas markets.
- (9) Enhance of ETF fundraising services and add a new fundraising channel on the wealth management platform to provide investors with a more convenient trading experience.

- (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 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. Strengthen digital transformation, enhance brand identity, create customer investment success tools and services, and further expand the securities market. Continue to prioritize customers, reshape the investment journey, empower digital brands, and optimize customer service quality.
  - B. Value the sustainable ESG issues, to achieve sustainable management goals.
  - C. Balance development in brokerage, underwriting, proprietary, financial products and other businesses, combining with internal and external resources of the Group. Provide all-round financial planning services.
  - D. Externally introduce external resources, internally strengthen the brokerage business to increase market share, simultaneously develop digital services and talent cultivation, implementing "efficiency in staffing" and "efficiency in customer acquisition," and enhancing "basic staffing" to achieve economies of scale.
  - E. Integrate channels or move the location of operations to a place near Hua Nan Commercial Bank. Narrow the operating area and lower the operating costs while improving the cross-selling performance and making profits.
  - F. 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.
  - G. 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.
  - H. Continue to develop strategic trading related to such financial commodities as arbitrage trading, stocks, futures, warrants and ETFs.
  - I. Give play to investment advisers' roles in supporting business activities, and improve channels and Corporate performance.
  - J. Actively increase opportunities for customers to engage in security lending, and enhance business personnel's motives for promoting security lending.
  - K. Continue to implement our business growth plans and look for opportunities to increase our market share and expand our securities business through mergers and acquisitions of brokerage firms with non-financial control backgrounds.



**(IV) South China Insurance**

## 1. Business scope:

## (1) Main businesses:

- Fire insurance:
  - Commercial fire insurance
  - Commercial fire comprehensive insurance
  - Commercial fire supplement insurance
  - Residential fire and earthquake basic insurance
  - Presidential comprehensive insurance
- Marine insurance:
  - Cargo transportation insurance
  - Inland transportation insurance
  - Hull insurance
  - Fishing boat insurance
  - Aviation insurance
- Auto insurance:
  - Automobile bodywork damage insurance
  - Automobile liability insurance
  - Theft loss coverage
  - Compulsory auto (motorcycle) liability insurance
- Casualty insurance:
  - Construction insurance
  - Credit guarantee insurance and liability insurance
  - Other property insurance
- Health & personal injury insurance:
  - Health insurance
  - Personal injury insurance
  - Travel comprehensive insurance
  - Travel agency liability insurance
  - Employer contract compensation Liability insurance

## (2) Business proportion

Proportions of main business items in the past three years:

Unit: In Thousands of New Taiwan Dollars

Item \ Year	2023		2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Written premium income	13,246,705	93.99%	12,168,674	94.21%	11,064,627	93.20%
Fire insurance	2,032,384	14.42%	1,662,055	12.87%	1,516,703	12.78%
Marine insurance	737,303	5.23%	702,367	5.44%	620,646	5.23%
Auto insurance	7,863,440	55.80%	7,142,416	55.30%	6,513,069	54.86%
Casualty insurance	1,266,033	8.98%	1,261,050	9.76%	1,035,624	8.72%
Health & personal injury insurance	1,347,545	9.56%	1,400,786	10.84%	1,378,585	11.61%
Reinsurance premium income	846,523	6.01%	748,189	5.79%	806,778	6.80%
Total	14,093,228	100.00%	12,916,863	100.00%	11,871,405	100.00%

## (3) New products and services under planning

The Company will continue to develop new products according to the demands of varying markets in 2024 to satisfy consumers' varying requirements and offer them a wide selection of products. The newly planned products are as follows:

Product names
South China Insurance Auto electric vehicle comprehensive insurance
South China Insurance Auto window glass loss insurance
South China Insurance Car Key Loss Insurance
South China Insurance Strike, Riot, Civil Commotion and Malicious Damage Exclusion Clause
[SB075] South China Insurance Strike, Riot, Civil Commotion and Malicious Damage – Single Loss Clause
South China Insurance Passion Fruit Typhoon Wind Speed and Rainfall Index Insurance
South China insurance Personal Accident Insurance (Type A) Hospitalization medical expenses Clause (Accumulated Type)

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. 2024 business plan:

- (1) Increase market share: Develop life insurance, holdings, and public bank channels, strengthen commercial insurance professional training, increase the proportion of bank channels, increase the proportion of non-auto insurance business, and improve operational efficiency; closely monitor market dynamics and industry competition, align with government green energy development policies, seize related high-quality business opportunities to increase business share and profitability, and enhance market share.
- (2) Ensure business quality and adjusting business structure: Continuously pursue high-quality customers and cooperative channels, utilize financial technology to optimize operational processes, streamline manual operations, and improve business performance; strictly control the quality of undertakings, carefully evaluate existing channels, examine changes in loss ratios, eliminate bad business, and adjust sales strategies according to channel operating conditions to increase profits.
- (3) Leverage financial technology, steadily promote mobile services: Gradually expand the application scenarios of Robotic Process Automation (RPA) systems to enhance work efficiency and streamline manpower, integrating systems and processes through RPA to optimize workflows and save labor costs with automation mechanisms, while accelerate the timeline for digital transformation; promote the application scope of mobile insurance systems, continuously optimize insurance products and operational processes on the insurance platform, meet customers' insurance needs for mobile services through diversified insurance channels.
- (4) Continuously organize employee education and training, to improve their overall professional competency: Provide talent training programs and external continuing education subsidies; implement incentive plans to encourage the employees to obtain professional financial insurance licenses and linguistic competence for promotions, to improve all employees' professionalism and talent competitiveness in the workplace; promote industrial-academic cooperation plans to narrow education-academic gaps; discover talented persons during internship to enhance the overall capacity.
- (5) Stable investment returns, bearing the responsibility as the second pillar of company profits: Continuous growth in core business performance and ongoing profitability can lead to an increase in usable positions for the Company. Concurrently, related risk limits must be raised to avoid neglecting risk control while increasing profit budgets. Make continuous adjustment of asset allocation and look for opportunities for investing in products with higher expected returns, in order to optimize the expected rate of return on assets. Seize chances to invest in more types of products or decentralize sources of revenues from the markets where investments are made, to mitigate adverse impacts of a single market.
- (6) Enhance compliance, risk control, auditing and other mechanisms, and improve Corporate governance: Implement the Own Risk and Solvency Assessment (ORSA) mechanism to enhance capital planning combined with business management to improve capital utilization efficiency and ensure solvency. Conduct legal compliance education and advocacy, refine the legal compliance self-assessment process and regulatory tracking and control, establish a Fair Customer Treatment Committee to deepen the practice of fair customer treatment principles. Continuously strengthen emergency response capabilities, integrating audit, legal compliance, risk management, and business unit interaction platforms from a traditional point-to-point model to a point-to-face connection and feedback.
- (7) Actively participate in charitable activities and fulfill corporate social responsibility: Offer specially designed micro-group injury insurance for specific vulnerable social groups, promote professionalism in insurance protection to fulfill the social responsibility of the insurance industry. Fulfill various social responsibilities, encourage colleagues and their families to participate together, fostering a friendly social environment.

## 3. Industry overview:

In 2023, premiums of written policies amounted to NT\$ 243.7 billion in the whole insurance market, with a year-on-year growth of 10.63%.

They totaled NT\$13.24 billion in South China Insurance in the same year, demonstrating an increase of 8.86% compared with those in 2022. The premiums of South China Insurance rose by NT\$ 1 billion, and its market share was 5.43%.

#### 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 Third-Party Liability Insurance for Micro Electric Bicycles
South China Insurance Compulsory Driver PA Rider (mini electric two-wheel vehicle)
South China insurance Employer's Liability Insurance Advance Payment clause
South China Insurance Drone Liability Insurance Crops and Agriculture Clause
South China Insurance Group Personal Accident Disability Insurance
South China Insurance Comprehensive Travel Insurance Itinerary Change Fee Infectious Disease and Quarantine Benefit Clause
South China Insurance Comprehensive Travel Insurance Itinerary Cancel Fee Infectious Disease and Quarantine Benefit Clause

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 government policies and global trends, the property and casualty insurance industry has responded to rapid environmental changes and diversified customer needs. Newly planned product offerings include comprehensive insurance for electric vehicles by South China Insurance, exclusion of strikes, riots, civil commotion, and malicious damage behavior with added clauses, and South China Insurance Passion Fruit Typhoon Wind Speed and Rainfall Index Insurance, etc. Diversified products enhance competitiveness, combined with the application of financial technology, meet customer expectations, and provide customers with higher-quality service.

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

##### (1) Operating guidelines

- A. Actively expand the scale of our brands to increase market share.
- B. Control quality and adjust business structure.
- C. Make good use of financial technology and stabilize the development of mobile services.
- D. Expand cultivation of professional technicians, and enhance the education and training of mid- and entry level management.
- E. Stable investment returns, take the responsibility of being the second pillar of profit for the company.
- F. Strengthen mechanisms such as compliance, risk control, auditing, and enhance corporate governance.
- G. Continue to hold public welfare activities to fulfill Corporate social responsibility.

##### (2) Business objectives

South China Insurance's premium income in 2023 reached NT\$14.093 billion, comprising direct premiums of NT\$13.246 billion and reinsurance premiums of NT\$847 million. The average claims ratio for all insurances stood at 70.39%. Operating income amounted to NT\$10.592 billion, including earned premium income of NT\$9.046 billion, net investment income of NT\$651 million, and other operating income of NT\$895 million. Operating costs totaled NT\$7.63 billion, encompassing insurance claims and benefits payment of NT\$5.66 billion, net change in liability provision of NT\$100 million, and other operating costs of NT\$2.07 billion. Operating expenses amounted to NT\$1.95 billion, resulting in operating profit of NT\$1.012 billion. Net non-operating income was NT\$2 million, leading to a pre-tax net income of NT\$1.014 billion. After deducting income tax expenses, the net income was NT\$916 million, with earnings per share after tax of NT\$4.58. The return on assets was 3.59%, and the return on equity was 13.73%, with a budget achievement rate of 126.90%.

## (3) Important operating policies

## A. Business development:

- a. Continuously enhance the overall professional capabilities of personnel, improving both internal and external training programs, strengthen professional training for commercial insurance, enhance the business marketing abilities of sales personnel, and increase per capita productivity to boost operational efficiency.
- b. Deepen channel business such as life insurance, holdings, and state-owned banks to solidify existing channels and improve renewal performance. Eliminate undesirable businesses and enhance control of loss rate; in respect of existing channels, get more quotation opportunities for additional high-quality insurances, increase premium income and lay a solid foundation for the Company to make stable profits.
- c. Utilize diverse social media platforms to execute promotional campaigns, share insurance-related information, increase interaction with online users, expand the customer base among younger demographics, and enhance the image of South China Insurance.

## 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. Through setting clear budgets and effective cost management mechanisms to ensure the efficient utilization of resources. Additionally, establish reasonable expenditure policies to regulate the use of related expenses and conduct regular expense reviews to track and analyze expenditure items.
- b. 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.
- c. Adjust the time to turn on exterior sign lights to cope with different seasons. Use energy-efficient LED lighting equipment 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. Business scope:

## (1) Main businesses:

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

## (2) Business proportion (2023)

Asset type		Proportion (%)
Mutual fund	Equity type	62.33
	Fixed income type	31.73
Private placement fund		-
Discretionary services		5.73
Service income		0.21
Total		100.00

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

- A. Continue the investment philosophy of environmental sustainability, provide investors with a comprehensive ESG investment solution.
- B. Align with the needs of retirement financial services, deploy retirement financial asset allocation product components.
- C. As information systems and other infrastructure gradually improve, plan indicative Taiwan Stock ETFs products.
- D. Expand private equity products opportunistically based on market conditions and customer demands.
- E. Expand segregated account management and enhance the research team to compete for government fund mandates and quasi-mandated insurance policies.

## 2. 2024 Business plans:

- (1) Expand product lines, follow investment trends and develop distinctive products that meet customer needs.
- (2) Enhance professional talents, continuously strengthen investment management capabilities, and pursue outstanding fund performance.
- (3) Continue to deepen internal and external channels, expand the scale of full discretionary investment management, and diversify business sources.
- (4) Replace or upgrade information systems and equipment, optimize operational processes, and enhance operational efficiency.

## 3. Industry overview:

- (1) At the end of 2023, the top five investment trust companies were still local investment trust companies, namely Yuanta, Cathay, Capital, Fubon, and CTBC. Among the top ten investment trust companies, one was a foreign fund, which was Allianz.
- (2) In 2023, the scale of various types of funds in Taiwan saw the largest increase in overseas bond ETFs, with an increase of about NT\$810.9 billion, followed by domestic stock ETFs, with an increase of about NT\$621.1 billion. The type that saw the largest decrease in scale was domestic leveraged/inverse ETFs, with a decrease of about NT\$9.6 billion, indicating that ETFs are currently very popular in the market, although fund flows are also quite fast.

## 4. Research and development:

- Launch “Hua Nan Global Investment Bond Fund” on June 5, 2023
- Launch “Hua Nan Future Technology Fund” on November 27, 2023

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

- (1) Short-term and medium-term business development plans:
  - A. Stabilize confidence in internal channel sales.
  - B. Enhance the depth of internal channel communications.
  - C. Build external channel sales relationships.



## (2) Long-term business development plans

- A. Properly increase media publicity to enhance product visibility.
- B. Accelerate diversification of product lines to provide external channels with a wide range of product choices.
- C. Accelerate diversification of channel categories to expand market access to customers.
- D. Leverage the Group's brand image and visibility to expand business cooperation opportunities.

**(VI) Hua Nan Venture Capital**

## 1. Business scope:

## (1) Main businesses:

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

## (2) 2023 business proportion:

Item	Percentage (%)
Investment income	97%
Management and consulting income	3%

## 2. 2024 business plan:

- (1) Observe industry changes and adjust investment portfolios: In addition to continuing to evaluate and lay out investments in the six core strategic industries and the 5+2 strategic industries, focus on artificial intelligence, alternative energy and 5G technology. On the biotechnology front, we are following:
  - A. Imaging software and hardware that integrates AI for interpretation;
  - B. ADC (Antibody-Drug Conjugates) new technology platform.
- (2) Utilize multiple channels to develop high-quality cases: Develop high-quality cases through proactive visits, referrals from sister companies or industry peers, and participation in investment matchmaking conferences.
- (3) Implementation of post-investment management: Visit our clients regularly to keep track of their operations and assist them in their growth in terms of talent, technology and marketing, so as to enable them to achieve a smooth IPO or merger and acquisition.
- (4) Flexible adjustment of share selling strategy: In industries with growth potential (including AI, semiconductor, 5G communications, automotive components and ESG issues, etc.), select targets with profit opportunities to invest over a period of years, and flexibly adjust our share selling strategy according to the Company's development situation and share price trend.
- (5) Expansion of fund management scale: Identify quality strategic partners to form a GP (general partner), combine the team's industrial network and human resources, as well as the Group's strengths in assisting corporate growth and providing various financial services, to raise external funds (LP, limited partner), which will not only facilitate the investment layout of the relevant industries, but also enjoy the benefits of management fee income and profit sharing of investment cases, thus enhancing HNVC's contribution to the Group.

## 3. Industry overview:

Due to ongoing geopolitical risks, the market remains cautious about the valuation and exit opportunities of startups, and venture capitalists continue to evaluate investment cases more prudently and conservatively. According to KPMG's "Venture Capital Pulse" report, global venture capital investments in 2022 amounted to approximately NT\$427.6 billion USD across 33,227 deals, marking a decline of 31.8% in investment value but a growth of 5.2% in the number of deals compared to 2021. In the first half of 2023, global venture capital investments totaled around NT\$134.7 billion USD across 13,813 deals, representing a decrease of 49.2% in investment value and 22.3% in the number of deals compared to the same period in 2022. Regarding investment industries, as global startups continue to showcase their AI capabilities across various applications, the venture

capital industry is expected to maintain its focus on AI. Moreover, concerns about rising energy costs due to international geopolitical conflicts are expected to increase funding for alternative energy and energy storage technologies. Plus, with the rise of the digital transformation trend, the growth in cybersecurity risks such as cyberattacks and data breaches will make cybersecurity startups a hot investment area.

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) Through in-depth industry analysis, proactive case sourcing and professional investment evaluation, build investment portfolios with both long-term and short-term profitability objectives.
- (2) For investment targets with high growth potential, the Board of Directors is actively involved, utilizing its network of industry and human resources to assist the Company in strengthening its physical structure and enhancing its competitiveness in terms of capital, talent and market.
- (3) If the development of the investment target is not as expected, will closely follow up and provide timely improvement advice, or take measures to buy back the shares from the Company to minimize the loss.

## (VII) Hua Nan Assets Management Company

1. Businesses scope:

(1) Main businesses:

A. Non-performing loan business

- Manage and dispose non-performing loans acquired from financial institutions.
- Accept the commission from financial institution or enterprise to dispose of non-performing loans and assets
- Accept the commission to dispose the assets already undertaken by financial institutions.

B. Direct real estate investment business

- Investments in real estate sold at legal auctions and public bidding by government agencies.
- Increase value and revitalize proprietary assets by repair, joint construction, participation in urban renewal, assumption of the office as an implementer of urban renewal and initiator of old and dilapidated buildings reconstruction.
- Serve as implementer of urban renewal of proprietary assets, or initiator of old and dilapidated buildings reconstruction; inject capitals and implement joint construction with landlords.

C. Advanced payment business

- Provide the necessary funds and advanced payment for urban renewal and reconstruction of dilapidated and old buildings.

D. Consigned management business

- Court-auction bidding agency business.
- Commissioned to dispose of non-performing loans of financial institutions and overdue receivables of enterprises.

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

(2) 2023 business proportion

Item	Percentage (%)
Non-performing loan business	8.27%
Direct real estate investment business	91.06%
Advanced payment business	0.00%
Consigned management business	0.67%

- (3) New products services under planning
  - A. Coordinate with the existing customer needs of the Group's other sister companies, assist in promoting comprehensive management services or outsourcing services for urban renewal and reconstruction of dangerous and old buildings projects, actively deepen the local market with the "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" brand, and promote urban renewal and dangerous and old building reconstruction services in the market.
  - B. Develop down payment services, actively collaborate with Hua Nan Bank to care for customers with funding gaps in urban renewal or reconstruction of dangerous and old buildings, and providing funds for customers to invest in real estate urban renewal and dangerous and old building reconstruction.
  - C. Establish a post-sale management service system, integrating with the professional construction management team under the ZhongHua Construction Agency, and incorporating the "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" comprehensive service project into the self-inspection procedures during the post-sale management stage.
2. 2024 business plan:
  - (1) Non-performing loan investment and disposal business
    - A. Pay constant attention to tracing statistics on market release of domestic non-performing loans, nonperforming loan ratio of financial institutions, and rate of default on delinquent housing loans.
    - B. Maintain interaction with domestic counterparts to understand their business dynamics and seek opportunities for cooperation in existing businesses.
  - (2) Legal auction investment business:
 

To mitigate the impact of the real estate cycle and real estate tax system on HNAMEC, and to achieve a balance between stabilizing operating income (rental income) and the most effective use of capital, will dynamically adjust the optimal proportion of operating income and real estate investment in response to fluctuations in the real estate market and changes in government policies, aiming to achieve sustainable operations.
  - (3) Value-added investment and capital injection investment business:
    - A. Value-added investments:
 

Participate in court auctions or governmental agency sales, with priority given to old properties with revitalization conditions or land with development potential that can be developed immediately, and actively revitalize the properties after acquiring them.
    - B. Investment in urban renewal and reconstruction of dangerous and old buildings:
 

With the co-development of industrial and commercial districts as the main development target and the co-development of dangerous and old buildings in residential districts as the supplementary target, will strive to inject capital into the case, so as to obtain a stable capital gain.
  - (4) Down payment business:
 

Actively work with South China Bank to care for customers who have funding gaps for urban renewal and reconstruction of dangerous and old buildings, and to provide loans to customers to invest in real estate for urban renewal and reconstruction of dangerous and old buildings to create new value for their real estate.
  - (5) Bidding agent for foreclosure of entrusted management business
 

Through the official website and the official LINE account of "South China Golden Real Estate", publish real estate tax SEO articles, send monthly foreclosure reports, and broadcast weekly selected foreclosure items to increase customers' attention to the foreclosure market. In addition, cultivate professional talents in the field of foreclosure for the purpose of expanding the enterprise's project of foreclosure management, conducting actual investigation of the case evaluation, legal consultation, and the subsequent management of the handling of the operation process.

(6) Management service or commissioning service for urban renewal and reconstruction of dangerous and old buildings

HNAMC will utilize its existing professional team of urban renewal and reconstruction of dangerous and old buildings professionals, together with the financial services of the Group's sister companies, to promote full project management services for urban renewal and reconstruction of dangerous and old buildings funded by the landowners; or cooperate with the construction commission to build a diversified model of cooperation to increase the chances of completing a project, strive to increase the income from service fees for the use of non-capital resources, and expand the opportunities for the Group's subsidiaries to compete for common business opportunities.

(7) After-sales management services

In conjunction with the professional construction management team of Construction Agency, the one-stop service program of "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" is introduced into the self-inspection procedure at the stage of service management, with a view to strengthening HNAMC's capability of quality management of construction and improving the service scope of "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings", so as to facilitate the enhancement of HNAMC's brand image.

(8) Other businesses coordinated with policies

A. Cross-selling business

Combine HNAMC's entrusted agent/legal auction businesses, golden house selling business, urban renewal, old and dilapidated buildings reconstruction with the Group's cross-selling actions, to provide exclusive onetime purchase financial services. Enhance customers' trust in the integrated services of Hua Nan Financial Holdings Co., Ltd. and increase its income.

B. Digital marketing business

Integrate digital marketing channels, draft marketing plans for different key businesses, constantly optimize advertising/marketing outcomes and build brand image, to assist the Company in improving its efficiency in disposal of the proprietary assets and business promotion.

C. Innovation and Incubation Centers

Organize innovation incubation activities, through new innovation practical school, new innovation assessment meeting and one-on-one consultant counseling, etc., to establish new innovation technology cooperation opportunities related to real estate, finance, and ESG, and to promote the Company's business innovation.

(9) Backoffice management

A. Facilitate regulatory compliance and enhance self-evaluation outcomes; emphasize to the internal audit and internal control, and add management and control measures.

B. Optimize operation procedures and speed up digital transformation; improve the information security protection and enhance the system performance.

C. Attach importance to talent cultivation and improve welfare measures; formulate anti-epidemic policies and protect workplace safety.

D. Improve handling of customer complaints and protect customers' rights and interests; save energies and reduce carbon emissions; get committed to sustainable operations.

3. Industry overview

In 2023, due to the global economic slowdown and declining export growth, the estimated annual economic growth rate for Taiwan is approximately 1.42%. The Central Bank of Taiwan, considering the gradual stabilization of domestic inflation and the slowdown in the domestic economy due to global economic factors, only raised interest rates by 0.125% in March 2023, increasing the rediscount rate to 1.875% before temporarily suspending further rate hikes. The cost of funds in the lending market increased slightly in 2023 compared to 2022. Personal loans and corporate borrowing costs also increased slightly. However, the non-performing loan ratio of banks remains low and has not significantly risen, staying below the legal threshold at which banks can sell non-performing loans. Therefore, there were no whole packages of non-performing loans tendered for sale in the market.

The number of residential properties transferred through auctions nationwide has been decreasing year by year. It is estimated that in 2023, the total transfers will be lower than the 2,765 transfers in 2022. Observing the reasons for court auctions, many cases arise from disputes over co-owned properties and inheritances. Given the low default rates on bank loans and continued strong demand for residential properties for self-occupation, the probability of real estate properties entering the auctions market is low, and it is difficult to increase the number of such cases. In 2023, the real estate market benefited from the temporary suspension of interest rate hikes and the implementation of the "New Youth Loan for Home Starter," leading to an increase in demand for self-occupation. This supported the transaction volume in the real estate market in the second half of 2023, with a total of 306,000 properties sold nationwide. In response to robust demand for self-occupation, the presale housing market was not affected by the amendment prohibiting transfer under the Equalization of Land Rights Act. While transaction volume decreased due to reduced investment demand, housing prices are still supported by strong demand for self-occupation.

In 2023, the total transaction amount in the land market decreased by 30% compared to 2022. Among them, industrial land was the most affected, decreasing by 60% due to the slowdown in factory expansion. The commercial real estate market also experienced a 30% decrease in total transactions in 2023 compared to 2022, with the office market seeing the most significant reduction at 84%, followed by hotels at 62%.

#### 4. Research and development

##### (1) Participate in evaluating the implementers' qualifications for urban renewal of offices

Actively take part in evaluating the implementers' projects for urban renewal of offices, to accumulate experience on bid preparation for related projects. Significantly enhance professional strengths and competitiveness of HNAMC in urban renewal.

##### (2) Develop total management and profit models for injecting capitals to invest in urban renewal, old and dilapidated buildings reconstruction

By cooperation across fields, develop total management service models for urban renewal, old and dilapidated buildings reconstruction projects. Provide professional services to assist the residents in realizing the objective of reconstruction. Make one-stop services available, from acting as agent, implementer, or initiator, assisting in selecting architects and building plants to performing acceptance inspection for delivery and building management committees. Increase and decrease charges dependent upon project scale.

##### (3) Innovation and Incubation Centers

Regularly organize innovation and incubation activities. By construction of practice schools, innovation evaluation meetings, one-to-one consultation and professional tutorship, create opportunities for technological innovation cooperation in relation to real estate, finance and ESG, in hope of assisting the innovation businesses in achieving vigorous growth and empowering the Company in business innovation.

#### 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 HNAMC'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 (Rui Guang 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. Investment by legal auction:

In response to the policies for raising interest rate, actively acquire real estate with relatively high capital gains or those creating higher rental income, in hope of stabilizing operating revenues or increasing profits by earning more rental income, and mitigating impacts of interest rate rising.

## B. Value-added investments:

After acquisition of real estate, create new value of the real estate by value-added utilization, including but not limited to selling with building permit, joint construction, urban renewal, old and dilapidated buildings reconstruction, or other ways which may enhance intensive land use. Acquire capital gains after asset revitalization, and increase operating 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. Expand channels related to urban renewal, old and dilapidated buildings reconstruction through digital media marketing, financial peer cooperation, referral by external professionals and other channels, in order to link finance with the industry chain of old and dilapidated buildings reconstruction. Meanwhile, focus on “urban renewal of industrial parks” and list it as the key business to be developed, for increasing investment scale of injected capitals.

## D. Continuous promotion of other policy-aligning business: e.g. innovation and incubation centers

## 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. Through the operation of cross-selling, the subsidiaries can cooperate with each other and introduce business opportunities to each other to enhance the overall revenue of the Group. With the efforts and collaboration of the subsidiaries, in addition to enhancing customer stickiness and contribution, the Group is also able to utilize the advantages of product and business diversification of the subsidiaries, thus achieving integration of resources, mutual benefit and co-prosperity.

### (II) Hua Nan Commercial Bank

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

Item (Unit: NT\$million)		Year		
		2023	2022	2021
The broker business of Hua Nan Securities	Business volume	1,311,780	1,119,298	1,866,676
The business of South China Insurance	Business volume	966	923	879
The mutual fund business of Hua Nan Investment Trust	Fixed income type	15,000	11,013	10,622
	Non-fixed income type	3,504	2,760	2,970

### (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)		
Year	2023	2022	2021	2023	2022	2021	2023	2022	2021
Result	52,651	48,964	47,234	7,886	6,526	5,632	499	462	483

Note: The data on balance of the customers' deposits was collected as at the end of December.



Item	Fixed income type (NT\$10 thousand)			Non-fixed income type (NT\$10 thousand)			Regular fixed term and amount transactions (Number of customers)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Result	447,336	419,400	622,356	70,341	58,181	70,293	1,673	1,474	2,187

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 2023, the total premium income of property insurance's co-marketing business was NT\$1,020,588 thousand, an increase of nearly 47.22 million from 2022; the mainly contribution came from HNCB, which assisted the South China Insurance in promoting property insurance for NT\$966,166 thousand, accounting for approximately percentages 95% of the total comarketing business. By the type of insurance, the premiums from the commercial insurance accounts for about 68%, and personal insurance contributes 32%.

In 2023, for 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, cargo transportation insurance, and public accident insurance program; moreover, HNCB's personal finance marketing department also planned to handle compound product marketing events in Q3 to assist the South China Insurance for its comprehensive residential insurance project, which also performed well.

For 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 South China Insurance's personal injury insurance and comprehensive travel insurance program. The boost to co-selling also helped significantly.

In addition to the Group's investment in the co-marketing property insurance, South China Insurance 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: In Thousands of New Taiwan Dollars

Item	Premium revenue from cross-selling	Premium revenue from South China Insurance	Percentage (%) to 2023 revenue	Percentage (%) to 2022 revenue	Total
Fire insurance	564,936	1,530,806	26.96%	31.56%	2,095,742
Marine insurance	37,069	698,373	5.04%	6.37%	735,442
Auto insurance	282,872	7,862,214	3.47%	3.52%	8,145,086
Casualty insurance	93,956	986,551	8.70%	7.63%	1,080,507
A & H	41,755	1,148,171	3.51%	3.04%	1,189,926
Total	1,020,588	12,226,115	7.70%	8.00%	13,246,703

## 3. Total premium revenue from cross-selling of all affiliates in 2023:

Unit: In Thousands of New Taiwan Dollars

Sales of policy	Types of Insurance	Accumulated until end of December 2022
Hua Nan Commercial Bank	Auto insurance	242,970
	Casualty insurance	88,679
	Personal Accident & Health Insurance	37,343
	Marine insurance	36,771
	Fire insurance	560,397
	Total	966,160
Hua Nan Securities	Auto insurance	38,502
	Casualty insurance	5,053
	Personal Accident & Health Insurance	4,325
	Marine insurance	299
	Fire insurance	4,472
	Total	52,651
Hua Nan Futures	Auto insurance	1,400
	Casualty insurance	224
	Personal Accident & Health Insurance	87
	Marine insurance	-
	Fire insurance	67
	Total	1,778

**(V) Hua Nan Investment Trust**

Regularly visit the frontline sales units of various distribution channels and provide product explanations and reports through mutual interaction opportunities during financial planning meetings. In terms of promotional support, provide recommended fund brochures quarterly, monthly fund reports, and occasional thematic recommendations or analyses, conveying product information to sales personnel for enhancing internal channel communication depth and achieving cross-selling benefits.

**(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. Through the one-stop service model of "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" built with HNCB, the Company has increased exposure of the projects, provided opportunities of engagement, and improved the investment scale.
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 comarketing synergies and better contributions to the Group
3. To meet the demand for real estate financial consulting from high-net-worth clients, continue to hold multiple seminar events, expanding opportunities for our "Hua Nan Team for Urban Renewal, Dangerous and Old Buildings" business and enhancing the Group's professional brand image as a provider of diversified financial services.

### III. Market and Business Conditions of the Group

#### (I) Hua Nan Commercial Bank

##### 1. Main area of product sales and services

###### (1) Domestic regions

As of the end of December 2023, 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 of the New Southbound countries, Europe, and the United States where economy is mature and relatively stable, 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:

There are many domestic financial service providers in the Taiwan, and their financial services are highly homogeneous and overlapping among branches. Despite the recent merger of DBS with Citi's Consumer Banking and the Merger Between Taipei Fubon Bank and Jih Sun Bank, the overall market is still saturated. In addition, Internet-only banking service providers seized financial business opportunities arising from the pandemic. The continued expansion of the buy-and-pay business of third-party service providers, coupled with the price competition strategy adopted by most of the banking industry, has limited the profit margins of the domestic financial industry.

###### (2) Demand side:

Under the trend of deglobalization in global trade, with the global supply chain shifting and our government extending the policy for Taiwanese businesses to invest in Taiwan until the end of 2024, this will stimulate the demand for corporate investment and establishment of factories. Besides, the global net-zero transitions trend and the demand from major brands for carbon reduction in the supply chain will drive investments in green energy and carbon reduction, all of which are beneficial for maintaining corporate funding needs. Moreover, the return of funds from Taiwanese businesses will also drive wealth management services for high-net-worth customers. However, fewer land transactions and fewer building license approvals may suppress the demand for construction loans.

##### 3. Business objectives

- (1) Improve niche for deposit and loan businesses, and adjust structures of risk assets, to improve overall contributions of certain customers and the Group, which is reckoned as the business orientation, with a view to improving efficiency of capital utilization.
- (2) In response to the market environment, diversify our sources of income, reduce our reliance on interest income, and continue to consolidate our net fee income from wealth management, credit, deposits, and foreign exchange businesses, with the goal of increasing the scale of profitable operations.
- (3) Adopt diverse asset allocation and investment strategies to flexibly and strictly control risks, improve capital utilization efficiency and improve financial performance, for the purpose of creating requisite robust investment portfolios.
- (4) In response to the trend of digital financial development and digital transformation, continue to strengthen our digital financial services and information system upgrades to support the optimization of business processes and the development of various businesses.
- (5) Implement ESG sustainable financial policies, practice green finance, promote inclusive finance, take care of employees' rights and interests, participate in social welfare, and strengthen corporate governance, with the goal of sustainable development of the enterprise.
- (6) Shape a top-down corporate compliance culture, implement the principle of fairness in treating customers, protect the rights and interests of financial consumers, and aim to provide customers with more professional and quality financial services.

#### 4. Favorable and unfavorable factors of development prospect:

##### (1) Favorable factors:

- A. Occupy a leading position in Corporate finance and foreign exchange businesses. This is favorable for providing a comprehensive range of services by extending from Corporate finance to enterprise owners and their families. Develop new customers.
- B. Occupy a huge customer base and continuously develop diverse products and services for financial planning, to facilitate development of wealth management and the Group's cross-selling businesses.
- C. Improve rules regarding regulatory compliance, anti-money laundering and fight against terrorist financing as well as those for classified management of overseas branches, to better protect rights and interests of the Bank and its customers.
- D. Actively promote digital transformation, improve organizational operation efficiency and create favorable customer experiences, to better develop young customers.

##### (2) Unfavorable factors:

- A. The ratio of young customers of the Bank is relatively low, which is unfavorable for long-term business development of the Bank.
- B. Too high turnover of financial consultants in the Bank's wealth management business has led to limited growth.
- C. There is a shortage of key talent in IT, big data, and new digital financial products, as well as the ability of the information system to support rapid business expansion.
- D. With the changes in business models brought about by financial technology and the Bank's expansion of its presence in the New Southbound countries, the demand for IT talent, multinational talent and legal compliance talent will increase, and labor costs will continue to rise.

## (II) Hua Nan Securities

### 1. Main areas 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 major cities and counties in Taiwan. The Company provides services for 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. As of 2023, electronic transactions accounted for about 80% of the total trading volume at Hua Nan Securities. In terms of mobile order placement, mobile orders at Hua Nan Securities constituted approximately 70% of the overall electronic trading performance by 2023. Moreover, the self-developed Hua Nan e-Trading app, launched at the end of 2023, contributed around 10% to the trading performance, showing sustained high growth and indicating recognition and appreciation from customers and the market towards Hua Nan Securities' electronic trading system.
- B. In 2023, the innovative core platform "Hua Nan e-Trading" launched its self-built app, featuring seven key highlights, including reverse clearing, dual-window ordering, lightning-fast accounting, exclusive stock selection, comprehensive information, instant stock diagnosis through photos, and a special section for ex-rights/dividends. Among these, the industry-leading "dual-window ordering" allows users to view and place orders in the same window without switching, combined with "reverse clearing" for one-click clearance and splitting of large orders, as well as "lightning-fast accounting" for real-time profit and loss calculation. These features provide investors with a more powerful investment experience, reducing operational steps, effectively increasing investment success rates, and lowering risks, enabling them to effortlessly manage their investments every second.
- C. Continuously optimize digital account opening services, Hua Nan Securities caters to diverse account opening needs from the user's perspective and introduce the "one-click triple opening" online account opening feature and created an omni-channel digital account opening experience. Investors from various channels such as securities, banks, or social media, can easily "open a Hua Nan Securities account"

through a simple five-step process to simultaneously open a multi-functional account (including securities, investment advisory, and both NTD and foreign currency accounts). After completing the account opening, investors can immediately enjoy the exclusive industry and stock analysis provided by Hua Nan Securities Investment Management, enabling them to stay updated on market trends and stock movements, and gain a comprehensive investment experience.

- D. Actively expand overseas investments, plan to integrate the "sub-brokerage" product into the Hua Nan e-Trading app, strengthening the trading, account management, and stock-related activities for US stocks, thus expanding the one-stop asset management services.
  - E. Hua Nan Securities continues to enhance its corporate image and brand recognition, making the company more recognizable in the market. The design of the merchandises attracts the interest of young people, caters to the preferences of the new generation, and boosts attention from investors through the addition of the Tiger mascot, attracting more attention from investors.
  - F. Hua Nan Securities upholds the spirit of friendly service, and provide a wide range of customers with the information spread through diversified audio-visual services. In addition to advertising audio and video, there are also software operation questions and product function introductions. You can get reference answers through audio and video, which is very convenient for customers to use.
  - G. Hua Nan Securities is committed to enhancing customer service by facilitating inquiries, assisting users in resolving system issues, or ensuring customers' right to file complaints. Utilizing intelligent customer service, the system incorporates a multi-round interactive module, allowing investors to interact with chatbots through simulated human-like conversations. This service is available 365 days, 24 hours, providing convenience for customers to address their concerns anytime.
- (2) Demand side:
- A. With the diversification of financial products, investors' demand for comprehensive securities companies has also increased relatively, and domestic people's investment has changed from stocks and bonds in the past to today's index funds (ETFs), index futures, and subscription (put) warrants and many other derivative financial products, showing the market development potential of new investment tools.
  - B. It has become a trend for companies and legal persons to use the stock market to raise funds, and the transaction amount of foreign investment in the stock market accounts for an increasing proportion of transactions in my country's centralized securities market year by year, and the role played by securities companies has gradually increased.
  - C. The rapid dissemination of information, the improvement of the education level of Chinese people, and the diversification of investment tools have gradually increased investors' demand for securities-related information and services, and the demand for securities firms' services will also continue to grow.
  - D. Overseas sub-brokerage investment demand is expanding year by year, and future success will hinge on providing distinctive services in terms of information and platforms.
  - E. In 2024, the market is expected to see the dawn of interest rate cuts, and overseas bonds become a favorite among investors in recent years. The related trading volume has been growing annually, and we will continue to promote overseas bond services.
  - F. The domestic ETF market's scale and number of funds continue to grow, with investors showing high interest in participating in ETF subscriptions. This trend is boosting demand for related investor services and enhancing investor stickiness.
  - G. As domestic securities companies are actively expanding their wealth management business and related laws and regulations are loosened, investors' demand for securities companies' wealth management-related services is becoming more and more intense.

### 3. Business objectives

In response to market competition, HNSC will continue to develop various businesses in a balanced manner, strive to increase profits, and strengthen close cooperation with brother companies under the financial holding company to pursue synergistic effects of cost reduction and cross-marketing, and cooperate with the open policy of the competent authority. Gradually expand the business to become a large-scale, professional and international all-round securities company. The main business objectives for this year are roughly as follows:

- (1) Deepen financial mobile services: Constantly improve the mobile trading platform, with the three main focuses of "stock selection", "trading", and "service", and to develop a "one-stop" user experience and service. Plan to integrate the Hua Nan e-Trading with the "sub-brokerage investment " product, the U.S., Hong Kong, and Japanese stock quotes, and enhance the trading and account functions of the U.S. stock market, continuing to build up a "attractive service" and "brand styles".
  - (2) Deploy overseas investments, establish the "systematic investment plan in US Stocks" platform, provide diverse investment targets and easy-to-understand classification services, a simple stock holding interface, clear accounting, and complement these with comprehensive information on stock dividends and distributions. This will assist investors who are new to the US stock market in easily linking their assets to the world.
  - (3) Refining the "high-volume order placement system" and "high-frequency trading services" exclusive to high-contributing customer groups, design advanced trading tools such as "cloud-based day trading" and "lightning quick order placement" to help investors lock in profits and mitigate risks.
  - (4) Adapt to new regulations: In line with the opening-up policies and investment trends of the competent authority, continue to optimize HNSC's electronic services to meet the needs of investors and reduce operating costs; and continue to strengthen information security defense capabilities to provide investors with a safer and more stable investment environment.
  - (5) In response to fintech development blueprint of the Financial Supervisory Commission, including financial data sharing, open securities and financial identification, constantly develop related financial applications and integrated businesses across businesses and fields, to provide investors with brand new and diverse financial services.
  - (6) Continue to deepen community management: Enhance media advertising (Google, Facebook, LINE, TTD, Criteo), word-of-mouth marketing, and brand management. Strengthen the effectiveness of keyword advertising and leveraging current events, while adjust broadcast exposure channels to reach different audience groups and promote HNSC's digitization and related services.
  - (7) Improve multimedia design services: Enhance product highlights and brand image through video animations, continuously optimize user experience in platform interface design, adding value to product and event promotions, making it a powerful tool to establish the influence of Hua Nan Securities in the investment market.
  - (8) Continue to deepen the application of big data analytics, integrate online and offline data, address customer breakpoints and pain points in their investment journey, provide services at the right moments, and strengthen HNSC's digital platform service and marketing capabilities.
  - (9) Maximize website information: Continuously enhance the user experience of the official website, including strengthening brand image, optimizing information architecture, and implementing responsive design across platforms to create a more appealing online environment and improve overall business efficiency.
  - (10) Outbound care services: Proactively care for customers through customer service personnel to enhance customer satisfaction and brand loyalty, meet customer needs in investment and wealth management, and encourage customers to increase their willingness to engage in transactions with HNSC.
4. Advantages and Disadvantages of Development Prospects
- (1) Favorable factors:
    - A. Integrate the self-developed e-Trading app, actively develop new digital services, provide diverse investment services, optimize customer investment experience, and with a rise in mobile user ratio, the acceptance of electronic transactions among customers is increasing.
    - B. Engage actively in social media platforms by organizing events, daily post interactions to attract customers to follow and share, deeply cultivating social media communities. Establish a youthful brand image, promote marketing initiatives, strengthen promotion efforts, regularly update the latest activities to encourage participation, and enhance customer stickiness.
    - C. Utilize the website and audiovisual promotions for marketing activities and products, targeting a younger audience, revitalizing the old brand, and shaping a positively transformed service appearance.
    - D. Financial Holdings has complete resources. Through big data analysis and application, it provides the services customers need with digital precision strategies and marketing.
    - E. In response to the loosening of laws and regulations by the competent authority, the opening of business and the rapid development of Fintech, it is conducive to the promotion of electronic transactions.



## (2) Unfavorable factors:

- A. Industry peers continue to cut prices.
- B. The development and promotion of financial digital services requires high costs for system optimization and construction, as well as high costs for personnel training, so the information system needs to be continuously strengthened and refined.
- C. The rapid development of digital services has resulted in an increase in the number of brokerage firms developing their own apps, which leads to fierce competition among the industry in digital services.
- D. Existing customers are of in higher age groups, and it's more difficult to digitize.

## (III) South China Insurance

## 1. Insurance market analysis

According to the data of signed insurance premiums of insurance companies from January to December 2023 of the Republic of China Property Insurance Business Association, the growth rate of signed premiums in the Taiwan property insurance market was 10.63%, and the growth rate of signed premiums in South China was 8.86%, with a market share of 5.43%.

## 2. Sales (supply) regions of main commodities (services) in 2023

Unit: In Thousands of New Taiwan Dollars

Area	Amount	%
Headquarters	5,277,345	39.84%
Taipei Branch	1,345,557	10.16%
Taoyuan Branch	714,485	5.39%
Hsinchu Branch	438,744	3.31%
Taichung Branch	1,766,076	13.33%
Yuanlin Branch	858,944	6.48%
Tainan Branch	1,188,050	8.97%
Kaohsiung Branch	1,657,504	12.51%
Total	13,246,705	100.00%

Note: Re-insurance revenue is not included.

## 3. Future demand and supply status of the market

The future supply and demand situation of the property insurance market is analyzed as follows:

- (1) The development of property insurance is closely related to the prosperity and decline of economic development. According to data from IHS Markit, observing recent international economic conditions, the global economy continues to recover from impacts such as the COVID-19 pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. However, the effects of monetary policy tightening, sluggish trade growth, and declining confidence among businesses and consumers are becoming increasingly evident. Affected by international economic and geopolitical uncertainties, global economic growth is slowing down, with a forecast of 2.3% global economic growth in 2024. Advanced economies are tightening monetary policies in response to the highest inflation levels in decades, leading to slow and uneven global economic growth. This situation has resulted in increased global trade restrictions, inward-looking policies, and restructuring of global value chains, bringing unfavorable factors and increasing uncertainty in the global trade outlook. Under multiple impacts, the global economy is expected to maintain a moderate slowdown trend.

In 2024, it is anticipated to be the lowest growth since the pandemic, with growth rates estimated at 1.4% for the United States, 4.7% for China, 2.2% for South Korea, 2.3% for Singapore, and 1.1% for Japan.

Looking at the domestic economic situation, the Accounting and Accounting Office of the Executive Yuan predicts that the country's economic growth rate will be 3.35% in 2024. Looking ahead, global merchandise trade is expected to pick up as demand for goods is driven by the gradual de-stocking of the supply chain. Besides, the continued expansion of AI, high-speed computing, and other emerging technology applications will add to the growth momentum of exports. In terms of investment, semiconductor manufacturers will continue to invest in advanced processes, and enterprises will continue to import related equipment in response to the trend of net-zero and digital transformation, as well as the government's expansion of public construction budgets, all

of which are expected to encourage investment. As for the consumption, benefiting from the stable domestic job market, the increase in basic wage, and the government's continuous promotion of income tax system optimization and other measures to alleviate the burden on the public, it is expected to boost the overall disposable income of the public, and the Taiwanese people's confidence in investing in the stock market will help to sustain the momentum of consumption. However, it's crucial to closely monitor the timing of major countries' monetary policy shifts and geopolitical risks such as U.S.-China tensions, the Russia-Ukraine war, conflicts in the Middle East, and the Red Sea crisis, as they continue to impact the global economy and trade.

- (2) As tightening monetary policies in advanced countries begin to have negative effects, coupled with uncertainties such as unclear economic prospects between the U.S. and China, global geopolitical risks, and extreme weather events, global risks are deepening. This has led to increased risk awareness among individuals and businesses, with a corresponding rise in willingness to actively seek insurance coverage. South China Insurance continues to adapt to market conditions by developing various customized, simplified, and low-premium products to meet the needs of consumers. It also plans green financial products in line with international trends towards carbon reduction and zero emissions for fulfilling corporate responsibility.

#### 4. Business objectives

South China Insurance is a property insurance company that operates various types of property insurance and health injury insurance. It actively cooperates with government economic policies and insurance promotion policies, and provides comprehensive risk assessment and insurance planning services to the general public and industrial and commercial businesses to protect homes and businesses and operational safety. Through the use of funds and risk diversification, improve operating performance and protect the interests of shareholders and policy holders.

#### 5. Favorable and unfavorable factors of development prospect

##### (1) Favorable factors for the competition of South China Insurance:

- A. Utilize the resources of the financial group, enhance operational synergies through joint marketing by subsidiaries; strengthen the promotion of government bank business to boost channel performance.
- B. Optimize e-commerce efficiency by integrating third-party platforms, streamline the complex online insurance process, provide customers with a more convenient and efficient online insurance experience, increase cross-industry cooperation, and expand market competitiveness.
- C. South China Insurance not only complies with various regulations from international and domestic regulatory authorities but also independently publishes climate-related financial disclosure reports. The company has obtained the British Standards Institution (BSI) "Level 5+ Excellence" certification.
- D. Conducting PCAF carbon assessments for large-scale commercial property insurance, marine insurance, and personal vehicle insurance, actively manage climate risks, and promote net-zero targets based on financial carbon emissions and premium carbon intensity.
- E. Through the "Own Risk and Solvency Assessment Mechanism"(ORSA), implement the management of capital planning and business integration to improve capital utilization efficiency and ensure solvency.
- F. South China Insurance has been awarded the Champion of "Insurance Faith, Hope and Love Award" in the "National Insurance Three Awards and Ten-Year Heroes List" organized by RMIM Inc.; "Silver Award for "Excellence in Caring for the Community", "Silver Award for Excellence in Risk Management" and "Silver Award for Excellence in Talent Training Program" in the 10th Taiwan Insurance Excellence Awards. In addition, in the 25th "Insurance Faith, Hope and Love Award," South China Insurance won the "Best Communication Office Award - Taichung Branch" and three other awards, namely "Best Insurance Professional Award", "Best Social Responsibility Award" and "Best Professional Consultant Award - Tzu-Kuei Lin Associate." All these good performances showed that South China Insurance was recognized by all sectors of the community.
- G. South China Insurance also won the "Six Core and Public Construction Investments - Financial Investment Group" award promoted by the Insurance Bureau, and also ranked in the top 26% to 50% in the "2023 Insurance Industry Fair Customer Service Principles Assessment" for property and casualty insurance.
- H. South China Insurance received a stable credit rating outlook from AM Best, a credit rating agency and Taiwan Ratings, reflecting the Company's good operating performance with a strong balance sheet, solid operating performance, neutral business profile and appropriate enterprise risk management, as well as strong capital and profitability.

## (2) Unfavorable factors for the competition of South China Insurance:

- A. Financial supervision policies and laws are constantly changing, and issues such as compliance with laws and regulations, risk management, fair treatment of customers, and ESG (Environmental Social Governance) are becoming more and more important, causing business operation and labor costs to increase year by year.
- B. The property insurance industry highly relies on the reinsurance market to diversify risks. However, due to the impact of the epidemic, large-scale accidents and disasters caused by abnormal weather, the available reinsurance capacity has shrunk and costs have increased, affecting the revenue and profit of the entire property insurance industry room for growth.
- C. In recent years, climate change has led to increasingly frequent extreme weather events globally, making climate risk one of the biggest challenges of our time. It is necessary to link climate risk management with traditional risk management, integrating it into business processes. This involves continuously monitoring climate-related risk indicators and goals, adjusting business strategies accordingly. The goal is to establish a virtuous cycle of climate risk governance, aiming for net-zero carbon emissions and contributing efforts to the development of global sustainability.
- D. Due to the significant disparity between IFRS 17 and current operations, companies are actively assessing the impact of implementation on their finances. They are also completing the establishment and integration of relevant systems and operational processes to smoothly align and reduce disruptions.
- E. In a highly competitive market environment, developing effective brand marketing strategies and building a strong brand image are crucial. This will effectively increase consumer attention to the brand, attract more customers, and boost sales.

**(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 phenomenon of Evergrande, a major player in the investment banking market, continues to ferment, and competition is becoming increasingly fierce. This will drive the company's operations to be more diverse, proactive, and efficient in terms of product development, business expansion, marketing volume, information system efficiency, and compliance management.

## 3. Business objectives

- (1) Increase the scale of non-monetary market funds to increase revenue contribution.
- (2) Improve the service quality of the group's joint sales channel.
- (3) Develop external channels to increase the shelf rate and stock.
- (4) Strengthen the performance of funds, requiring the top 1/2 and top 1/4 of fund performance to consolidate customers' long-term confidence.
- (5) Strengthen Corporate governance, implement legal compliance and risk control.
- (6) Establish a reliable information infrastructure and strengthen information security protection.

## 4. Favorable and unfavorable factors of development prospect:

## (1) Favorable factors:

- A. HNIT's fund products have excellent operational performance and have been recognized by many awards.
- B. Great brand image and recognition of our parent company, Hua Nan Financial Holdings.
- C. HNIT's product lines do not have a high degree of overlap, and there are opportunities to customized products for the banking channel in response to market demand, thereby enhancing the Company's competitiveness.
- D. Although there are still items that need to be upgraded, HNIT will be able to build a new image based on its existing operations, and by continuing to strengthen its organization and develop its various businesses.

## (2) Unfavorable factors:

- A. The current scale of HNIT is mostly currency funds, and the product line is obviously insufficient. It is necessary to actively expand various types of funds.
- B. HNIT's single non-monetary fund is low in scale, which is not conducive to seeking external channels for listing or institutional legal person investment. It is necessary to actively expand the scale of related funds to facilitate future business development and operating income.
- C. At this stage, HNIT's fund stocks mainly rely on the assistance of the group's channels, and the sales sources are relatively concentrated. It is necessary to actively explore external cooperation opportunities to facilitate long-term performance growth.
- D. Most of HNIT's information systems are outdated, which not only has concerns about information security, but also is not conducive to new product development and operation process management. The systems should be gradually replaced or updated to establish a more complete operating infrastructure.

**(V) Hua Nan Venture Capital**

## 1. The future supply and demand status of major investment regions and markets

The investment area is mainly domestic, but considering the relevance, integration and marketability of the industry, the flexibility of the quota in foreign areas is also retained.

## 2. Business objectives

With the investment strategy of diversifying risks, continue to actively look for investment targets with long-term development and profit potential, and establish an investment portfolio that can achieve both long-term and short-term profit goals through appropriate industry and regional allocation.

## 3. Favorable and unfavorable factors of development prospect

## (1) Favorable factors:

- A. The image of sustainable operation of the venture capital under the financial holding company is easier to win the trust of customers.
- B. Combined with the financial holding group's complete financial service system (including banking, securities, property insurance, etc.) and good Corporate image, it has positive benefits for case source development and investment evaluation.

## (2) Unfavorable factors:

- A. It is not easy to expand the size of the funds under management before the investment performance is realized.
- B. The international political and economic situation is turbulent, causing the stock market to fluctuate more. In addition to increasing the difficulty of disposing of holdings, the overall operation may also fluctuate greatly due to fluctuations in evaluation.

**(VI) Hua Nan Assets Management Company**

## 1. Main investment areas: Taiwan

## 2. Future supply and demand status of the market

It is estimated that in 2024, as the inflation has eased, there will be high chance for interest rate cuts in the second half of the year. The market experienced adjustments in 2023 due to inventories depletion and order cuts throughout the year, easing cost pressures on manufacturers. It is forecast that the economic growth rate in 2024 will surpass that of 2023. Overall, there should not be large-scale defaults in the capital and currency markets, and there are no signs of significant non-performing loan market releases for sale.

The residential real estate market in 2024 is expected to have a transaction volume exceeding 300,000 units due to economic recovery, a pause in interest rate hikes, and the possibility of rate cuts. Residential property prices will continue to rise slowly, demonstrating a stable pattern of price and volume. Commercial real estate, driven by economic recovery, is expected to see an increase in overall land transaction volume. Demand for commercial and industrial office spaces will also rise, keeping vacancy rates low and prices on a gradual trend going upward.

The incentive for the reconstruction of dangerous and old buildings decreases year by year while construction costs increase annually. This makes it more challenging to promote the reconstruction of dangerous and old buildings. The number of approved reconstruction cases in 2023 was lower than that in 2022, with only 795 cases approved, indicating the challenges in promoting the reconstruction of dangerous and old buildings due to the overall environment. To mitigate this impact, Hua Nan Assets Management will adopt a more flexible approach in promoting the reconstruction of dangerous and old buildings in the future. In addition to offering joint development services, will also provide comprehensive project management or joint development commission services.

### 3. Business objectives

- (1) Through the real estate direct investment business, on the one hand, the goal is to expand the scale of assets and pursue profitable growth; on the other hand, to cultivate professionals in the fields of real estate investment, property management, integration, planning, and development and construction, so as to facilitate government policies Long-term promotion of urban renewal and reconstruction of dangerous old buildings; the three aspects can also be used to train future bid evaluation talents for bad debt tenders and disposal talents after winning bids.
- (2) In line with government policies, actively promote the reconstruction of dangerous and old buildings in urban areas, hoping to improve the overall living environment and rebuild residential safety; at the same time, focus on the promotion of urban reconstruction in industrial areas, solve the lack of space for industrial development and improve the environment of old industrial areas issues such as mobility, fire protection and public security, in order to optimize the factory environment, drive the renewal of industrial zones and revitalize industrial competitiveness.
- (3) Provide down payment services for the reconstruction of the dangerous and old buildings, matching with the lending of financial institutions to assist corporations with capital needs for the reconstruction of dangerous and old buildings in urban areas to promote urban renewal, and through our experience in the business of reconstruction of dangerous and old buildings, provide relevant services such as renewal mechanism to secure the creditor's rights and reduce the risk of lending by financial institutions.

### 4. Favorable and unfavorable factors of development prospect:

- (1) Favorable factors:
  - A. Have the support of the group and enjoy abundant operating resources.
  - B. refer to the core business structure of international investment banks and have trained professionals.
  - C. Possess innovative ability and competitiveness, and have more experience and practical experience in self-management than those in the industry.
  - D. The domestic long-term rating "twA+" and the domestic short-term rating "twA-1" have been confirmed by China Credit Rating Corporation, and the rating outlook is "stable".
- (2) Unfavorable factors:
  - A. Since the amount of capital is lower than that of major competitors, the scale of assets that can be invested is relatively small, and the scale of revenue that can be created is also relatively low compared with peers.
  - B. The demand in the overall foreclosure auction market is booming, which intensifies the bidding competition in foreclosure auctions, which affects the opportunity to bid for suitable assets and the growth of asset scale.
  - C. Real estate tax 2.0 new system increases the real estate transaction tax rate, and the applicable tax rate for short-term transactions within 5 years is higher. Moreover, the use of separate taxation has resulted in high real income tax rates.
  - D. Due to the increase in interest rates compared to the past and the simultaneous increase in the cost of construction labor and raw materials, the construction contracting costs have increased and the time schedule has been delayed. In addition, the incentives have been decreasing year by year, resulting in higher costs and affecting the willingness of the landowners of the redevelopment projects of the reconstruction of dangerous and old buildings in the negotiation to cooperate in the construction of these projects, which makes it more difficult for HNAMEC to promote the reconstruction projects of the dangerous and old buildings.

## IV. Employee data of the Group

### (I) Employee data in recent two years

Year		Current year As of March 31, 2024	2023	2022
No. of employees	Hua Nan Financial Holdings	85	84	87
	Hua Nan Bank	8,241	8,380	8,151
	Hua Nan Securities	1,476	1,477	1,429
	South China Insurance	1,084	1,077	1,061
	Hua Nan Investment Trust	64	64	63
	Hua Nan Venture Capital	10	10	10
	Hua Nan Assets Management Company	58	54	55
Average Age	Hua Nan Financial Holdings	43.86	43.68	43.28
	Hua Nan Bank	42.36	42.27	42.32
	Hua Nan Securities	45.76	45.76	45.86
	South China Insurance	39.8	39.7	39.40
	Hua Nan Investment Trust	46.19	46.78	46.33
	Hua Nan Venture Capital	45.88	45.63	44.63
	Hua Nan Assets Management Company	36.26	36.54	36.39
Average year of services	Hua Nan Financial Holdings	6.59	6.53	6.63
	Hua Nan Bank	15.11	15.02	15.37
	Hua Nan Securities	10.77	10.77	11.03
	South China Insurance	10.55	10.48	10.46
	Hua Nan Investment Trust	6.47	6.41	6.64
	Hua Nan Venture Capital	13.32	13.07	12.07
	Hua Nan Assets Management Company	6.90	7.19	7.24
Educational distribution ratio (%)	Ph.D.	Hua Nan Financial Holdings	0	0
		Hua Nan Bank	0.07	0.09
		Hua Nan Securities	0.30	0.35
		South China Insurance	0	0
		Hua Nan Investment Trust	0	0
		Hua Nan Venture Capital	0	0
		Hua Nan Assets Management Company	0	0
	Masters	Hua Nan Financial Holdings	55.29	56.32
		Hua Nan Bank	19.72	19.59
		Hua Nan Securities	11.20	11.54
		South China Insurance	6.4	6.50
		Hua Nan Investment Trust	32.81	29.68
		Hua Nan Venture Capital	60.00	60.00
		Hua Nan Assets Management Company	24.1	23.64
	Bachelors	Hua Nan Financial Holdings	44.71	43.68
		Hua Nan Bank	77.29	77.63
		Hua Nan Securities	75.00	75.14
		South China Insurance	87.3	86.60
		Hua Nan Investment Trust	65.62	69.84
		Hua Nan Venture Capital	40.00	40.00
		Hua Nan Assets Management Company	75.9	74.55
	Senior High School	Hua Nan Financial Holdings	0	0
		Hua Nan Bank	2.75	3.40
		Hua Nan Securities	13.50	13.68
		South China Insurance	6.2	6.70
		Hua Nan Investment Trust	1.56	1.58
		Hua Nan Venture Capital	0	0
		Hua Nan Assets Management Company	0	0
	Below Senior High School	Hua Nan Financial Holdings	0	0
		Hua Nan Bank	0.17	0.20
		Hua Nan Securities	0	0
		South China Insurance	0.1	0.20
		Hua Nan Investment Trust	0	0
		Hua Nan Venture Capital	0	0
		Hua Nan Assets Management Company	0	1.81



Financial Certificates Held	Hua Nan Financial Holdings	Certified Anti-Money Laundering Specialist (CAMS): 38 persons, CPA: 4 persons, Lawyer: 3 persons, Financial Risk Manager (FRM): 3 persons, Chartered Financial Analyst (CFA): 1 person, Securities Investment Analyst: 3 persons, Certified Internal Auditor (CIA): 2 persons, Property Insurance Broker: 1 person, Personal Insurance Broker: 1 person, Senior Securities Specialist: 15 persons, Securities Specialist: 16 persons, Futures Specialist: 16 persons, Financial Planner: 16 persons, Investment Trust and Consulting Representative: 23 persons, Property Insurance Representative: 43 persons, Personal Insurance Representative: 52 persons, Personal Insurance Representative Selling Non-Investment Foreign Currency: 20 persons, Investment Insurance Representative: 26 persons, Trust Representative: 51 persons, Bank Internal Control Professional: 62 persons, Professional Competency Examination: 1 person, Bill Finance Specialist: 3 persons, Basic Credit Specialist: 22 persons, Senior Credit Specialist: 1 person, Basic Foreign Currency Specialist: 15 persons, Debt Collection Outsourcing Specialist: 4 persons, Asset Securitization Basic Competency Examination: 2 persons, Bond Professional Competency Examination: 2 persons, Project Manager: 2 persons, Property Insurance Representative: 2 persons, Financial Digital Knowledge Certification: 17 persons, Level B Technician for Accounting: 1 person, Level C Technician for Accounting: 1 person, Structured Product Representative: 11 persons, Foreign Exchange Trading Professional Competency Examination: 1 person, Business Evaluator: 2 persons, Futures Trading Specialist: 1 person, ISO27001 Lead Auditor: 1 person, Futures Trust Fund Sales Institution Salesperson Exam: 5 persons, Anti-Money Laundering and Counter-Terrorism Financing Professional Exam: 13 persons BSI Training Academy: 1 person, Derivative Financial Product Salesperson Qualification Exam: 2 persons, Securities Trading Regulations and Practices Exam: 2 persons, Financial Personnel Risk Management Professional Competency Exam: 2 persons, Risk Management Basic Competency Exam: 3 persons, Certified Ethical Hacker (CEH): 1 person, Certified Hacking Forensic Investigator (CHFI): 1 person, Certified Information Systems Security Professional (CISSP): 1 person, Certified Information Security Manager (CISM): 1 person, Certified Information Systems Auditor (CISA): 1 person, Certified Financial Planner (CFP): 3 persons, Retirement Financial Planner (RFA): 1 person.
	Hua Nan Commercial Bank	Bank Internal Control: 7,641 persons, Trust Representative: 7,137 persons, Personal insurance Representative: 7,200 persons, Financial Planner: 2,092 persons, Property insurance Representative: 7,011 persons.
	Hua Nan Securities	Securities Specialist: 461 persons, Senior Securities Specialist: 826 persons, Futures Specialist: 992 persons, Trust Representative: 713 persons, Investment Trust and Consulting Representative: 552 persons, Personal Insurance Representative: 893 persons, Property Insurance Representative: 777 persons, Investment-Linked Insurance Product Representative: 573 persons, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 533 persons, Anti-Money Laundering and Counter Terrorist Professional Test: 167 persons, CAMS: 17 persons.
	South China Insurance	Underwriter Certificate: 128 persons, Claim Settlement Certificate: 88 persons, Property Insurance Representative: 1,050 persons, Assistant Actuary Certificate: 1 person, Actuary Certificate: 2 persons, Senior Securities Specialist: 46 persons, Securities Specialist: 300 persons, Trust Representative: 182 persons, Personal Insurance Representative: 748 persons, Investment-Linked Insurance Product Representative: 346 persons, Financial Planner: 9 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, 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: 1 person, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 77 persons, Administration Personnel for Life Insurance: 1 person, Investment Trust and Consulting Representative: 69 persons, Stock Affairs Personnel: 2 persons, Futures Specialist: 55 persons, Certificate of Insurance Customer Service: 37 persons, ISO27001 Information Security Management Systems Lead Auditor: 4 persons, JAVA Certificate: 11 persons, AutoCAD 3D Professional: 1 person, Microsoft Certified Application Developer : 1 person, Microsoft Certified Professional: 2 person, Microsoft Certified Technology Specialist: 1 person, Level C Computer hardware decoration: 1 persons, Level B Computer Software: 2 persons, Information Security Engineer - Junior Competency Assessment: 1 person.
	Hua Nan Investment Trust	Investment Trust and Consulting Representative: 31 persons, Senior Securities Specialist: 29 persons, Trust Representative: 38 persons, Financial Planner: 12 persons, Futures Specialist: 30 persons.
	Hua Nan Venture Capital	Personal Insurance: 1 person, Senior Securities Specialist: 1 person, Financial Planner: 1 person, Trust Representative: 2 persons, Bank Internal Control: 1 person, 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, Futures Specialist: 1 person, Basic Proficiency Test for Bank Lending Personnel: 1 person, Basic Test on Financial Markets and Professional Ethics: 1 person
	Hua Nan Assets Management Company	Bank Internal Control: 4 persons, Bank Internal Control and Internal Audit: 4 persons, Trust Representative: 12 persons, Financial Planner: 3 persons, Outsourced Debt Collection Personnel: 18 persons, Investment-Linked Insurance Product Representative: 1 person, Derivatives Representative: 1 person, Basic Bank Lending Personnel: 5 persons, Basic Foreign Exchange Personnel: 2 persons, Personal Insurance Representative: 5 persons, Property insurance representative: 1 person, Property Insurance Representative: 1 person, Senior Securities Specialist: 2 persons, Securities Specialist: 1 person, Futures Specialist: 1 person, Investment Trust and Consulting Representative: 3 persons, Real Estate Valuator: 2 persons, Land Registration Agent: 3 persons, Real Estate Broker: 6 persons, Assistant Real Estate Broker: 11 persons, Certified Anti- Money Laundering Specialist (CAMS): 4 persons, Anti-Money Laundering and Counter-Terrorism Professionals: 2 persons, Microsoft Certified Systems Engineer: 1 person, Cisco Certified Network Associate Engineer: 1 person, ISO27001 Lead Auditor: 3 persons, BS10012 Lead Auditor: 1 person, Construction Site Director: 2 persons, Level B Occupational Safety and Health Supervisor: 2 persons, Public Work Quality Manager: 3 persons, Public Works Procurement Professional: 1 person, Emergency Personnel: 1 person, Corporate Sustainability Manager: 1 person, Junior Ambulance Technician: 1 person, Architect: 1 person, Network Security Packets Analyst: 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: 2 person, Personal Insurance Representative: 3 persons, Personal Insurance Representative Selling Non-Investment-Linked Insurance in Foreign Currency: 1 persons, Investment-Linked Insurance Product Representative: 1 persons, Trust Representative: 5 persons, Bank Internal Controls: 6 persons, Stock Affairs Personnel Professions Test: 1 person, Basic Bank Lending Personnel: 1 person, 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: 2 persons, Professional skills: 2 persons, 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, 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): 6 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: 4 persons, Securities Specialist: 1 persons, Futures Specialist: 3 persons, Financial Planner: 3 persons, Investment Trust and Consulting Representative: 3 persons, Property Insurance Representative: 5 persons, Personal Insurance Representative: 3 persons, Personal Insurance Representative Selling Non-Investment- Linked Insurance Product in Foreign Currency: 1 person, Investment-Linked Insurance Product Representative: 2 persons, Trust Representative: 4 persons, Bank Internal Controls: 7 persons, Bill Finance Specialist: 1 person, Basic Bank Lending Personnel: 3 persons, Digital Finance Knowledge Test: 2 person, Salesperson Test for Futures Trust Fund Sales Organizations: 1 person, Securities Trading Regulations and Practices: 1person, Risk Management Basic Competency Test: 1 person.

**(III) Employee Education and Training:**

The company actively encourages employees to use their spare time to participate in relevant research and training organized by external professional training institutions, or to participate in self-organized training activities to strengthen employees' professional knowledge and improve work efficiency. The company's 2023 employee training and training situation is as follows:

1. In 2023, a total of 230 employees of the company participated in various external professional trainings.
2. In addition to the general and professional training courses of the Taiwan Financial Research Institute, the company also encourages employees to participate in other professional training institutions such as the Securities and Futures Market Development Foundation, the Accounting Research and Development Foundation, and the Taipei Financial Research and Development Foundation training sessions.

**(IV) Employee Code of Conduct and Ethics**

1. The company stipulates in the "Employee Work Rules" that employees should abide by the following service rules:
  - (1) Employees should be dedicated to their duties and perform their duties in accordance with the company's regulations, instructions from superiors and relevant laws and regulations.
  - (2) Employees should keep business or job secrets.
  - (3) Employees shall not use their powers to benefit themselves or others or to cause harm to others.
  - (4) Employees shall not accept entertainment or receive gifts, kickbacks or other improper benefits due to their duties or violations of their duties.
  - (5) Employees are not allowed to operate commercial or speculative businesses or engage in any other profitmaking activities that affect their positions.
  - (6) During working hours, without the consent of the company, employees are not allowed to concurrently hold positions or work outside the company, which will affect the performance of the labor contract.
  - (7) Employees are not allowed to borrow money from each other or from employees of subsidiaries, except for legitimate purposes or savings mutual aid associations, which have been reported to the unit supervisor.
  - (8) Employees are not allowed to take accounts, documents, letters and telegrams out of the company without the approval of the supervisor, or for outsiders to read.
  - (9) Employees shall not arbitrarily browse through accounts, documents, correspondence, etc. that are irrelevant to their duties.

- (10) Employees are not allowed to bring guns, ammunition, knives, dangerous items, contraband or items that have nothing to do with official duties into any office of the company.
  - (11) Employees should wear uniforms in accordance with the company's regulations, pay attention to neat clothing, dignified and tidy appearance, in order to present a good demeanor and temperament.
  - (12) Employees should wear the identification card made by the company during working hours, and the identification card should be returned to the company when leaving the company.
  - (13) Employees shall not engage in sexual harassment.
  - (14) For emergencies and major accidents, employees are not allowed to evade responsibility with excuses.
  - (15) Employees are not allowed to take advantage of their positions to tell the company or its subsidiaries or grandchildren companies that relevant companies, family members or individuals have given improper benefits.
  - (16) Employees shall not neglect their duties, fail to fulfill their duties or violate the provisions of the company's internal control system.
2. In addition, in order to enhance the ethical concept of the company's employees and clearly regulate the rights, obligations and various behaviors of employees, the company has formulated a number of related measures and norms in addition to the "Employee Work Rules", which are listed as follows:
- (1) Hierarchical Responsibilities List: Clear and standardize the hierarchical responsibilities and duties of each department of the company.
  - (2) Key points for employee post promotion: establish a reasonable post promotion system and promote outstanding talents.
  - (3) Key points of employee attendance management: Clearly regulate the various norms of employee attendance and absence.
  - (4) Key points for the implementation of education and training: to strengthen the cultivation of professional talents and enrich the knowledge of employees.
  - (5) Employee sexual harassment prevention measures and complaint handling points: maintain gender equality in work and personal dignity, and provide employees and job seekers with a working environment free from sexual harassment.
3. In order to enable the company's employees to understand the various norms of the employee's code of conduct and ethics in real time, a data system for compiling various important rules and regulations has been completed on the company's internal Corporate website, and employees can consult them at any time.

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

1. Facility security:
  - (1) Lifting equipment safety: In order to take into account, the safety of all personnel using the lifting equipment, the company regularly entrusts manufacturers to maintain all passenger and cargo lifting equipment and conduct annual inspections.
  - (2) Access control security: In order to take into account, the personal safety of all employees, the company not only entrusts an external security company to ensure the security of access control, but also uses electronic access control cards on each floor of the company to implement strict security control of personnel entering and exiting the access control, so as to protect all levels of security Employee safety.
2. Environmental hygiene and safety: In order to provide employees with excellent environmental hygiene, the company entrusts an external cleaning company to implement regular environmental cleaning and finishing twice a day, and also conducts environmental disinfection from time to time to ensure environmental hygiene and safety.
3. Fire safety: The company has set up a complete fire protection system in accordance with the provisions of fire protection regulations, including alarm system, fire sprinkler system and escape system, etc., and conducts regular inspections of fire protection equipment at the same time.
4. The company's employee working environment and employee personal safety protection measures are also disclosed in the sustainability section of the official website: <https://www.hnfhc.com.tw/HNFHC/>.

## V. The Group's Corporate responsibility and ethical behavior

In addition to actively cooperating with the government's financial policies and operating various financial businesses, the Group also provides comprehensive financial services for industrial and commercial enterprises and the general public, and plays a role in promoting industrial and economic development and improving the well-being of the general public. Upholding the core value "HEART" (Honesty/Efficiency/Activeness/Responsibility/Teamwork), the Group is committed to Improve business performance, protect customer rights and interests, maximize shareholder value, and establish a sound, stable, and sustainable 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	2023	2022	Annual Variance(%)
Number of Full-time Non-managerial Employees	Person	9,759	9,515	2.56%
Total Salary of Full-time Non-managerial Employees	NT\$: thousands	13,270,271	12,457,811	6.52%
Average Salary of Full-time Non-managerial Employees	NT\$: thousands	1,360	1,309	3.90%
Median Salary of Full-time Non-managerial Employees	NT\$: thousands	1,178	1,135	3.79%

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 Z/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

Considering the development of technological trends and responding to the challenges faced, the Group's information strategy is evolving towards ABC+S in four major directions. By combining finance and technology, the aim is to create business development niches, expand the younger customer base, and enhance the Group's overall competitive advantage.

##### (1) AI & Automation:

The Financial Supervisory Commission (FSC) has released a draft guideline for the financial industry's use of AI. In addition to the Group's existing AI applications, attention should be paid to the development trend of generative AI. Internal small-scale applications can be explored to grasp the trend of technological development. Continued use of RPA (Robotic Process Automation) is recommended, along with a reevaluation of operational processes to enhance efficiency. Bank shall evaluate the use of generative AI (OpenAI) for automatic aggregation and summarization. This can digitize practical handbooks, improve internal knowledge transmission efficiency, and shorten document processing timeframes using its translation and meeting data aggregation capabilities.

## (2) Big Data Platform:

The Group continues to expand its data architecture, establishing a modernized data platform. The Bank also strengthens data quality and develops self-service data capabilities to enhance data utilization efficiency and application value. To implement applications in business scenario, there are plans to increase channel integration and develop a marketing effectiveness tracking platform, providing more comprehensive and real-time omnichannel marketing effectiveness tracking.

## (3) Cloud Platform:

In August 2023, the FSC significantly relaxed restrictions on financial institutions moving to the cloud. Each company within the Group should pay closer attention to cloud technology development to extend infrastructure frameworks and enhance scalability, accelerating the deployment of digital transformation-related applications.

A. Private Cloud Architecture: The development of cloud-native technologies, containers, and microservices in system architecture aims for agile and flexible responses to business needs.

## B. Public Cloud Services

- The Bank plans to implement a collaborative work framework for cloud services to achieve digital office operations.
- Using a Content Delivery Network (CDN), the Bank places digital content (such as images and videos) from external service websites on the public cloud. This accelerates the delivery of digital marketing content and reduces internal resource loads.

## (4) Security Protection:

## A. Enhanced Information Security Monitoring

For real-time and effective detection of abnormal network behavior, monitoring rules should be regularly reviewed to ensure they meet monitoring operational needs.

## B. Adoption of a Zero Trust Framework for Emerging Technologies in Cloud and AI Security

Cloud and AI applications are expected to rapidly grow, creating new cybersecurity demands. When using external resources like cloud or AI, it's crucial to ensure secure cloud configuration and user identity verification, authentication, and data access security.

## C. Red Team Drills Simulating Hacker Intrusions

Hacker attacks remain a primary risk for financial industry internet services. Each company within the Group regularly conducts "penetration testing." To better assess real-world network hacker threats, cybersecurity experts simulate "Red Team Drills" using hacker's mindset. They use various public information, strategies, techniques, and procedures to simulate attacks, testing network defense, detection, and response capabilities.

## D. Development of Digital Security Talent for Emerging Technologies, Financial Technology, and Digital Transformation

With the transformation of digital financial technology, the development of technologies like cloud, artificial intelligence, and blockchain, the demand for cybersecurity talent in network information security technology continues to increase. The Group encourages cybersecurity personnel across subsidiaries to obtain professional certifications in information security.

## 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.

## (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 Commercial 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 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, anti-money laundering system and risk management system, etc.

## 2. Future development or procurement plans

- (1) Establish the "an integrated application platform for personal financial products," integrating key personal banking products such as credit cards, personal loans, trust accounts, and SnY digital accounts. This aims to create a "one-stop shopping" financial services platform, optimize the customer interface, continuously guide customers to purchase cross-selling businesses through digital channels in the app, combine high-quality services online and offline, enhance customer financial service experiences, and deepen the horizontal linkage of personal banking products within the Bank.
- (2) Provide customers with a one-stop digital financial experience, balancing customer experience, innovation trends, and customer guidance. Integrate exclusive "SnY" app features into the "Hua Nan Bank +" app, while expanding customer wealth management and related services, optimizing transaction processes, and gradually transforming the "Hua Nan Bank +" app into the bank's flagship app. Through the establishment of shared micro-frontends and backend microservices technology architecture, enhance information operation and maintenance efficiency, and reduce development costs.
- (3) In line with digital transformation and green operations implementation, improve operational and audit efficiency, and process optimization. Establish the "smart account opening platform," introduce paperless operations, reduce paper usage, integrate issuance, investigation, and audit operations, reduce manual operations, decrease wait times for counter customers, and enhance service quality.
- (4) In combination with optimizing design of consulting services for the "economic profit promotion plan," improve the OFSAA system and optimize its functions. Procure the management to conduct performance and follow up analysis of the "business groups," "general administration departments," business units, "products," "customer," and "currency," in order to set overall performance objectives and further clarify the evaluation methods. Conform to the overall development plan for the purpose of business development and earnings growth.
- (5) In line with digital transformation, introduce agile development and management practices and establish the "Development Security Operations Integration Platform" (DevSecOps). This platform aims to automate the continuous integration and delivery of application software development, simplify the cumbersome tasks of program version control, compilation, deployment, security testing, and test during the application development phase. Through automated processes, continuously deliver and accelerate the overall application development process.



- (6) 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. Continue to purchase backup software authorization and storage equipment for data storage to fulfill the demand in new annual project and existing system backup.
  - C. Build digitalized offices to enhance office efficiency.
- (7) Enhancing capacity for information security protection
  - A. Establish a zero-trust network to enhance user identification, authentication, and data access security.
  - B. Perform red team drills, in which external security experts use a hacker's mindset to identify potential threats and vulnerabilities on the Bank's customer websites to test the effectiveness of defense measures, detection and response capabilities.
  - C. Optimize the information security joint defense mechanism by linking the information security event management system to other information security devices to automatically block external attack sources to achieve the effect of real-time joint defense.
  - D. Assess and replace the firewall equipment that will soon lose supports to ensure the stable operation of the system and prevent information security risks resulted from equipment failure.
- (8) 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 ISO 27001: 2013 certification in June 2015, and passed the three-year re-certification in August 2021, June and December 2023 in succession to demonstrate our 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 programme. 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.
- 3. Emergency backup and safety protection measures
  - (1) The core accounting main frame 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 August. 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 Colocation Center. The HPE Nonstop NS7 series host is used. The backup core system is installed in the ChungHwa Telecom IDC Colocation 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.
  - (3) Completion of the new Hua Nan e-Trading APP for securities trading, which enables more diversified order placing methods and enhances customer experience.
2. Future development or procurement plans
  - (1) Replace trading hosts for securities and futures. The old hosts have been in use for 20 years, and it is necessary to eliminate the under-performing machines to improve the efficiency of program development and testing.
  - (2) Self-build own APP for sub-brokerage investment to create a mobile electronic ordering APP that is different from the public interface to differentiate ourselves from the rest of the market.
  - (3) Constantly introduce tools for enhancing information security, improve information security defense level, and provide investors with safe transaction environment.
3. Emergency backup and safety protection measures
  - (1) In the head office, the computer room is set up in a place equipped with important equipment(including firefighting facilities, access, temperature/humidity controller and power generation equipment), which is managed by special personnel, to avoid damages.
  - (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 mounted. Enhance cyber security protection, regularly scan vulnerabilities, clearly divert data flow, maintain network stability and fault tolerance, and improve efficiency of network operations.
  - (4) A professional information security service provider has been engaged to periodically perform services, including performing Corporate information security and health inspections, regularly inspecting information security via APP, defending against DDoS attacks, detecting and preventing intrusions, grading information security of external networks, joining in the Financial Information Sharing and Analysis Center, and keeping informative about the latest trends.

#### (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 *16core	4312 MHz * 8core	4312 MHz * 8core
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 systems: 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 systems: eCover website, vehicle insurance B2B system, smart customer service system and mobile insurance system.
- (3) Office automation system: Employee portal website, email system, knowledge management system, E-learning system, general affairs management system, and RPA.
- (4) Information security systems: Special access account management system, endpoint personal data breach prevention system, highest access recovery tool software, logging system, source code detection software, server virtual patching system, mobile device protection system, database audit system, file server tracing system, server folder access audit system, domain name system, remote encrypted connection device, Internet usage behavior management devices, internal/external firewall devices, email audit and email filtering system, antivirus software, webpage tamper-proof system, remote behind-the-scenes system, safe file transfer management system, asset management software and web application firewall, network packet monitoring platform, vulnerability management platform.
- (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) Continuously introduce RPA process robots, to simplify the operation process and save labor costs.
- (4) Continuously 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).
- (9) Introduce API application management platform to strengthen the security control of API applications.
- (10) Strengthen the information security of the core system and enhance the standard of maintenance services.
- (11) Implement a mechanism for detecting and shutting down counterfeit websites (including mobile apps and phishing websites) to strengthen the information defense mechanism.
- (12) Introduce a system configuration baseline control platform to enhance system security maintenance and stabilize operational performance.

**(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 equipment. General PC servers are used for other hardware equipment.
  - (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 ISO 27001.
  - (4) Purchase information security hardware and software in line with enhanced information security requirements.
3. Information operation security protection and backup procedure
  - (1) Lungtan's backup server has been completed, and the off-site backup drill has been successful, ensuring the preservation of the Company's important information and achieving uninterrupted service.
  - (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. Transfer the computer room to that of Chunghwa Telecom's IDC and better control over equipment and environment of the computer room to protect information security.
  - (5) Adopt Chunghwa Telecom's information security fleet monitoring services and continue to conduct information security training to raise employees' information security awareness.

**(VI) Hua Nan Venture Capital**

1. System hardware configuration for main IT systems  
Fortinet 80F Firewall, Allied Telesis Ethernet Switch, Allied Telesis Wireless Network Sharer.
2. Configuration and maintenance of main information systems and software  
Operating System: Windows 11 Professional, 64-bit OS  
Firewall: Fortinet 80F  
Anti-virus: Kaspersky  
Application system: Attention Accounting System  
Softwares: OFFICE 2019, Adobe Acrobat X Pro
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 protection 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 burn 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 systems: 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 Log server logging and tracing storage equipment, FortiGate 201E (network load balance equipment), and temperature and humidity monitoring system.
- (2) Configuration of IT systems and software:
  - A. Operating Systems: MS Windows 10, MS Windows 11, MS Windows 2012 to MS Windows 2022, Centos 7.
  - B. Paperwork: MS Office 2016, MS Office 2019
  - C. Email system: Chunghwa Telecom Hibox mail service
  - D. Database: MS SQL 2019
  - E. Anti-virus software: Trend Anti-Virus (Apexone), Kaspersky (Endpoint Security)
  - F. Vulnerability scanning software: Nessus
  - G. Endpoint monitoring software: IP-GUARD
  - H. Main operating systems: CHING HANG accounting system, email system, web server, HR system and biometric system, etc. All software and hardware systems are maintained by designated personnel. Maintenance contracts are concluded with manufacturers and insurance companies to ensure the normal operation of all system platforms.

**2. Future development and implementation plan of software and hardware**

- (1) Enhance the security of mail system by improving the filtering and scanning technology of mail system, supplemented by multiple security protection mechanisms, to help organizations build an all-around secure information communication environment.
- (2) Build WAF website application firewall to avoid malicious attacks and data leakage and protect website security
- (3) Replace and upgrade switches to effectively improve internal network transmission and Internet access performance, and provide highly stable and efficient functions to ensure continuous and uninterrupted network access.

**3. Emergency backup and safety protection measures**

- (1) Periodically upgrade system patch and virus code of the anti-virus system to ensure normal system operations.
- (2) Adopt next-generation firewalls to block external network attack and periodically detect vulnerabilities of the whole Company's information equipment to enhance the Company's network safety.
- (3) 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.
- (4) Regularly perform official website penetration testing to improve website security and reduce the risk of being hacked.
- (5) Periodically backing up system data, establish remote backup mechanism, and periodically conduct data recovery exercise to ensure the usability of backup data.
- (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 Log server 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, keep using BS 10012 personal information management system and ISO 27001 information security management system certification and periodically re- ISO27001 to ensure the effective operations of the system.
- (9) By outsourcing SOC security monitoring service, the defense lists and alert notifications accumulated by the security monitoring service, immediately grasp the security incidents and deploy defense in advance to reduce the threat of internal attacks.

## VIII. Information 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 taskforce 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) Information security policy and specific management plan

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 2023 and up to the annual report publication date, 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. In line with the government's population policy of encouraging marriage and childbirth at the appropriate age, the Company and Hua Nan Commercial Bank have increased the amount of subsidies for marriage and childbirth. The Company and Hua Nan Commercial Bank provide a marriage allowance of \$30,000, a childbirth subsidy of \$100,000 for the first child, \$150,000 for the second child, and \$200,000 for each child starting from the third child.
7. In order to promote the physical and mental health of the staff and to build up a sense of unity, we organize a hiking activity and a group badminton tournament.
8. Initiated employee stock trust operations in 2023Q4. Implementation began in Jan. 2024, aiming to enhance employee engagement, talent retention, and establishment of a comprehensive support system for employee retirement.

### (II) Retirement plan and implementation

The Company has established a complete retirement system according to the Labor Standards Act and the 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 according to the Labor Pension Act for employees that apply to the new retirement system. For employees who volunteer to contribute pension funds, we also make debits from their monthly salaries to be contributed to their personnel pension accounts.

### (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. Group Contract Signing Status:

To protect the rights of employees and promote labor-management cooperation, the employees of the subsidiary, Hua Nan Commercial Bank established the "Hua Nan Financial Holdings Co., Ltd. and Subsidiaries Union," and employees can decide to join the union or not according to their will. Hua Nan Commercial Bank also signed a "group contract" with the union based on mutually agreed labor conditions, holding meetings every three years to review and revise the contract content, ensuring labor conditions and enhancing labor-management relations.

- (1) The subsidiary Hua Nan Commercial Bank and the union first signed the group contract in March 2006. The first renewal was in December 2009, followed by a second renewal in August 2016. After the expiration of the agreement, from 2019 to 2021, there was one formal negotiation meeting and several communication discussions. However, due to the impact of the COVID-19 pandemic, the discussion meetings were temporarily suspended. In 2022, discussions and negotiations on unresolved matters resumed. After two formal negotiation meetings and several discussion meetings, the final Labor-Management Negotiation Meeting was held on February 8, 2023. Following comprehensive discussions on revisions to the Collective Bargaining Agreement, a consensus was reached between labor and management. The agreement was officially signed on July 6, 2023, and is valid until July 5, 2026, for a total of 3 years.
- (2) The collective agreement provisions that are superior to statutory labor laws include "14 days of paid personal leave in a year, 7 days of family caregiving leave included in the calculation of personal leave, 30 days of general sick/injury leave, and 3 days of menstrual leave; employees suffering from minor illnesses may apply for extended sick leave for up to 3 months with 30% salary compensation; employees suffering from serious illnesses may apply for extended sick leave, with the provision of salary compensation based on the severity of the illness, years of service, and performance record;" "marriage leave (14 days) and bereavement leave (e.g., 21 days for the death of a parent or spouse) exceeding statutory days;" "voluntary retirement eligibility of 20 years;" and "in the event of (accidental) death while in service, in addition to providing bereavement benefits in accordance with retirement standards, an additional funeral allowance equivalent to 5 months' average salary shall be granted." There are also profit-sharing provisions: in profitable fiscal years, the Company shall allocate no less than one percent (1%) of pre-tax profits deducted prior to employee compensation as employee remuneration, with exceptions made for accumulated losses, compliance with legal amendments, and company regulation revisions.
- (3) The ratio of Hua Nan Commercial Bank's employees who are members of the union is 85.9%. Apart from employees who are members of the union and covered by the group contract, other employees are also subject to its provisions.

### (IV) Two labor disputes and one violation of the labor laws and regulations incurred in the most recent year until the date of publication of the annual report

#### Hua Nan Commercial Bank

#### 1. Violations of the labor laws and regulations in the past years and as of the publication date of the annual report:

Punishment Date	Punishment Document No.	Violated Clause	Violation	Penalty and Fine	Response measures
July 19, 2023	Republic of China July 19, 2023, Fu-She-Lao-Chi No. 1120171767	Article 24 of the Labor Standards Act	Failure to pay for over-time working hours	NT\$ 60,000, announcement of names of the employer and the person in charge	Fine fully paid

2. Labor disputes and estimated losses in the past years and as of the publication date of the annual report:

Information on labor disputes	Amount of incurred losses/estimated amount of future payments (excluding interest)	Response measures
Confirmation of the existence of an employment relationship, etc.	The total request amount is NT\$2,666,280.	Handling according to the judgment of the court or the result of the negotiation
Pension shortfall event	The total request amount is NT\$1,151,315.	Handling according to the judgment of the court or the result of the negotiation

Hua Nan Securities

Labor disputes and estimated losses in the past years and as of the publication date of the annual report:

Information on labor disputes	Amount of incurred losses/estimated amount of future payments (excluding interest)	Response measures
Confirmation of the existence of an employment relationship, etc.	The total request amount is NT\$2,699,027.	The court dismissed the plaintiff's complaint in the first trial, and the second trial is held in the High Court.
Pension shortfall event	The total request amount is NT\$1,192,514.	District court trial in progress.

## 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 Commercial Bank

Nature of the Contracts	Parties	Duration of the Contracts	Major Content	Restrictive Clauses
Construction contract	Y&F Interior Design Co., Ltd. / Hua Nan Commercial Bank, Ltd.	January 9, 2023 to November 4, 2023	Tucheng Information Building Interior Decoration Contract Amount NT\$668 Million (Contract issued in 2023)	
Construction contract	Marketch International Corp. / Hua Nan Commercial Bank, Ltd.	March 28, 2023 to December 4, 2023	Tucheng Information Building Electrical and Mechanical Machinery (I) Construction Contract Amount NT\$131 Million (Contract issued in 2023)	
Construction contract	Chunghwa Telecom Co., Ltd. Enterprise Business Group / Hua Nan Commercial Bank, Ltd.	January 10, 2023 to July 15, 2023	Tucheng Information Building Electrical and Mechanical Machinery (II) Construction Contract Amount NT\$158.9 Million (Contract issued in 2023)	
Consultation Agreement	McKinsey & Company Inc. Taiwan Branch / Hua Nan Commercial Bank, Ltd.	December 19, 2022 to November 17, 2023	Digital Transformation Consulting Project Phase II Professional Consulting Fee NT\$94 million (inclusive of VAT)	McKinsey does not replace the management or other decision-making bodies of Hua Nan Commercial Bank and does not guarantee results.

## (II) South China Insurance

Nature of the Contracts	Parties	Duration of the Contracts	Major Content	Restrictive Clauses
Reinsurance contract	Central Reinsurance Corporation	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with fire insurance and fire additional insurance ratio reinsurance contract, marine cargo insurance ratio 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 prorata reinsurance contract, fire and construction general excess reinsurance contracts, fire insurance and construction insurance excess of loss cover for catastrophe reinsurance contract, accident insurance excess of loss reinsurance contract, and injury insurance excess of loss cover for catastrophe reinsurance contract.	None
Reinsurance contract	Everest Reinsurance Company Singapore Branch	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with fire insurance and fire additional insurance ratio, fire insurance and construction general excess reinsurance contracts, fire insurance and construction excess catastrophe reinsurance contracts.	None
Reinsurance contract	Hannover Reinsurance Company Shanghai Branch	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with fire insurance and general construction excess reinsurance contracts, accident excess reinsurance contract, injury insurance and construction catastrophe excess reinsurance contracts.	None
Reinsurance contract	Korean Reinsurance Company	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with fire insurance and fire additional insurance ratio reinsurance contracts, fire insurance and construction general excess reinsurance contracts, fire insurance and construction excess catastrophe reinsurance contracts, and accident excess reinsurance contracts.	None
Reinsurance contract	Munich Reinsurance Company Hong Kong Branch	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with marine cargo insurance ratio reinsurance contract, car insurance ratio reinsurance contract, construction insurance ratio reinsurance contract.	None
Reinsurance contract	Odyssey Reinsurance Company Singapore Branch	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with fire insurance and fire additional insurance ratio reinsurance contract, and marine cargo ratio reinsurance contract.	None
Reinsurance contract	Qianhai Reinsurance Company, Limited	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance with fire insurance and fire additional insurance ratio reinsurance contract, and fire insurance and construction excess catastrophe reinsurance contracts.	None
Reinsurance contract	Swiss Re Asia Pte Ltd Hong Kong Branch	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance construction ratio reinsurance contracts, fire insurance and construction excess catastrophe reinsurance contracts.	None
Reinsurance contract	Taiping Reinsurance Company Limited	2023.01.01~2023.12.31	The counterparty provides reinsurance for South China Insurance for fire insurance and fire additional insurance ratio reinsurance contract, marine cargo insurance ratio reinsurance contract, hull ratio reinsurance contract, construction ratio reinsurance contract, fire insurance and general construction excess reinsurance contracts, fire and construction catastrophe excess reinsurance contracts.	None
Reinsurance contract	The Toa Reinsurance Company, Limited Hong Kong Branch	2023.01.01~2023.12.31	The counterparty is insured by South China Insurance with fire insurance and fire additional insurance ratio reinsurance contract, marine cargo ratio 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: All important contracts listed above are reinsurance contracts, which were signed for guaranteeing the South China Insurance's underwriting liability for the current year, and accounted based on the calendar year.

## XI. Key Indicators of the Group

	2023	2022	2021	2020	2019
Return on Assets					
Hua Nan Financial Holdings	0.58%	0.49%	0.52%	0.30%	0.59%
Hua Nan Commercial Bank	0.55%	0.48%	0.46%	0.44%	0.57%
Hua Nan Securities	2.68%	1.97%	4.47%	-8.25%	2.29%
South China Insurance	3.56%	1.91%	3.92%	2.27%	3.43%
Hua Nan Investment Trust	-1.11%	-0.38%	-0.82%	-15.33%	0.71%
Hua Nan Venture Capital	4.29%	2.71%	1.49%	7.38%	1.51%
Hua Nan Assets Management Company	0.50%	2.89%	6.79%	0.56%	0.55%
Return on Equity					
Hua Nan Financial Holdings	11.01%	8.98%	8.82%	4.58%	8.79%
Hua Nan Commercial Bank	9.30%	8.10%	7.08%	6.24%	7.94%
Hua Nan Securities	12.19%	9.79%	25.58%	-33.44%	7.34%
South China Insurance	13.73%	7.20%	13.95%	8.01%	11.95%
Hua Nan Investment Trust	-2.57%	-0.86%	-1.86%	-30.48%	1.27%
Hua Nan Venture Capital	4.31%	2.72%	1.50%	7.47%	1.53%
Hua Nan Assets Management Company	2.27%	11.12%	25.62%	2.07%	1.83%
Capital Adequacy Ratio					
Hua Nan Financial Holdings	122.77%	126.61%	122.18%	116.44%	115.72%
Hua Nan Commercial Bank	14.46%	14.64%	14.16%	13.67%	13.88%
Hua Nan Securities	298%	389%	398%	371%	352%
South China Insurance	Over 300%	Over 300%	Over 300%	Over 300%	Over 300%
Non-Performing Loan Ratio					
Hua Nan Commercial Bank	0.15%	0.13%	0.15%	0.15%	0.12%
NPL Coverage Ratio					
Hua Nan Commercial Bank	846.33%	993.56%	826.90%	794.77%	1031.65%



# Teamwork

Teamwork across  
subsidiaries Pursue  
maximum synergistic effect  
of financial holdings



## 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: In Thousands of New Taiwan Dollars

Item	Year	2023	2022	2021	2020	2019
CASH AND CASH EQUIVALENTS AND DUE FROM THE CENTRAL BANK AND OTHER BANKS		285,353,883	295,591,787	280,550,526	260,984,059	181,394,715
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		118,793,903	92,345,662	111,925,660	50,884,829	79,832,198
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		379,784,939	358,704,522	327,146,365	241,125,406	221,684,061
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST, NET		686,891,136	716,234,166	609,544,831	613,905,747	448,789,348
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL		2,481,443	1,999,158	2,449,190	959,220	799,551
RECEIVABLES, NET		67,252,591	47,020,578	60,275,356	51,486,371	46,116,677
CURRENT TAX ASSETS		398,393	169,667	222,141	450,435	356,269
DISCOUNTS AND LOANS, NET		2,243,451,690	2,037,419,759	1,985,934,147	1,784,641,366	1,670,450,065
REINSURANCE CONTRACTS ASSETS, NET		6,917,297	6,404,284	5,381,961	5,648,093	4,288,211
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET		351,351	359,584	360,138	179,552	164,524
OTHER FINANCIAL ASSETS, NET		19,050,712	17,573,908	21,025,010	35,667,659	25,170,232
INVESTMENT PROPERTIES, NET		14,863,175	12,627,100	12,117,002	11,411,897	10,999,439
PROPERTY AND EQUIPMENT, NET		31,978,737	32,656,522	32,434,819	31,777,373	31,915,460
RIGHT-OF-USE ASSETS, NET		2,268,659	2,021,323	1,960,405	1,987,287	2,096,128
INTANGIBLE ASSETS, NET		919,111	968,134	942,413	933,108	914,006
DEFERRED TAX ASSETS		3,850,295	4,018,272	3,571,080	3,432,040	3,353,551
OTHER ASSETS, NET		4,594,464	3,985,125	5,112,874	5,607,796	3,503,792
TOTAL ASSETS		3,869,201,779	3,630,161,728	3,460,953,918	3,101,082,238	2,731,828,227
DEPOSITS FROM THE CENTRAL BANK AND BANKS		190,550,622	182,391,496	121,391,552	120,918,211	117,698,753
DUE TO THE CENTRAL BANK AND BANKS		-	-	34,478,600	19,091,190	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		8,651,418	6,233,545	3,427,549	7,475,164	3,050,189
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE		109,103,919	53,361,205	26,305,596	41,957,804	36,570,660
COMMERCIAL PAPER PAYABLE, NET		36,316,177	19,879,471	19,305,630	15,578,122	18,530,988
PAYABLES		48,200,920	37,923,753	44,198,933	40,262,838	37,298,835
CURRENT TAX LIABILITIES		3,640,732	3,599,175	2,517,810	2,617,347	1,252,443

Item		Year	2023	2022	2021	2020	2019
DEPOSITS AND REMITTANCES			3,065,364,627	2,943,462,133	2,835,359,989	2,524,483,706	2,224,016,962
BONDS PAYABLE			80,586,915	86,584,626	67,891,382	60,688,999	60,291,611
PROVISIONS			23,659,550	23,891,682	22,986,431	23,747,147	20,632,462
OTHER FINANCIAL LIABILITIES			80,391,206	66,732,567	59,242,674	40,879,201	12,250,205
LEASE LIABILITIES			2,325,107	2,075,114	1,984,400	1,954,177	2,046,274
DEFERRED TAX LIABILITIES			6,139,717	6,126,380	6,100,474	6,140,434	6,157,412
OTHER LIABILITIES			6,458,533	13,073,475	15,056,091	5,883,733	3,330,776
TOTAL LIABILITIES	BEFORE DISTRIBUTION		3,661,389,443	3,445,334,622	3,260,247,111	2,911,678,073	2,543,127,570
	AFTER DISTRIBUTION		Note2	3,453,383,843	3,270,538,544	2,915,084,589	2,549,947,956
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT							
SHARE CAPITAL	BEFORE DISTRIBUTION		136,427,459	136,427,459	131,941,450	128,547,788	121,727,402
	AFTER DISTRIBUTION		Note2	136,427,459	136,427,459	131,941,450	128,547,788
CAPITAL SURPLUS			17,761,804	17,758,986	17,758,986	17,758,986	17,758,986
RETAINED EARNINGS	BEFORE DISTRIBUTION		63,895,129	48,876,041	44,723,567	33,650,292	39,734,810
	AFTER DISTRIBUTION		Note 2	40,826,820	29,946,125	26,850,114	26,094,038
OTHER EQUITY			( 10,274,310)	( 18,237,555)	6,280,718	9,445,096	9,477,311
TREASURY STOCK			-	-	-	-	-
NON-CONTROLLING INTERESTS			2,254	2,175	2,086	2,003	2,148
TOTAL EQUITY	BEFORE DISTRIBUTION		207,812,336	184,827,106	200,706,807	189,404,165	188,700,657
	AFTER DISTRIBUTION		Note 2	176,777,885	190,415,374	185,997,649	181,880,271

Note 1: 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.

The financial statements for the year ended December 31, 2022, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2023, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

Note 2: The 2023 earnings distribution is yet to be determined in the 2024 shareholders' meeting.

## 2. Condensed consolidated statement of comprehensive income - IFRS

Unit: In Thousands of New Taiwan Dollars

Item	Year	2023	2022	2021	2020	2019
INTEREST REVENUE		87,744,182	54,851,569	36,596,622	36,863,125	45,056,216
INTEREST EXPENSE	(	59,876,234)	( 21,673,878)	( 8,596,255)	( 12,220,586)	( 19,642,639)
NET INTEREST		27,867,948	33,177,691	28,000,367	24,642,539	25,413,577
TOTAL NET REVENUE OTHER THAN INTEREST		31,599,499	20,489,061	23,072,171	15,321,985	21,290,756
ALLOWANCE FOR DOUBTFUL ACCOUNTS, COMMITMENT, AND GUARANTEES	(	2,294,134)	( 3,311,768)	( 2,749,701)	( 2,061,723)	( 1,409,146)
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET	(	187,812)	( 1,095,681)	( 692,380)	( 911,675)	( 396,178)
OPERATING EXPENSES	(	30,790,196)	( 28,266,312)	( 28,093,730)	( 25,801,321)	( 26,202,751)
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS		26,195,305	20,992,991	19,536,727	11,189,805	18,696,258
INCOME TAX EXPENSE	(	4,576,885)	( 3,684,520)	( 2,330,406)	( 2,536,322)	( 2,740,890)
NET PROFIT AFTER TAX FROM CONTINUING OPERATION		21,618,420	17,308,471	17,206,321	8,653,483	15,955,368
DISCONTINUED OPERATION INCOME		-	-	-	-	-
NET PROFIT FOR THE YEAR		21,618,420	17,308,471	17,206,321	8,653,483	15,955,368
OTHER COMPREHENSIVE INCOME (NET AFTER TAX)		9,413,303	( 22,896,652)	( 2,497,076)	( 1,129,275)	4,879,056
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,031,723	( 5,588,181)	14,709,245	7,524,208	20,834,424
NET PROFIT ATTRIBUTABLE TO OWNER OF THE PARENT		21,618,294	17,308,343	17,206,199	8,653,353	15,955,270
NET PROFIT ATTRIBUTABLE TO NONCONTROLLING INTERESTS		126	128	122	130	98
COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNER OF THE PARENT		31,031,554	( 5,588,357)	14,709,075	7,524,039	20,834,297
COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		169	176	170	169	127
EARNINGS PER SHARE		1.58	1.27	1.30	0.67	1.31

Note: 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.

The financial statements for the year ended December 31, 2022, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2023, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

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

## 1. Condensed balance sheet- IFRS

Unit: In Thousands of New Taiwan Dollars

Item		Year	2023	2022	2021	2020	2019
CASH AND CASH EQUIVALENTS			376,150	7,373,577	404,115	285,517	300,089
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			1,363,092	1,089,593	1,237,466	836,957	761,454
RECEIVABLES, NET			41,064	77,229	135,839	135,837	321,981
CURRENT TAX ASSETS			3,028,701	3,092,970	2,187,086	1,930,416	494,240
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET			251,773,982	222,229,603	231,243,218	219,575,026	219,581,779
OTHER FINANCIAL ASSETS, NET			-	-	-	-	-
PROPERTY AND EQUIPMENT, NET			2,397	2,250	12,148	24,328	36,679
RIGHT-OF-USE ASSETS, NET			229,801	72,446	126,838	175,728	64,816
INTANGIBLE ASSETS, NET			3,327	5,113	6,632	7,626	612
DEFERRED TAX ASSETS			2,808	2,808	2,808	2,808	2,808
OTHER ASSETS, NET			-	200	200	-	-
TOTAL ASSETS			256,821,322	233,945,789	235,356,350	222,974,243	221,564,458
COMMERCIAL PAPER PAYABLE, NET			24,250,017	17,357,504	13,092,214	12,894,905	13,686,553
PAYABLES			2,463,820	2,498,908	2,430,090	1,762,313	1,840,505
CURRENT TAX LIABILITIES			2,835,200	2,965,014	1,951,598	1,694,584	331,493
BONDS PAYABLE			19,186,915	26,184,626	16,991,382	16,988,999	16,891,611
PROVISIONS			232,214	73,167	127,426	175,740	65,253
LEASE LIABILITIES			42,397	40,962	58,242	55,260	50,254
OTHER LIABILITIES			677	677	677	280	280
TOTAL LIABILITIES	BEFORE DISTRIBUTION		49,011,240	49,120,858	34,651,629	33,572,081	32,865,949
	AFTER DISTRIBUTION		Note 2	57,170,079	44,943,062	36,978,597	39,686,335
SHARE CAPITAL	BEFORE DISTRIBUTION		136,427,459	136,427,459	131,941,450	128,547,788	121,727,402
	AFTER DISTRIBUTION		Note 2	136,427,459	136,427,459	131,941,450	128,547,788
CAPITAL SURPLUS			17,761,804	17,758,986	17,758,986	17,758,986	17,758,986
RETAINED EARNINGS	BEFORE DISTRIBUTION		63,895,129	48,876,041	44,723,567	33,650,292	39,734,810
	AFTER DISTRIBUTION		Note 2	40,826,820	29,946,125	26,850,114	26,094,038
OTHER EQUITY			( 10,274,310)	( 18,237,555)	6,280,718	9,445,096	9,477,311
TOTAL EQUITY	BEFORE DISTRIBUTION		207,810,082	184,824,931	200,704,721	189,402,162	188,698,509
	AFTER DISTRIBUTION		Note 2	176,775,710	190,413,288	185,995,646	181,878,123

Note 1: 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.

The financial statements for the year ended December 31, 2022, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2023, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

Note 2: The 2023 earnings distribution is yet to be determined in the 2024 shareholders' meeting

## 2. Condensed statement of comprehensive income - IFRS

Unit: In Thousands of New Taiwan Dollars

Item	Year	2023	2022	2021	2020	2019
REVENUES						
INTEREST REVENUE		8,603	5,413	2,026	5,201	6,877
INTEREST EXPENSE	(	643,871)	( 349,280)	( 232,043)	( 266,328)	( 316,037)
SHARE OF PROFIT(LOSS) OF SUBSIDIARIES AND ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD		22,572,136	18,202,679	17,977,023	9,318,703	16,802,143
OTHER NON INTEREST NET REVENUE		33,607	31,099	32,583	57,001	51,413
OPERATING EXPENSES						
EMPLOYEE BENEFITS	(	440,171)	( 383,583)	( 397,661)	( 271,862)	( 360,335)
DEPRECIATION AND AMORTIZATION	(	61,545)	( 73,253)	( 73,904)	( 73,237)	( 73,336)
OTHER BUSINESS AND ADMINISTRATIVE EXPENSES	(	124,885)	( 132,134)	( 101,825)	( 116,241)	( 155,455)
NET PROFIT BEFORE INCOME TAX		21,343,874	17,300,941	17,206,199	8,653,237	15,955,270
INCOME TAX PROFIT		274,420	7,402	-	116	-
NET PROFIT FOR THE YEAR		21,618,294	17,308,343	17,206,199	8,653,353	15,955,270
OTHER COMPREHENSIVE INCOME (NET AFTER TAX)		9,413,260	( 22,896,700)	( 2,497,124)	( 1,129,314)	4,879,027
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,031,554	( 5,588,357)	14,709,075	7,524,039	20,834,297
EARNINGS PER SHARE		1.58	1.27	1.30	0.67	1.31

Note: 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.

The financial statements for the year ended December 31, 2022, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

The financial statements for the year ended December 31, 2023, have been audited by CPAs Yi-Chun Wu and Han-Ni Fang from Deloitte & Touche Taiwan with an unqualified opinion.

## II. Financial analysis for the past five years

### (I) Financial analysis

Financial Analysis

Item		Year	2023	2022	2021	2020	2019
Operating efficiency	Total asset turnover (times)		0.02	0.01	0.01	0.01	0.02
	Loan to deposit ratio of HNCB		74.11	69.95	70.65	71.42	75.97
	NPL ratio of HNCB		0.15	0.13	0.15	0.15	0.12
	Revenue per employee (in NT\$1,000)		5,357	4,942	4,737	3,716	4,444
	Profit per employee (in NT\$1,000)		1,948	1,594	1,596	805	1,518
Profitability	Return on assets (%)		0.58	0.49	0.52	0.30	0.59
	Return on equity (%)		11.01	8.98	8.82	4.58	8.79
	Net profit margin (%)		36.35	32.25	33.69	21.65	34.16
	Earnings (Losses) per share (New Taiwan Dollars)		1.58	1.27	1.30	0.67	1.31
Financial structure (%)	Debt to assets ratio		94.63	94.91	94.20	93.89	93.09
	Debt to equity ratio		1,761.87	1,864.09	1,624.38	1,537.28	1,347.70
	Double leverage ratio of HNFHC		121.81	120.83	115.83	116.37	116.77
Leverage	Operating leverage ratio		92.60	90.99	90.18	83.66	89.71
	Financial leverage ratio of HNFHC		328.58	203.24	144.00	209.21	205.06
Growth rate (%)	Asset growth rate		6.58	4.89	11.60	13.52	1.77
	Profit growth rate		24.78	7.45	74.59	(40.15)	12.15
Cash flow (%)	Cash flow ratio	Note 3	14.79	Note 3	28.49	Note 3	Note 3
	Cash flow adequacy ratio		116.64	140.71	86.33	Note 3	Note 3
	Cash flow satisfaction ratio	Note 3	4,223.12	Note 3	1,881.47	Note 3	Note 3
Business scale (%)	Market share of assets		5.42	5.39	5.33	5.17	5.00
	Market share of equity		4.49	4.86	4.14	4.19	4.64
	Market share of deposits of HNCB		5.93	6.05	6.25	5.99	5.82
	Market share of loans of HNCB		5.97	5.71	6.00	5.82	5.83
Capital adequacy	Capital adequacy ratio of each subsidiary calculated According to its own industry regulations(%)						
	Hua Nan Commercial Bank		14.46	14.64	14.16	13.67	13.88
	Hua Nan Securities		298	389	398	371	352
	South China Insurance Co., Ltd.		Over 300%	Over 300	Over 300	Over 300%	Over 300%
	Eligible capital of each subsidiary						
	Hua Nan Commercial Bank		292,756,825	268,511,624	262,511,345	242,963,349	221,008,574
	Hua Nan Securities		11,354,438	10,666,716	10,557,024	8,569,198	9,273,025
	South China Insurance Co., Ltd.		7,082,520	5,901,889	6,820,959	6,318,274	5,933,472
	Hua Nan Venture Capital		1,841,102	1,760,595	1,713,242	1,687,593	1,566,274
	Other subsidiaries		1,512,983	1,622,792	1,759,120	1,465,989	1,599,889
	Group's net eligible capital		279,161,646	259,306,589	235,718,446	229,802,839	205,452,860
	Statutory capital requirements of each subsidiary						
	Hua Nan Commercial Bank		212,602,260	192,535,143	194,611,494	186,643,413	167,163,909
	Hua Nan Securities		5,710,775	4,110,645	3,978,774	3,466,182	3,954,638
	South China Insurance Co., Ltd.		3,175,662	3,081,696	3,427,408	2,664,376	2,119,862
	Hua Nan Venture Capital		924,915	886,161	863,014	849,327	797,665
	Other subsidiaries		3,337,067	2,952,257	2,948,283	2,567,442	2,317,705
	Group's total statutory capital requirement		227,387,033	204,807,620	207,341,464	197,363,590	177,538,709
	Group capital adequacy ratio		122.77	126.61	122.18	116.44	115.72

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

Please explain the reasons for the changes in various financial ratios in the last two years. (If the change of increase or decrease does not reach 20%, the analysis can be exempted)

The increase in profit per employee is mainly due to the increase in net profit after tax in 2023.

The increase in return on equity is mainly due to the increase in net profit after tax in 2023.

The increase in earnings per share is mainly due to the increase in net profit after tax in 2023.

The increase in financial leverage ratio of HNFHC is mainly due to the increase in profit before tax and interest expenses in 2023.

The increase in Asset growth rate is mainly due to the asset growth rate in 2023 which is higher than the asset growth rate in 2022.



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, 2023

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 435,169,700	209.41
National Treasury Agency	99,304,043	47.79
Federal Government of the United States	99,052,465	47.66
Taiwan Power Company	64,505,990	31.04
CPC Corporation, Taiwan	30,844,065	14.84
Hotal Finance Co., Ltd.	19,625,686	9.44
Taiwan High Speed Rail Corp.	16,206,775	7.80
Grand Industrial Limited Company of Baofeng	14,540,000	7.00
Tainan City Government	13,700,000	6.59
Fubon Financial Holding Co., Ltd.	12,947,214	6.23
Taiwan Semiconductor Manufacturing Co., Ltd.	11,535,824	5.55
Cathay Financial Holdings Co., Ltd.	10,621,175	5.11
Kaohsiung City Government	9,716,639	4.68
China Airlines Corp.	9,015,833	4.34
Highwealth Construction Corp.	8,373,089	4.03
Far Eastern Department Stores Co., Ltd.	8,099,923	3.90
Chungghwa Telecom Company, Ltd.	7,957,355	3.83
Nan Ya Plastics Corporation	7,877,417	3.79
First Financial Holdings Co., Ltd.	7,769,668	3.74
Chaillease Finance Co., Ltd.	7,575,691	3.65
Government National Mortgage Association	7,483,538	3.60
Kookmin Bank Seoul	7,329,388	3.53
AU Options Corp.	7,022,485	3.38
Walsin Lihwa Corporation	6,799,622	3.27
Cathy Real Estate Development Co., Ltd.	6,750,000	3.25
Synnex Technology International Corporation	6,662,341	3.21
Reliance Industries Limited	6,601,575	3.18
Hsinchu City Government	6,257,340	3.01
Macquarie Group Limited	6,021,977	2.90
Powerchip Semiconductor Manufacturing Corporation	6,002,578	2.89
Taiwan Water Corporation	5,697,048	2.74
Huaku Development Co., Ltd.	5,629,539	2.71
Korea Development Bank	5,523,889	2.66
Nanzong Construction Developments, Co., Ltd.	5,430,467	2.61
IBF Securities Co., Ltd.	5,297,472	2.55
BPCE	5,267,946	2.54
Export-Import Bank of Korea	5,200,264	2.50
San Miguel Corporation	5,158,437	2.48
Credit Mutuel - CIC Banques	5,069,345	2.44
New Taipei City Government	5,000,000	2.41
Canadian Imperial Bank of Commerce	4,903,174	2.36
Wan Pao Development Co., Ltd.	4,845,000	2.33
Yulon Finance Corporation.	4,833,908	2.33
Uni-President	4,808,703	2.31
Nankang Rubber Tire Corp., Ltd.	4,781,059	2.30
Quanta Computer	4,771,354	2.30
HERAN Tech Co., Ltd.	4,746,440	2.28
Societe Generale	4,735,296	2.28
National Australia Bank Limited	4,707,808	2.27
Pao Hung Construction Co., Ltd.	4,650,000	2.24
Bank Of Montreal	4,640,473	2.23
Shen Mao Technology Inc.	4,621,090	2.22
Win Semiconductors Corp.	4,537,900	2.18
Commonwealth Bank of Australia	4,520,949	2.18
Finance & Trading Co., Ltd.	4,498,577	2.16
Formosa Heavy Industries Corporation	4,455,530	2.14
First Abu Dhabi Bank Pjsc	4,416,231	2.13
Ipomorgan Chase Bank N.A.	4,374,609	2.11
Pan German Motors Ltd.	4,350,010	2.09
Lien Hwa Industrial Corp	4,298,798	2.07
Taiwan Stock Exchange	4,291,831	2.07
Barclays Bank	4,279,358	2.06
Westpac Banking Corporation	4,275,495	2.06
Bnp-Paribas Sa (Formerly Banqu)	4,248,241	2.04
Taiwan Mobile Co., Ltd.	4,209,547	2.03
Yfy Inc.	4,122,746	1.98
Chang Hwa Commercial Bank, Ltd.	4,122,553	1.98
Federal Corporation	4,116,002	1.98
Winbond Electronics Corp.	4,078,276	1.96
Credit Agricole Cib	4,041,900	1.94
Woori Bank	4,041,578	1.94
Adata Technology Co., Ltd.	3,977,405	1.91
HDFC Bank Limited	3,960,944	1.91
HSBC Bank (Taiwan) Limited	3,925,192	1.89
Mayfull Corporation	3,916,500	1.88
CTBC Financial Holding Co., Ltd.	3,876,729	1.87
Shinkong Synthetic Fibers Corporation	3,845,825	1.85
Formosa Plastics Corporation	3,843,695	1.85
Banco Santander S.A.	3,835,189	1.85
Innolux Corporation	3,809,415	1.83
Formosa Ha Tinh Steel Corporation.	3,808,457	1.83
China Petrochemical Development Corporation	3,776,242	1.82
Shinshin Credit Corporation	3,749,309	1.80
Qisda Corporation	3,720,947	1.79
Yeashin Inter. Development Co., Ltd. with same affiliate	3,646,843	1.75
Sumitomo Trust And Banking Com	3,645,926	1.75
Gloria Material Technology Corp.	3,569,633	1.72
Formosa Ha Tinh (Cayman) Limited	3,531,075	1.70
Chinese Television System Corporation	3,500,000	1.68
Capital Securities Corp.	3,469,700	1.67
Yageo Corporation	3,392,013	1.63
Inventec	3,379,536	1.63
Royal Bank Of Canada	3,332,979	1.60
Formosa Chemicals And Fibre Corporation	3,320,501	1.60
Tong Hwei Enterprise Co., Ltd.	3,292,911	1.58
Hsing-Shu Construction Co., Ltd.	3,220,250	1.55
Achem Technology Corporation	3,200,000	1.54
Wistron Corporation	3,172,981	1.53
Commonwealth Of Australia	3,138,372	1.51
Farglory Land Development Co., Ltd.	3,115,112	1.50
Evergreen Marine Corporation	3,089,155	1.49
Standard Chartered Bank	3,070,104	1.48
Kao Ming Container Terminal Corp.	3,058,395	1.47
Taiwan Cement Corporation	3,039,930	1.46
Lien Jade Construction Co., Ltd.	3,036,430	1.46
Chuan-Hung Construction Co., Ltd	3,033,480	1.46
Wan Hai Lines Limited	3,000,000	1.44
2. With the same related person		
Mr. Miao with same related parties	27,845,719	13.40
Mr. Tsai with same related parties	21,459,467	10.33

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
Mr. Shi with same related parties	\$ 16,211,313	7.80
Mr. Tsai with same related parties	11,343,175	5.46
Mr. Lin with same related parties	9,897,463	4.76
Mr. Wang with same related parties	9,759,452	4.70
Mr. Zhang with same related parties	8,871,963	4.27
Mr. Huang with same related parties	7,189,775	3.46
Mr. Du with same related parties	7,050,010	3.39
Mr. Tsai with same related parties	6,918,000	3.33
Mr. Pan with same related parties	6,801,663	3.27
Mr. Zhang with same related parties	6,377,750	3.07
Mr. Liao with same related parties	5,689,036	2.74
Mr. Ye with same related parties	5,687,482	2.74
Mr. Liu with same related parties	4,854,062	2.34
Mr. Chen with same related parties	4,630,203	2.23
Mr. Huang with same related parties	4,368,862	2.10
Mr. Ke with same related parties	4,231,987	2.04
Mr. Lan with same related parties	4,079,125	1.96
Mr. Zhang with same related parties	3,500,578	1.68
Mr. Cho with same related parties	3,439,395	1.66
Mr. Wu with same related parties	3,371,363	1.62
Mr. Chen with same related parties	3,354,800	1.61
Mr. Hsu with same related parties	3,273,663	1.58
Mr. Zhang with same related parties	3,270,833	1.57
Mr. Wu with same related parties	3,145,789	1.51
3. With the same affiliate		
Hotal Finance Co., Ltd. With Same Affiliate	22,956,596	11.05
Chaillease Holding Company Limited With Same Affiliate	20,217,236	9.73
Fubon Financial Holding Co., Ltd With Same Affiliate	19,054,900	9.17
Yulon General Motors Ltd. With Same Affiliate	14,870,364	7.16
Nankang Rubber Tire Corp., Ltd. With Same Affiliate	13,450,673	6.47
AUO Corporation Same Affiliate	12,665,067	6.09
Far Eastern New Century Corporation Same Affiliate	11,946,398	5.75
Taiwan Semiconductor Manufacturing Company Limited Same Affiliate	11,761,892	5.66
Walsin Lihwa Corporation With Same Affiliate	11,165,661	5.37
Cathay Financial Holdings Co., Ltd. With Same Affiliate	10,984,616	5.29
Nan Ya Plastics Corporation With Same Affiliate	10,686,320	5.14
Cathy Real Estate Development Co., Ltd. With Same Affiliate	10,179,370	4.90
YFY Inc. With Same Affiliate	9,908,876	4.77
China Airlines Corp. With Same Affiliate	9,865,209	4.75
Macquarie Group Ltd With Same Affiliate	9,863,330	4.75
Highwealth Construction Corp. With Same Affiliate	9,457,006	4.55
Lin Yuan Investment Co. Ltd. With Same Affiliate	9,303,500	4.48
First Financial Holding Co., Ltd. With Same Affiliate	8,611,682	4.14
Far Eastern Department Stores Co., Ltd With Same Affiliate	8,299,923	3.99
China Development Financial Holding Corporation With Same Affiliate	8,289,677	3.99
Yuantia Financial Holding Co., Ltd. With Same Affiliate	8,174,223	3.93
San Miguel Corporation With Same Affiliate	8,014,673	3.86
Kb Kookmin Bank With Same Affiliate	7,886,316	3.79
Synnex Technology International Corp. With Same Affiliate	7,369,391	3.55
Formosa Ha Tinh (Cayman) Limited With Same Affiliate	7,339,532	3.53
Ipomorgan Chase & Co. With Same Affiliate	7,264,265	3.50
Formosa Chemicals And Fibre Corporation With Same Affiliate	7,251,278	3.49
Uni-President With Same Affiliate	7,249,915	3.49
Taiwan Cement Corporation With Same Affiliate	7,246,862	3.49
WPG Holdings With Same Affiliate	7,152,095	3.44
Pan German Motors Ltd. With Same Affiliate	7,050,010	3.39
Asia Cement Corporation With Same Affiliate	6,836,156	3.29
Yeashin Inter. Development Co., Ltd. With Same Affiliate	6,778,825	3.26
Shinkong-Synthetic Fibers Corporation with same affiliate	6,375,651	3.07
IBF Financial Holdings Co., Ltd. with same affiliate with same affiliate	6,374,831	3.07
CTBC Financial Holding Co., Ltd. with same affiliate	6,168,108	2.97
Infinite Finance Co., LTD. with same affiliate	5,875,559	2.83
HSBC Holdings PLC with same affiliate	5,867,700	2.82
Huaku Development Co., Ltd. with same affiliate	5,858,607	2.82
Formosa Heavy Industries Corporation with same affiliate	5,789,265	2.79
Yang Ming Marine Transport Corporation with same affiliate	5,455,530	2.63
Fong Yi Construction Co., Ltd.	5,432,285	2.61
Shinhan Bank Co., Ltd. with same affiliate	5,367,472	2.58
Cheng Loong Corporation With Same Affiliate	5,333,565	2.57
HUI-HUNG Investment Co. Ltd. With Same Affiliate	5,259,115	2.53
The Goldman Sachs Group, Inc. With Same Affiliate	5,153,938	2.48
Chow Tai Fook Enterprises Limited With Same Affiliate	5,045,946	2.43
Lien Hwa Industrial Corp. With Same Affiliate	5,011,354	2.41
Longchen Paper & Packaging Co., Ltd. With Same Affiliate	4,995,769	2.40
Win Semiconductors Corporation with same affiliate	4,980,723	2.40
Quanta Computer with same affiliate	4,971,864	2.39
Tong Hwei Enterprise Co., Ltd. with same affiliate	4,926,107	2.37
HERAN Co., Ltd. With Same Affiliate	4,804,062	2.31
Linde LienHwa Industrial Gases Co., Ltd with same affiliate	4,792,114	2.31
Chiao Thai Hsing Enterprise Co., Ltd	4,755,557	2.29
Hon Yuany Motors Ltd. with same affiliate	4,730,000	2.28
Formosa Plastics Corporation with same affiliate	4,530,078	2.18
China Steel Corporation with same affiliate	4,502,145	2.17
Continental Holdings Corporation with same affiliate	4,299,320	2.07
Taiwan Mobile Co., Ltd. with same affiliate	4,289,607	2.06
Adata Technology Co., Ltd. with same affiliate	4,265,537	2.05
Tatung Company with same affiliate	4,007,405	1.93
Yem Chio Co., Ltd. With Same Affiliate	3,910,310	1.88
UBS AG with same affiliate	3,763,628	1.81
Farglory Land Development Co., Ltd. With Same Affiliate	3,736,841	1.80
Inventec Corporation	3,640,563	1.75
Gloria Material Technology Corp.	3,629,536	1.75
CTCI Group	3,604,633	1.73
U-MING MARINE	3,558,046	1.71
China Times Inc. with same affiliate	3,539,150	1.70
Starlux Airlines	3,468,293	1.67
Eva Airways Corp. With Same Affiliate	3,433,751	1.65
Ardercent Corporation With Same Affiliate	3,351,586	1.61
Chung Hsin Electric & Machinery Manufacturing Corporation With Same Affiliate	3,328,919	1.60
Ocean Plastics Co., Ltd. with same affiliate with same affiliate	3,319,305	1.60
Wisdom Marine Lines Co., Limited with same affiliate	3,280,343	1.58
Standard Chartered Bank with same affiliate	3,278,595	1.58
Wistron Corporation with same affiliate	3,266,111	1.57
Qatar National Bank (Q.P.S.C) with same affiliate	3,174,701	1.53
Jaie Haour Industry Corporation With Same Affiliate	3,078,827	1.48
Yieh United Steel Corporation With Same Affiliate	3,073,978	1.48
Lien Jade Construction Co., Ltd. With Same Affiliate	3,045,162	1.47
	3,041,430	1.46

## Attachment 2

## HUA NAN FINANCIAL HOLDINGS CO., LTD.

## DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

DECEMBER 31, 2022

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)	Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
1. With the same person			Mr. Tsai with same related parties	7,868,000	4.26
Central Bank of the Republic of China (Taiwan)	\$ 513,653,338	278.06	Mr. Pan with same related parties	7,813,750	4.23
National Treasury Agency	105,725,519	57.23	Mr. Tang with same related parties	7,199,407	3.90
Federal Government of the United States	97,497,985	52.78	Mr. Zhang with same related parties	6,051,760	3.28
Taiwan Power Company	51,036,786	27.63	Mr. Wang with same related parties	5,477,986	2.97
Tainan City Government	19,600,000	10.61	Mr. Chen with same related parties	5,458,299	2.95
Taiwan High Speed Rail Corp.	16,721,884	9.05	Mr. Liu with same related parties	4,563,258	2.47
Grand Industrial Limited Company of Baofeng	14,580,000	7.89	Mr. Lan with same related parties	4,290,045	2.32
Hotai Finance Co., Ltd.	13,798,263	7.47	Mr. Liao with same related parties	4,208,867	2.28
CPC Corporation, Taiwan	12,580,055	6.81	Mr. Wu with same related parties	4,068,795	2.20
Kaohsiung City Government	9,638,067	5.22	Mr. Chen with same related parties	3,980,560	2.15
Highwealth Construction Corp.	8,714,013	4.72	Mr. Ye with same related parties	3,951,957	2.14
Government National Mortgage Association	8,151,057	4.41	Mr. Huang with same related parties	3,658,552	1.98
Taiwan Railways Administration, MOTC	7,760,571	4.20	Mr. Du with same related parties	3,420,639	1.85
Cathy Real Estate Development Co., Ltd.	7,650,000	4.14	Mr. Huang with same related parties	3,293,446	1.78
Chailease Finance	7,338,812	3.97	Mr. Zhang with same related parties	3,220,059	1.74
Fubon Financial Holding Co., Ltd.	7,182,791	3.89	Mr. Wu with same related parties	3,133,028	1.70
First Financial Holdings Co., Ltd.	6,828,918	3.70			
Walsin Lihwa Corporation	6,804,425	3.68	3. With the same affiliate		
Kingston Technology International	6,452,250	3.49	CHAILEASE HOLDING COMPANY LIMITED with same affiliate	18,260,618	9.89
AU Options Corp.	6,400,000	3.46	Hotai Finance Co., Ltd. with same affiliate	14,974,301	8.11
China Airlines Corp.	6,314,167	3.42	Nankang Rubber Tire Corp., Ltd. with same affiliate	14,135,982	7.65
EVA Airways Corporation	6,230,833	3.37	Yulon General Motors Ltd. with same affiliate	12,450,713	6.74
Wan Pao Development Co., Ltd.	6,182,000	3.35	Lin Yuan Investment Co. Ltd. with same affiliate	11,672,700	6.32
Nanzong Construction Developments, Co., Ltd.	5,905,467	3.20	Cathy Real Estate Development Co., Ltd. with same affiliate	10,869,009	5.88
Taiwan Stock Exchange	5,734,490	3.10	Walsin Lihwa Corporation with same affiliate	10,672,337	5.78
Taiwan Semiconductor Manufacturing Co., Ltd.	5,370,259	2.91	Fubon Financial Holding Co., Ltd. with same affiliate	9,923,211	5.37
Far Eastern Department Stores Co., Ltd.	5,300,000	2.87	AU Options Corp. with same affiliate	9,828,217	5.32
Synnex Technology International Corporation	5,182,822	2.81	Highwealth Construction Corp. with same affiliate	9,475,621	5.13
Formosa Ha Tinh Steel Corporation	5,180,786	2.80	Far Eastern New Century Corp. with same affiliate	9,120,275	4.94
Nankang Rubber Tire Corp., Ltd.	5,049,163	2.73	FORMOSA HA TINH (CAYMAN) LIMITED with same affiliate	8,714,161	4.72
New Taipei City Government	5,000,000	2.71	Taiwan Cement Corp. with same affiliate	8,371,847	4.53
Korea Development Bank	4,796,056	2.60	Eva Airways Corp. with same affiliate	8,247,976	4.46
Lien Hwa Industrial Corp.	4,610,657	2.50	MACQUARIE GROUP LTD with same affiliate	8,178,453	4.43
Evergreen Marine Corp. (Taiwan) Ltd.	4,452,577	2.41	China Airlines Corp. with same affiliate	7,863,543	4.26
Chang Hwa commercial bank, Ltd.	4,368,017	2.36	First Financial Holding Co., Ltd. with same affiliate	7,366,132	3.99
Fina Finance & Trading Co., Ltd.	4,222,743	2.29	Formosa Chemicals And Fibre Corporation with same affiliate	7,032,345	3.81
Pao Hung Construction Co., Ltd.	4,220,000	2.28	KB Kookmin Bank with same affiliate	6,950,549	3.76
Credit Agricole Corporate And Investment Bank	4,175,318	2.26	Yuantai Financial Holding Co., Ltd. with same affiliate	6,869,335	3.72
HSBC Bank (Taiwan) Co., Ltd.	4,164,048	2.25	NAN YA PLASTICS CORPORATION with same affiliate	6,806,437	3.68
Lin Yuan Investment Co., Ltd.	4,117,000	2.23	Shinhan Bank Co., Ltd. with same affiliate	6,757,869	3.66
Tatung Company	4,107,133	2.22	YFY Inc. with same affiliate	6,624,976	3.59
Kookmin Bank Seoul	4,079,229	2.21	SAN MIGUEL CORPORATION with same affiliate	6,591,161	3.57
EXPORT-IMPORT BANK OF KOREA	4,074,766	2.21	Synnex Technology International Corp. with same affiliate	6,340,148	3.43
BANK OF MONTREAL, THE	4,024,161	2.18	Yangming Marine Transport Corp. with same affiliate	6,272,817	3.40
FIRST GULF BANK	4,017,523	2.17	China Steel Corp. with same affiliate	5,921,582	3.21
SHINHAN BANK SEOUL KOREA	4,017,278	2.17	WPG Holdings Limited with same affiliate	5,884,025	3.19
SHEN MAO TECHNOLOGY INC.	3,942,790	2.13	Lien Hwa Industrial Corp. with same affiliate	5,738,160	3.11
SAN MIGUEL CORPORATION	3,932,800	2.13	Yeshin Inter. Development Co., Ltd. with same affiliate	5,585,141	3.02
Shinkong-Synthetic Fibers Corporation	3,917,383	2.12	Shinkong-Synthetic Fibers Corporation with same affiliate	5,442,930	2.95
UPK Technology Corporation	3,894,999	2.11	China Development Financial Holding Corporation	5,421,570	2.93
Mayfull Corp.	3,870,000	2.09	Far Eastern Department Stores Co., Ltd. with same affiliate	5,399,910	2.92
Huaku Development Co., Ltd.	3,866,060	2.09	Taiwan Semiconductor Manufacturing Co., Ltd. with same affiliate	5,371,278	2.91
Wan Hai Lines Ltd.	3,840,625	2.08			
National Australia Bank Limited	3,812,472	2.06	Tatung Company with same affiliate	5,273,553	2.85
Formosa Heavy Industries Corporation	3,740,786	2.03	CHOW TAI FOOK ENTERPRISES LIMITED with same affiliate	5,259,375	2.85
Yulon Motor Co., Ltd.	3,696,800	2.00	Quanta Computer Inc. with same affiliate	5,231,058	2.83
China Petrochemical Development Corporation	3,681,332	1.99	Wan Hai Lines Ltd. with same affiliate	5,105,573	2.76
Commonwealth Bank of Australia	3,676,703	1.99	Chung Hsing Land Development Co., Ltd. with same affiliate	4,985,485	2.70
Quanta Computer Inc.	3,669,336	1.98	Fong Yi Construction Co., Ltd.	4,937,318	2.67
Federal Corporation	3,650,084	1.96	Tong Hwei Enterprise Co., Ltd. with same affiliate	4,863,911	2.63
Barclays Bank	3,622,873	1.96	Farglory Construction Corp. with same affiliate	4,842,444	2.62
Formosa Ha Tinh (Cayman) Limited	3,533,375	1.91	Formosa Heavy Industries Corporation with same affiliate	4,739,786	2.57
Winbond Electronics Corporation	3,509,433	1.90	CHENG LOONG CORPORATION with same affiliate	4,423,137	2.39
Taiwan Mobile Co., Ltd.	3,500,534	1.89	IBF Financial Holdings Co., Ltd. with same affiliate	4,298,600	2.33
Far Eastern Construction Co., Ltd.	3,488,000	1.89	Jpmorgan Chase with same affiliate	4,189,718	2.27
Nan Ya Plastics Corporation	3,457,997	1.87	Longchen Paper & Packaging Co., Ltd. with same affiliate	4,093,822	2.22
CTCI CORPORATION	3,424,371	1.85	Huaku Development with same affiliate	4,044,040	2.19
Shinshin Credit Corporation	3,406,236	1.84	Qatar National Bank (Q.P.S.C) with same affiliate	3,987,818	2.16
Westpac Banking Corp.	3,402,440	1.84	Wistron Corporation with same affiliate	3,935,224	2.13
IBF Securities Co., Ltd.	3,399,330	1.84	Wisdom Marine Lines Co., Limited with same affiliate	3,868,644	2.09
YFY Inc.	3,390,748	1.84	Yem Chio Co., Ltd. with same affiliate	3,829,054	2.07
Formosa Plastics Corporation	3,389,197	1.83	CHIA SHENG HSING Enterprise Co., Ltd. with same affiliate	3,800,000	2.06
Chinese Television System Corporation	3,355,775	1.82	Formosa Plastics Corporation with same affiliate	3,769,151	2.04
Tong Hwei Enterprise Co., Ltd.	3,301,394	1.79	Adata Technology Co., Ltd. with same affiliate	3,765,222	2.04
Gloria Material Technology Corp.	3,290,890	1.78	Vietnam Technological and Commercial Joint Stock Bank with same affiliate	3,687,000	2.00
Epplace Co., Ltd.	3,240,914	1.75			
Achem Technology Corporation	3,200,000	1.73	Federal Corp. with same affiliate	3,656,143	1.98
Yang Ming Marine Transport Corporation	3,194,025	1.73	Win Semiconductors Corporation with same affiliate	3,543,594	1.92
Win Semiconductors Corp.	3,166,700	1.71	CTCI Corporation with same affiliate	3,501,894	1.90
Malayan Banking Berhad	3,160,856	1.71	HSBC Holdings PLC with same affiliate	3,445,918	1.87
Formosa Chemicals And Fibre Corporation	3,144,956	1.70	Pan German Universal Motors Ltd. with same affiliate	3,420,639	1.85
Adata Technology Co., Ltd.	3,132,222	1.70	Standard Chartered Bank with same affiliate	3,408,419	1.85
CREDIT MUTUEL-CIC BANQUES	3,108,061	1.68	Gloria Material Technology Corp. with same affiliate	3,315,890	1.80
Kao Ming Container Terminal Corp.	3,078,792	1.67	Chang Chun Plastics Co., Ltd. with same affiliate	3,259,297	1.76
VIETNAM TECHNOLOGICAL AND COMM	3,072,500	1.66	Goldman Sachs Group Holdings with same affiliate	3,203,870	1.73
RELIANCE INDUSTRIES LIMITED	3,072,500	1.66	Infinite Finance CO., LTD. with same affiliate	3,173,304	1.72
COMMONWEALTH OF AUSTRALIA	3,036,513	1.64	Taiwan Glass Ind. Corp. with same affiliate	3,164,173	1.71
			Linde Lienhwa Industrial Gases Co., Ltd. with same affiliate	3,156,140	1.71
2. With the same related person			Continental Engineering Corporation with same affiliate	3,120,716	1.69
Mr. Miao with same related parties	18,605,004	10.07	China Times Inc. with same affiliate	3,120,317	1.69
Mr. Shih with same related parties	16,744,263	9.06	Inventec Corp. with same affiliate	3,119,758	1.69
Mr. Tsai with same related parties	12,640,126	6.84	Ocean Plastics Co., Ltd. with same affiliate	3,028,214	1.64
Mr. Lin with same related parties	12,156,174	6.58			

## Attachment 3

## 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 4

## 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%
Asia Corporation and its same affiliate	4,630,390	2.55%
Yageo 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 5

## 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
Chailease 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
Chailease 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



### 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 2022 business report, financial statements and earnings distribution proposal. The financial statements have been audited by Yi-Chun Wu, CPA, and Han-Ni Fang, 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.

2024 Shareholders' Meeting

HUA NAN FINANCIAL HOLDINGS CO., LTD.

Yang, Ming-Hsien, Convener of the Audit Committee

April 29, 2024

## 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, 2023 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 11, 2024

## 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, 2023 and 2022, 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, 2023 and 2022, 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 the Standards on Auditing of 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, 2023. 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, 2023 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 51 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023 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 Han-Ni Fang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2024

#### 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, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 44)	\$ 39,596,420	1	\$ 57,466,418	2
DUE FROM THE CENTRAL BANK CALL LOANS TO AND OTHER BANKS (Notes 4, 7, 44 and 47)	245,757,463	6	238,125,369	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 44)	118,793,903	3	92,345,662	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 5, 9, 11 and 47)	379,784,939	10	358,704,522	10
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST, NET (Notes 4, 5, 10, 11 and 47)	686,891,136	18	716,234,166	20
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 12)	2,481,443	-	1,999,158	-
RECEIVABLES, NET (Notes 4, 5, 13 and 44)	67,252,591	2	47,020,578	1
CURRENT TAX ASSETS (Notes 4, 42 and 44)	398,393	-	169,667	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14 and 44)	2,243,451,690	58	2,037,419,759	56
REINSURANCE CONTRACTS ASSETS, NET	6,917,297	-	6,404,284	-
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Notes 4 and 15)	351,351	-	359,584	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 5, 16 and 44)	19,050,712	1	17,573,908	-
INVESTMENT PROPERTIES, NET (Notes 4, 19 and 47)	14,863,175	-	12,627,100	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 17, 44 and 47)	31,978,737	1	32,718,699	1
RIGHT-OF-USE ASSETS (Notes 3, 4, 18 and 44)	2,268,659	-	2,021,323	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	919,111	-	968,134	-
DEFERRED TAX ASSETS (Notes 4 and 42)	3,850,295	-	4,018,272	-
OTHER ASSETS, NET (Notes 4, 21, 44 and 47)	4,594,464	-	3,985,125	-
<b>TOTAL</b>	<b>\$ 3,869,201,779</b>	<b>100</b>	<b>\$ 3,630,161,728</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS (Notes 22 and 44)	190,550,622	5	182,391,496	5
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	8,651,418	-	6,233,545	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 8, 9, 10 and 24)	109,103,919	3	53,361,205	2
COMMERCIAL PAPER PAYABLE, NET (Notes 23 and 46)	36,316,177	1	19,879,471	1
PAYABLES (Note 25)	48,200,920	2	37,923,753	1
CURRENT TAX LIABILITIES (Notes 4, 42 and 44)	3,640,732	-	3,599,175	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	3,065,364,627	79	2,943,462,133	81
BONDS PAYABLE (Notes 27 and 46)	80,586,915	2	86,584,626	2
OTHER BORROWINGS (Notes 28 and 46)	3,412,328	-	1,856,000	-
PROVISIONS (Notes 4, 29 and 30)	23,659,550	1	23,891,682	1
OTHER FINANCIAL LIABILITIES (Notes 31 and 46)	76,978,878	2	64,876,567	2
LEASE LIABILITIES (Notes 3, 4, 18, 44 and 46)	2,325,107	-	2,075,114	-
DEFERRED TAX LIABILITIES (Notes 4 and 44)	6,139,717	-	6,126,380	-
OTHER LIABILITIES (Notes 4, 32 and 44)	6,458,533	-	13,073,475	-
<b>Total liabilities</b>	<b>3,661,389,443</b>	<b>95</b>	<b>3,445,334,622</b>	<b>95</b>
<b>EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT (Notes 4 and 33)</b>				
Share capital				
Ordinary shares	136,427,459	3	136,427,459	4
Capital surplus	17,761,804	-	17,758,986	-
Retained earnings				
Legal reserve	22,273,772	1	20,380,779	-
Special reserve	18,503,358	-	6,471,594	-
Unappropriated earnings	23,117,999	1	22,023,668	1
<b>Total retained earnings</b>	<b>63,895,129</b>	<b>2</b>	<b>48,876,041</b>	<b>1</b>
Other equity				
Exchange differences on translating the financial statements of foreign operations	( 619,865)	-	( 292,639)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	10,697,410	-	8,570,902	-
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	( 20,563,285)	-	( 26,224,250)	-
Unrealized gain (loss) on other comprehensive income reclassified by overlay approach	211,430	-	( 291,568)	-
<b>Total other equity</b>	<b>( 10,274,310)</b>	<b>-</b>	<b>( 18,237,555)</b>	<b>-</b>
<b>Total equity attributable to owner of the parent</b>	<b>207,810,082</b>	<b>5</b>	<b>184,824,931</b>	<b>5</b>
NON-CONTROLLING INTERESTS	2,254	-	2,175	-
<b>Total equity</b>	<b>207,812,336</b>	<b>5</b>	<b>184,827,106</b>	<b>5</b>
<b>TOTAL</b>	<b>\$ 3,869,201,779</b>	<b>100</b>	<b>\$ 3,630,161,728</b>	<b>100</b>

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, 2023 AND 2022

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

	2023		2022		Percentage Increase (Decrease)
	Amount	%	Amount	%	
INTEREST REVENUE (Notes 4, 34 and 44)	\$ 87,744,182	148	\$ 54,851,569	102	60
INTEREST EXPENSES (Notes 4, 34 and 44)	( 59,876,234)	( 101)	( 21,673,878)	( 40)	176
NET INTEREST	27,867,948	47	33,177,691	62	( 16)
NET REVENUES OTHER THAN INTEREST					
Commission and service fee revenues, net (Notes 4, 35 and 44)	11,315,694	19	9,752,363	18	16
Income from insurance premiums, net (Notes 4 and 36)	3,606,790	6	3,928,063	7	( 8)
Gain or Loss on financial assets and liabilities at fair value through profit or loss, net (Notes 4, 8, 37 and 44)	12,916,502	22	18,219,954	34	( 29)
Gain on investment properties, net (Note 19)	639,265	1	460,702	1	39
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 38)	2,044,839	3	1,292,130	3	58
Net gain or loss on derecognition of financial assets at amortized cost (Note 4)	( 2,365)	-	7,500	-	( 132)
Foreign exchange (loss) gain, net (Notes 4 and 37)	1,759,702	3	( 13,881,269)	( 26)	113
Impairment loss on assets (Notes 4 and 11)	( 31,077)	-	( 22,017)	-	41
Share of profit of associates accounted for using the equity method (Notes 4 and 15)	( 2,421)	-	8,822	-	( 127)
Gain or Loss on reclassification of overlay approach (Notes 4, 8 and 11)	( 517,243)	( 1)	629,375	1	( 182)
Other non-interest income, net (Notes 4 and 44)	( 130,187)	-	93,438	-	( 239)
Total net revenues other than interest	31,599,499	53	20,489,061	38	54
TOTAL NET REVENUES	59,467,447	100	53,666,752	100	11
ALLOWANCE FOR DOUBTFUL ACCOUNTS, COMMITMENTS, AND GUARANTEES (Notes 4, 13 and 14)	( 2,294,134)	( 4)	( 3,311,768)	( 6)	( 31)
CHANGE IN PROVISIONS FOR INSURANCE LIABILITIES, NET (Notes 4 and 29)	( 187,812)	-	( 1,095,681)	( 2)	( 83)
OPERATING EXPENSES (Notes 30, 40, 41, 42 and 44)					
Employee benefits	( 19,275,795)	( 32)	( 18,012,364)	( 34)	7
Depreciation and amortization	( 2,091,880)	( 4)	( 2,079,937)	( 4)	1
Others	( 9,422,521)	( 16)	( 8,174,011)	( 15)	15
Total operating expenses	( 30,790,196)	( 52)	( 28,266,312)	( 53)	9
NET PROFIT BEFORE INCOME TAX	26,195,305	44	20,992,991	39	25
INCOME TAX EXPENSE (Notes 4 and 44)	( 4,576,885)	( 8)	( 3,684,520)	( 7)	24
NET PROFIT FOR THE YEAR	21,618,420	36	17,308,471	32	25
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4, 8, 33 and 42)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	( 200,616)	-	796,549	1	( 125)
Gain or Loss on investments in equity instruments at fair value through other comprehensive income	3,736,763	6	( 2,784,241)	( 5)	234
Income tax relating to items that will not be reclassified subsequently to profit or loss	40,419	-	( 157,745)	-	126
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	( 327,226)	( 1)	3,398,601	7	( 110)
Gain or Loss on investments in debt instruments at fair value through other comprehensive income	5,696,851	10	( 23,657,832)	( 44)	124
Gain or Loss on other comprehensive income reclassified by overlay approach	517,243	1	( 629,375)	( 1)	182
Income tax relating to items that may be reclassified subsequently to profit or loss	( 50,131)	-	137,391	-	( 136)
Other comprehensive income (loss) for the year	9,413,303	16	( 22,896,652)	( 42)	141
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 31,031,723	52	\$( 5,588,181)	( 10)	655
NET PROFIT ATTRIBUTABLE TO:					
Owner of the parent	\$ 21,618,294	36	\$ 17,308,343	32	25
Non-controlling interests	126	-	128	-	( 2)
	\$ 21,618,420	36	\$ 17,308,471	32	25
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owner of the parent	\$ 31,031,554	52	\$ (5,588,357)	(10)	655
Non-controlling interests	169	-	176	-	( 4)
	\$ 31,031,723	52	\$( 5,588,181)	( 10)	655
EARNINGS PER SHARE (Note 43)					
Basic and diluted	\$ 1.58		\$ 1.27		

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

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Share Capital	Capital Surplus					Retained Earnings	
	Ordinary Shares	Share Premium	Treasury Stock	Donated Assets	Others	Total	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2022	\$ 131,941,450	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 18,593,434	\$ 6,471,594
Appropriation of 2021 earnings								
Legal reserve	-	-	-	-	-	-	1,787,345	-
Cash dividends	-	-	-	-	-	-	-	-
Stock dividends	4,486,009	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	136,427,459	17,702,376	52,349	2,936	1,325	17,758,986	20,380,779	6,471,594
Appropriation of 2022 earnings								
Legal reserve	-	-	-	-	-	-	1,892,993	-
Special reserve	-	-	-	-	-	-	-	12,031,764
Stock dividends	-	-	-	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	2,818	2,818	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	\$ 136,427,459	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 4,143	\$ 17,761,804	\$ 22,273,772	\$ 18,503,358

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 Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (loss) on Investment in Equity Instruments at Fair Value Through Other Comprehensive Income	Unrealized Gain (loss) on Investment in Debt Instruments at Fair Value Through Other Comprehensive Income	Unrealized Gain (loss) on Other Comprehensive Income Reclassified by Overlay Approach		
\$ 19,658,539	\$ 44,723,567	\$( 3,691,240)	\$ 12,337,960	\$( 2,676,360)	\$ 310,358	\$ 2,086	\$ 200,706,807
( 1,787,345)	-	-	-	-	-	-	-
( 10,291,433)	( 10,291,433)	-	-	-	-	-	( 10,291,433)
( 4,486,009)	( 4,486,009)	-	-	-	-	-	-
-	-	-	-	-	-	( 87)	( 87)
17,308,343	17,308,343	-	-	-	-	128	17,308,471
638,804	638,804	3,398,601	( 2,784,289)	( 23,547,890)	( 601,926)	48	( 22,896,652)
17,947,147	17,947,147	3,398,601	( 2,784,289)	( 23,547,890)	( 601,926)	176	( 5,588,181)
982,769	982,769	-	( 982,769)	-	-	-	-
22,023,668	48,876,041	( 292,639)	8,570,902	( 26,224,250)	( 291,568)	2,175	184,827,106
( 1,892,993)	-	-	-	-	-	-	-
( 12,031,764)	-	-	-	-	-	-	-
( 8,049,221)	( 8,049,221)	-	-	-	-	-	( 8,049,221)
-	-	-	-	-	-	-	2,818
-	-	-	-	-	-	( 90)	( 90)
21,618,294	21,618,294	-	-	-	-	126	21,618,420
( 160,197)	( 160,197)	( 327,226)	3,736,720	5,660,965	502,998	43	9,413,303
21,458,097	21,458,097	( 327,226)	3,736,720	5,660,965	502,998	169	31,031,723
1,610,212	1,610,212	-	( 1,610,212)	-	-	-	-
\$ 23,117,999	\$ 63,895,129	\$( 619,865)	\$ 10,697,410	\$( 20,563,285)	\$ 211,430	\$ 2,254	\$ 207,812,336

## HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 26,195,305	\$ 20,992,991
Adjustments for:		
Depreciation expenses	1,721,432	1,726,293
Amortization expenses	370,448	353,644
Allowance for doubtful accounts, commitments, and guarantees	2,294,134	3,311,768
Interest expenses	59,876,234	21,673,878
Net gain on derecognition of financial assets at amortized cost	2,365	(7,500)
Interest revenue	(87,744,182)	(54,851,569)
Dividend income	(2,378,880)	(2,450,292)
Change in provisions for insurance liabilities, net	187,812	1,095,681
Share of profit of associates accounted for using the equity method	2,421	(8,822)
Gain on profit or loss reclassified by overlay approach	517,243	(629,375)
(Gain) loss on disposal of property and equipment	(1,610)	60
Gain on disposal of investment properties	(193,546)	(20,765)
Impairment loss on financial assets	30,978	6,841
Impairment loss on non-financial assets	99	15,176
Others	367	(1,981)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to other banks	(11,232,647)	4,174,432
(Increase) decrease in financial assets at fair value through profit or loss	(26,476,848)	19,579,998
Increase in financial assets at fair value through other comprehensive income	(11,741,514)	(57,644,209)
Decrease (increase) in investments in debt instruments at amortized cost	29,348,129	(106,565,284)
(Increase) decrease in receivables	(17,148,724)	16,167,957
Increase in receivables	(208,161,375)	(54,353,537)
Increase in assets under reinsurance contracts	(1,188,433)	(129,530)
(Increase) decrease in other financial assets	(1,577,785)	3,395,232
(Increase) decrease in other assets	(582,971)	1,112,123
Increase in deposits from the Central Bank and other banks	8,159,126	60,999,944
Increase in financial liabilities at fair value through profit or loss	2,417,873	2,805,996
Increase in securities sold under repurchase agreements	55,742,714	27,055,609
Increase (decrease) in payables	7,264,089	(16,984,259)
Increase in deposits and remittances	121,902,494	108,102,144
Decrease in provisions	(37,962)	(469,974)
Increase in other financial liabilities	12,102,311	7,974,233
(Decrease) increase in other liabilities	(6,186,044)	6,138,709
Cash (used in) generated from operations	(46,516,947)	12,565,612
Interest received	84,692,474	51,405,756
Dividend received	2,382,536	2,496,203
Interest paid	(56,122,906)	(18,541,053)
Income tax paid	(5,781,787)	(3,599,219)
Net cash (used in) generated from operating activities	(21,346,630)	44,327,299
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of investments accounted for using equity method	-	4,470
Acquisition of property and equipment	(2,815,317)	(1,925,647)
Proceeds from disposal of property and equipment	3,742	200
Acquisition of intangible assets	(178,636)	(277,091)
Proceeds from disposal of intangible assets	3,000	-
Net cash outflow on acquisition of subsidiaries	(22,000)	-
Acquisition of investment properties	(304,810)	(55,858)
Proceeds from disposal of investments properties	753,090	118,579
Net cash used in investing activities	(2,560,931)	(2,135,347)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,548,000	-
Decrease in short-term borrowings	(181,000)	(454,340)
Decrease in funds borrowed from Central Bank and other banks	-	(34,478,600)
Increase in commercial paper payables	16,442,816	611,502
Proceeds from issuance of corporate bonds	-	9,200,000
Repayments of corporate bonds	(7,000,000)	-
Proceeds from issuance bank debentures	1,000,000	16,000,000
Repayments of bank debentures	-	(6,500,000)
Proceeds from long-term borrowings	189,328	-
Decrease in long-term borrowings	-	(30,000)
Repayment of the principal portion of lease liabilities	(751,870)	(705,017)
Cash dividends paid to owners of the Company	(8,022,828)	(10,259,126)
Dividends paid to non-controlling interests	(90)	(87)
Net cash generated from (used in) financing activities	3,224,356	26,615,668
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(304,953)	3,189,377
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,988,158)	18,765,661
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	186,822,057	168,056,396
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 165,833,899	\$ 186,822,057

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, 2023 and 2022:

	December 31	
	2022	2021
Cash and cash equivalents in consolidated balance sheets	\$ 39,596,420	\$ 57,466,418
Due from the Central Bank and other banks that meet the definition of cash and cash equivalents in IAS 7	123,756,036	127,356,481
Securities purchased under resell agreements that meet the definition of cash and cash equivalents in IAS 7	2,481,443	1,999,158
Cash and cash equivalents in consolidated statements of cash flows	\$ 165,833,899	\$ 186,822,057

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, 2023 AND 2022  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

## 1. GENERAL

Hua Nan Financial Holdings Co., Ltd. (HNFH 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 HNFH’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 HNFH through a share swap. EnTrust Investment Trust Corporation changed its name to Hua Nan Investment Trust Corporation (HNIT) on June 2003.

HNFH 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, 2023, 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 32 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 HNFH 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 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, 2023 and 2022, the Company and its subsidiaries ("the Group") had 11,100 and 10,860 employees, respectively.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 11, 2024.

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

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

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

### 1) 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:

- a) 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;
- b) The Group chose the accounting policy from options permitted by the standards;



- c) 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;
- d) 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
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments since January 1, 2023, which defines accounting estimates as 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.

## 3) Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Group to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group should disclose qualitative and quantitative information that helps users of financial statements understand the Group’s exposure to Pillar Two income taxes. The requirement that the Group apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

## b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 2)

Note 1: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 2: The amendments provide some transition relief regarding disclosure requirements.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

## c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB
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 21 “Lack of Exchangeability”	January 1, 2025 (Note)

Note: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) 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 Group 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 Group shall divide a portfolio of insurance contracts issued into a minimum of:

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

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

Recognition

The Group shall recognise a group of insurance contracts it issues from the earliest of the following:

- a) The beginning of the coverage period of the Group of contracts;
- b) The date when the first payment from a policyholder in the Group becomes due; and
- c) For a group of onerous contracts, when the Group becomes onerous

Measurement on initial recognition

On initial recognition, the Group 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 Group of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future. The Group 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 Group 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 Group at that date and the contractual service margin of the Group at that date. The liability for incurred claims, comprise the fulfilment cash flows related to past service allocated to the Group at that date. Impairment loss should be recognize immediately if contracts portfolio become onerous contracts during subsequent 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 Group shall recognise a loss in profit or loss for the net outflow for the Group of onerous contracts, resulting in the carrying amount of the liability for the Group being equal to the fulfilment cash flows and the contractual service margin of the Group 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 Group may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the Group:

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

The criterion a) is not met if at the inception of the Group the Group 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 Group 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 Group shall derecognise the original contract and recognise the modified contract as a new contract. The Group shall derecognise the insurance contract when contract is extinguished or its substance is being modified.

Transition rules

The Group 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 Group 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.

#### Redesignation of financial assets

At the date of initial application of IFRS 17, an entity which had applied IFRS 9 may redesignate the classification of an eligible asset that meets the condition in paragraph C29 of IFRS 17. The entity is not required to restate the comparative information to reflect changes in the classifications of these assets, and any difference between the previous carrying amount and the carrying amount at the date of initial application of these financial assets should be recognized in the opening retained earnings (or other component of equity, as appropriate) at the date of initial application. If the entity restates the comparative information, the restated financial statements must reflect all the requirements of IFRS 9 for those affected financial assets.

In addition, an enterprise which had applied IFRS 9 before the initial application of IFRS 17 could apply the classification overlay on an individual basis to the financial assets that had been derecognized during the comparative period as if those financial assets had been reclassified in the comparative period in accordance with the redesignation requirements in paragraph C29 of IFRS 17.

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated.

#### 3) Amendments to IAS 21 "Lack of Exchangeability"

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Group shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

### **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 Group's 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 Group 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 12.

### 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.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, and 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 Group 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, bank deposits, due from other banks, notes and checks for clearing, and 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 that approved by the FSCs IAS 7 “Statement of Cash Flows”, etc.

### **Investment in Associates**

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

The Group 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 Group’s share of the profit or loss and other comprehensive income of the associate. The Group also recognize the changes in the Group’s 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 Group 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 (“FVTPL”), financial assets at amortized cost (“AC”) and investments in debt instruments and equity instruments at fair value through other comprehensive income (“FVOCI”).

##### **1) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL 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, receivables at amortized cost, discounts and loans and other financial assets, 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 FVOCI

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- 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 FVOCI 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 FVOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation as at FVOCI 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 FVOCI 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 Group's 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 Group recognize a loss allowance for expected credit losses on financial assets at amortized cost (including receivables and discounts and loans), investments in debt instruments that are measured at FVOCI.

The Group always recognize lifetime expected credit losses (i.e. ECLs) for receivables that are not related to credit. For all other financial instruments, the Group 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 Group 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 Group 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 FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

The Group's credit risk management policy please refer to Note 51.

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%, 49% 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%.

According to FSC Rule No.10600006550, HNCB recognized allowance and guarantee responsibility reserve on and off the balance sheets' credit assets 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 Group 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 FVOCI, 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 FVOCI, 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.

#### Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, the carrying amount are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

#### 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 FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

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.

##### 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 FVTPL.

### Modification of Financial Instruments

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which 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. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

### 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 by overlay approach.

### 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 FVTPL 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.

Property and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are stated at the lower of cost or net realizable value when ready for their intended use, the selling price and costs recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for their intended use.

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.

Investment properties in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated when ready for their intended use.

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.

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.

### **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 Group's 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, Investment Properties and Intangible Assets Other than Goodwill**

At the end of each reporting period, the Group review the carrying amounts of its property and equipment, right-of-use assets and intangible assets other than Goodwill 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 Group 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 shareholder'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 shareholder'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. 11101405951 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 reclassify such special reserves from retained earnings to special surplus.

For the years ended December 31, 2023 and 2022 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". Was SCIC not to apply the rule, the net profit of SCIC was to decrease \$8,862 and \$166,652. The earnings per share was \$4.53 and \$1.45 for the years ended December 31, 2023 and 2022. The special reserve of SCIC was to decrease \$996,256 and \$1,007,334; equity was to increase \$797,005 and \$805,867 as of December 31, 2023 and 2022.

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 year ended December 31, 2021, 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". Was SCIC not to apply the rule, the net profit of SCIC was to decrease \$8,865 and the earnings per share was \$4.45 for the year ended December 31, 2021. The special reserve of SCIC was to decrease \$1,215,649 and equity was to increase \$972,519 as of December 31, 2021.

#### 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 Group recognized provisions when the Group 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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost including current service cost and settlement profit and loss and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, 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. Remeasurement 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 Group's 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

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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.

d. Consolidated tax

The Company, HNFH, and HNFH's subsidiaries chose to adopt the linked-tax system income tax returns filling. Under Interpretation 2003-230 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 consolidated tax or payables consolidated tax.

### Recognition of Revenues and Expenses

Except for financial assets and liabilities at FVTPL, 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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decrease the scope of the lease, and recognizes in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expense 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 Group. 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, climate change and related government policies and inflation and market interest rate fluctuations 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 Group use judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's 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 51. 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	
	2023	2022
Cash on hand	\$ 14,055,049	\$ 26,564,492
Cash in banks	2,971,177	2,511,109
Due from other banks	21,576,386	25,780,712
Notes and checks for clearing	976,963	1,587,900
Cash equivalents	<u>18,990</u>	<u>1,023,510</u>
	39,598,565	57,467,723
Allowance for impairment loss	( <u>2,145</u> )	( <u>1,305</u> )
	<u>\$ 39,596,420</u>	<u>\$ 57,466,418</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 1,305	\$ 2,535
Provision (reversal)	862 (	1,278)
Foreign exchange gains and losses	( <u>22</u> )	<u>48</u>
Balance, end of the year	<u>\$ 2,145</u>	<u>\$ 1,305</u>

## 7. DUE FROM THE CENTRAL BANK AND OTHER BANKS CALL LOANS TO OTHER BANKS

	December 31	
	2023	2022
Call loans to banks	\$ 82,728,373	\$ 86,865,174
Reserve - checking accounts	44,098,340	45,670,743
Reserve - demand accounts	87,526,697	84,298,451
Reserve - foreign-currency deposit	944,682	916,869
Deposits of overseas branches with foreign Central Banks	413,601	294,515
Due from the Central Bank	45,862	78,834
Interbank settlement funds	<u>30,000,016</u>	<u>20,000,783</u>
	245,757,571	238,125,369
Allowance for impairment loss	( <u>108</u> )	-
	<u>\$ 245,757,463</u>	<u>\$ 238,125,369</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ -	\$ -
Provision	73	47
Foreign exchange gains and losses	<u>35</u>	( <u>47</u> )
Balance, end of the year	<u>\$ 108</u>	<u>\$ -</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.

## 8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets mandatorily classified as at FVTPL		
Investments in bill	\$ 97,031,423	\$ 65,926,744
Listed stocks	6,839,454	4,879,358
Government bonds	3,732,122	291,858
Currency swap	2,965,595	12,122,860
Interest swap	2,159,789	2,236,253
Operating securities - dealing	2,137,079	261,348
Beneficiary certificates	1,906,965	3,388,001
Unlisted stocks	830,295	926,227
Beneficiary securities	503,091	511,291
Operating securities - underwriting	307,782	461,107
Forward	161,124	80,779
Options	98,805	450,583
Cross currency swap	74,587	794,339
Margin deposits - futures	45,792	14,914
	<u>\$ 118,793,903</u>	<u>\$ 92,345,662</u>
Held-for-trading financial liabilities		
Currency swap	\$ 6,274,427	\$ 3,477,138
Interest swap	2,159,789	2,236,253
Options	100,642	451,963
Forward	77,985	68,191
Securities purchased under resell agreements - short sale	32,544	-
Others	6,031	-
	<u>\$ 8,651,418</u>	<u>\$ 6,233,545</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:

	December 31	
	2023	2022
<u>Financial assets at FVTPL</u>		
Listed stocks	\$ 6,012,308	\$ 4,630,722
Beneficiary certificates	1,889,928	1,757,394
Unlisted stocks	91,105	79,066
Beneficiary securities	<u>22,815</u>	<u>25,513</u>
	<u>\$ 8,016,156</u>	<u>\$ 6,492,695</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	
	2023	2022
Gain (loss) recognized in profit and loss on initial application of IFRS 9	\$ 962,700	\$( 754,433)
Plus: Loss recognized in profit and loss if IAS 39 was applied	-	125,058
Less: Gain recognized in profit and loss if IAS 39 was applied	( 445,457)	-
Gain (loss) on reclassification of overlay approach	<u>\$ 517,243</u>	<u>\$( 629,375)</u>

The amounts of financial assets at FVTPL for the years ended December 31, 2023 and 2022 decreased from \$991,758 to \$474,515, and decreased from \$769,666 to \$140,291, respectively, due to the adjustments of overlay approach.

The Group entered into derivative contracts to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value or cash flows.

The nominal principal of outstanding derivative contracts as of December 31, 2023 and 2022 were as follows:

	December 31	
	2023	2022
Forward and currency swap	NT\$ 457,132,749	NT\$ 381,923,081
Interest swap	NT\$ 103,362,920	NT\$ 103,947,349
Options	NT\$ 16,780,429	NT\$ 33,362,127
Cross currency swap	NT\$ 3,070,500	NT\$ 7,681,250
Futures	NT\$ 1,790,448	NT\$ 155,095
Currency swap	US\$ 14,968	US\$ 13,876

The principal of bond investments, which are financial assets mandatorily classified as at FVTPL, amounting to \$1,482,449 and \$107,377 as of December 31, 2023 and 2022 had been sold under repurchase agreements.

The principal of debt investments, which are financial assets mandatorily classified as at FVTPL, amounting to \$1,938,466 and \$3,788,458 as of December 31, 2023 and 2022, had been sold under repurchase agreements.

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Investments in equity instruments at FVOCI	\$ 45,670,617	\$ 36,500,220
Investments in debt instruments at FVOCI	<u>334,114,322</u>	<u>322,204,302</u>
	<u>\$ 379,784,939</u>	<u>\$ 358,704,522</u>

### a. Investments in equity instruments at FVOCI

	December 31	
	2023	2022
Listed stocks	\$ 35,401,604	\$ 25,334,076
Unlisted stocks	9,777,458	10,721,818
Real estate investment trust beneficiary securities	<u>491,555</u>	<u>444,326</u>
	<u>\$ 45,670,617</u>	<u>\$ 36,500,220</u>

These investments in equity instruments are held for strategic purposes or non-trading purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

For the years ended December 31, 2023 and 2022, the Group sold a part of listed stocks as at its fair value in order to manage credit concentration risk or earn profit. Related other equity-unrealized gain on investments at FVOCI amounting to \$1,610,212 and unrealized profit of \$982,769 were transferred to retained earnings.

Refer to Note 47 for information on December 31, 2023 and 2022 relating to investments in equity instruments at FVOCI pledged as security.

b. Investments in debt instruments at fair value through other comprehensive income

	December 31	
	2023	2022
Government bonds	\$ 135,180,627	\$ 123,263,191
Corporate bonds	107,626,543	103,119,700
Bank debentures	83,368,795	85,986,559
Agency mortgage-backed securities	7,483,538	8,151,056
Negotiable certificates of deposits	305,760	1,534,643
Treasury bills	149,059	149,153
	<u>\$ 334,114,322</u>	<u>\$ 322,204,302</u>

The principal of debt investments, which are financial assets as at FVOCI, amounting to \$72,601,483 and \$24,807,100 as of December 31, 2023 and 2022 had been sold under repurchase agreements.

Refer to Note 11 for information relating to the credit risk management and impairment of debt instruments at FVOCI.

Refer to Note 47 for information on December 31, 2023 and 2022 relating to investments in debt instruments at FVOCI pledged as security.

# 10. FINANCIAL ASSETS AT AMORTIZED COST, NET

	December 31	
	2023	2022
Negotiable certificates of deposits	\$ 434,430,000	\$ 513,220,000
Bank debentures	104,375,681	65,795,535
Government bonds	84,589,456	106,510,329
Corporate bonds	61,458,916	27,894,930
Treasury bills	2,368,479	3,128,369
	<u>687,222,532</u>	<u>716,549,163</u>
Less: Refundable deposits	( 296,613)	( 296,411)
Allowance for impairment loss	( 34,783)	( 18,586)
	<u>\$ 686,891,136</u>	<u>\$ 716,234,166</u>

The principal of debt investments, which are financial assets at amortized cost, amounting to \$33,081,521 and \$24,658,270 as of December 31, 2023 and 2022 had been sold under repurchase agreements.

Refer to Note 11 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

Refer to Note 47 for information on December 31, 2023 and 2022 relating to investments in investments in financial assets at amortized cost pledged as security.

## 11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at FVTOCI and as at amortized cost were as follows:

December 31, 2023

	At FVOCI	At Amortized Cost
Gross carrying amount	\$ 355,341,031	\$ 686,925,919
Less: Allowance for impairment loss	( 62,998)	( 34,783)
Amortized cost	355,278,033	<u>\$ 686,891,136</u>
Adjustment to fair value	( 21,163,711)	
	<u>\$ 334,114,322</u>	

December 31, 2022

	At FVOCI	At Amortized Cost
Gross carrying amount	\$ 348,992,292	\$ 716,252,752
Less: Allowance for impairment loss	( 48,394)	( 18,586)
Amortized cost	348,943,898	<u>\$ 716,234,166</u>
Adjustment to fair value	(26,739,596)	
	<u>\$ 322,204,302</u>	

HNCB considers the credit evaluation supplied by external credit rating agencies, historical default rates and historical default loss percentage to estimate 12-month or lifetime expected credit losses. Refer to Note 51 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, 2023

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%-0.1987%	\$ 332,872,470	\$ 685,337,752
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, 2022

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%-0.1492%	\$ 329,983,005	\$ 714,689,774
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 rating 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, 2023

Category	Description	Basis for Recognizing	Expected Loss	Gross Carrying Amount at	
		Expected Credit Losses	Rate	December 31	
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%-0.196%	\$	19,111,492
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, 2022

Category	Description	Basis for Recognizing	Expected Loss	Gross Carrying Amount at	
		Expected Credit Losses	Rate	December 31	
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%-0.149%	\$	15,530,150
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 credit 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, 2023

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Debtor has a low credit risk of default or its credit risk of default has not increase significantly, and has a sufficient capability to meet contractual cash flows	12-month ECL	0.0257%-0.6294%	\$ 3,300,128	\$ 1,588,167
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired	17.6618%	56,941	-
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 SCIC has no realistic prospect of recovery	Amount is written off	-	-	-

December 31, 2022

Category	Description	Basis for Recognizing Expected Credit	Expected Loss	Gross Carrying Amount at December 31	
		Losses	Rate	FVTOCI	AC
Stage 1	Debtor has a low credit risk of default or its credit risk of default has not increase significantly, and has a sufficient capability to to meet contractual cash flows	12-month ECL	0.0287%-0.487%	\$ 3,479,137	\$ 1,562,978
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 SCIC has no realistic prospect of recovery	Amount is written 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 FVOCI 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, 2023	\$ 48,394	\$ -	\$ -
New financial assets purchased	6,338	-	-
Derecognition	( 2,439)	-	-
Change in model or risk parameters	( 164)	10,880	-
Change in exchange rates or others	( 11)	-	-
Balance at December 31, 2023	<u>\$ 52,118</u>	<u>\$ 10,880</u>	<u>\$ -</u>
Balance at January 1, 2022	\$ 48,879	\$ -	\$ -
New financial assets purchased	7,706	-	-
Derecognition	( 8,405)	-	-
Change in model or risk parameters	215	-	-
Change in exchange rates or others	( 1)	-	-
Balance at December 31, 2022	<u>\$ 48,394</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, 2023	\$ 18,586	\$ -	\$ -
New financial assets purchased	19,456	-	-
Derecognition	( 3,250)	-	-
Change in model or risk parameters	157	-	-
Change in exchange rates or others	( 166)	-	-
Balance at December 31, 2023	<u>\$ 34,783</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2022	\$ 10,102	\$ -	\$ -
New financial assets purchased	10,285	-	-
Derecognition	( 2,931)	-	-
Change in model or risk parameters	( 29)	-	-
Change in exchange rates or others	1,159	-	-
Balance at December 31, 2022	<u>\$ 18,586</u>	<u>\$ -</u>	<u>\$ -</u>

## 12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2023	2022
Government bonds	\$ 2,032,587	\$ 1,550,000
Investments in bill	<u>448,856</u>	<u>449,158</u>
	<u>\$ 2,481,443</u>	<u>\$ 1,999,158</u>

Securities purchased under resell agreements as of December 31, 2023 and 2022 were expired in January 2023 and January 2022 and the amount agreed to resell were \$2,483,217 and \$2,000,261, respectively.

## 13. RECEIVABLES, NET

	December 31	
	2023	2022
Accounts receivable	\$ 18,142,617	\$ 8,052,711
Margin loans receivable	16,988,035	10,667,426
Interest receivables	10,573,079	7,439,961
Credit card receivables	10,364,557	9,652,093
Receivable from PEM Group incident (Note 49)	7,178,259	7,596,302
Acceptances	3,057,173	2,954,236
Receivable of securities business money lending - non-restricted purpose	2,246,390	1,460,360
Receivables factoring - without recourse	361,152	838,835
Accounts receivable for settlement - options	239,156	359,051
Others	<u>3,586,028</u>	<u>3,641,342</u>
	72,736,446	52,662,317
Allowance for impairment losses	( 5,483,855)	( 5,641,739)
	<u>\$ 67,252,591</u>	<u>\$ 47,020,578</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 5,641,739	\$ 5,128,452
(Reversal) provision	( 60,753)	570,514
Write-off	( 96,943)	( 58,578)
Foreign exchange gains and losses	( 188)	( 1,351)
Balance, end of the year	<u>\$ 5,483,855</u>	<u>\$ 5,641,739</u>

The Group reversed the bad debt loss of receivables amounted to \$35,954 and \$35,730 for the years ended December 31, 2023 and 2022, classified as the deduction of bad debt expense.

Please refer to Note 51 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	
	2023	2022
Short-term loans and overdraft	\$ 223,376,736	\$ 172,472,914
Secured short-term loans and secured overdraft	279,899,547	286,672,206
Medium-term loans	536,502,571	469,628,882
Secured medium-term loans	305,546,560	265,037,081
Long-term loans	55,458,042	45,819,929
Secured long-term loans	866,781,036	820,488,039
Discounts and import and export bill negotiation	1,455,737	1,908,341
Nonperforming loans transferred from loans	3,254,403	2,764,167
Receivables financing	<u>152,175</u>	<u>159,929</u>
	2,272,426,807	2,064,951,488
Allowance for impairment loss	( 28,863,213)	( 27,675,781)
Adjustment of premium or discount	( 111,904)	<u>144,052</u>
	<u>\$ 2,243,451,690</u>	<u>\$ 2,037,419,759</u>

HNCB wrote off credits only after completing the required legal procedures for the years ended December 31, 2023 and 2022.

The movement of the allowance for impairment loss were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 27,675,781	\$ 25,136,644
Provision	4,690,133	4,521,726
Write-off	( 3,485,286)	( 2,189,538)
Foreign exchange gains and losses	( 17,415)	206,949
Balance, end of the year	<u>\$ 28,863,213</u>	<u>\$ 27,675,781</u>

The Group have recovered the written-off credits amounted to \$2,543,274 and \$1,860,751 for the years ended December 31, 2023 and 2022, classified as the deduction of bad debt expense.

Please refer to Note 51 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			
	2023		2022	
	Amount	%	Amount	%
<u>Associates that are not individually material</u>				
Fertasia International Development Co., Ltd.	\$ 99,741	29.80	\$ 98,655	29.80
Chia-Ta International development Co., Ltd.	90,631	25.56	90,479	25.56
Zhi-Kang Venture Capital Investment Company, Ltd.	83,785	29.10	92,660	49.25
Chung-Hua Real Estate Management Co., Ltd.	77,194	30.00	77,790	30.00
	<u>\$ 351,351</u>		<u>\$ 359,584</u>	

The Group's share of:

	For the Year Ended December 31	
	2023	2022
Total comprehensive income for the year	<u>\$( 2,421)</u>	<u>\$ 8,822</u>

In August 2022, Fertasia International Development Co., Ltd., the associate invested by HNVC accounted for using equity method, conducted cash capital reduction in proportion to its original shareholding. HNVC received capital refund of \$4,470, and the shareholdings were remained 29.80%.

In September 2023, Zhi-Kang Venture Capital Investment Company Ltd., the associate invested by HNVC accounted for using equity method, resolved to issuance of new shares for cash. However, HNVC did not engage in share subscription, which results in a decrease in ownership interest from 49.25% to 29.10%.

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 Group 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 Group believed that it would only have significant impact on Chung-Hua Real Estate, so it was listed as an associate of the Group.

The Group's share of profit and other comprehensive income of the associate for the years ended December 31, 2023 and 2022 were based on the associate's financial statements audited by the auditors for the same years.

**16. OTHER FINANCIAL ASSETS, NET**

	December 31	
	2023	2022
Time deposits no qualified for cash equivalents	\$ 11,650,290	\$ 11,622,095
Customers' margin account	5,435,701	4,599,568
Security leading margin	1,042,226	978,854
Long-term receivables	847,028	305,903
Nonperforming loans transferred from other than loans	259,166	132,404
Buy overdue receivables	-	10,003
Others	4,002	1,911
	19,238,413	17,650,738
Allowance for impairment loss	( 187,701)	( 76,830)
	<u>\$ 19,050,712</u>	<u>\$ 17,573,908</u>

The movements of the allowance for impairment losses were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the period	\$ 76,830	\$ 63,929
Provision	150,462	23,262
Write-off	( 39,439)	( 10,443)
Foreign exchange gains and losses	( 152)	82
Balance, end of the period	<u>\$ 187,701</u>	<u>\$ 76,830</u>

The overdue receivables which the Group bought are FVTPL because the objective of the Group's 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 50. On December 31, 2023 and 2022, 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 51 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	
	2023	2022
Land	\$ 20,815,292	\$ 21,418,687
Buildings	7,100,859	8,215,536
Computer and machinery	1,265,668	1,217,442
Transportation equipment	130,282	124,330
Other equipment	348,765	339,549
Lease improvements	63,554	40,396
Construction in progress and prepayment for equipment, land and buildings	<u>2,254,317</u>	<u>1,362,759</u>
	<u>\$ 31,978,737</u>	<u>\$ 32,718,699</u>



The movements of property and equipment were as follows:

	For the Year Ended December 31, 2023							
	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	\$ 21,418,687	\$ 16,453,502	\$ 7,107,777	\$ 1,123,200	\$ 3,695,639	\$ 181,297	\$ 1,362,759	\$ 51,342,861
Additions	-	12,853	374,807	40,835	65,284	18,770	2,302,529	2,815,078
Decrease	( 1,347)	( 400)	( 329,217)	( 26,612)	( 30,547)	( 31,539)	( 24)	( 419,686)
Acquired by business combination	-	-	1,812	-	-	-	-	1,812
Reclassification	( 602,048)	( 825,485)	65,413	-	71,879	23,828	( 1,410,947)	( 2,677,360)
Effect of exchange rate changes	-	-	( 297)	161	( 26)	( 407)	-	( 569)
Balance, end of the year	<u>20,815,292</u>	<u>15,640,470</u>	<u>7,220,295</u>	<u>1,137,584</u>	<u>3,802,229</u>	<u>191,949</u>	<u>2,254,317</u>	<u>51,062,136</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the year	-	8,237,966	5,890,335	998,870	3,356,090	140,901	-	18,624,162
Depreciation	-	310,620	393,298	34,888	127,971	19,472	-	886,249
Decrease	-	( 233)	( 328,616)	( 26,612)	( 30,530)	( 31,539)	-	( 417,530)
Reclassification	-	( 8,742)	5	-	( 146)	-	-	( 8,753)
Effect of exchange rate changes	-	-	( 395)	156	79	( 439)	-	( 729)
Balance, end of the year	-	<u>8,539,611</u>	<u>5,954,627</u>	<u>1,007,302</u>	<u>3,453,464</u>	<u>128,395</u>	-	<u>19,083,399</u>
Net amount	<u>\$ 20,815,292</u>	<u>\$ 7,100,859</u>	<u>\$ 1,265,668</u>	<u>\$ 130,282</u>	<u>\$ 348,765</u>	<u>\$ 63,554</u>	<u>\$ 2,254,317</u>	<u>\$ 31,978,737</u>

	For the Year Ended December 31, 2022							
	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	\$ 21,285,848	\$ 16,213,608	\$ 6,565,683	\$ 1,093,350	\$ 3,609,377	\$ 252,536	\$ 1,391,558	\$ 50,411,960
Additions	-	10,542	275,245	58,050	63,015	8,388	1,510,826	1,926,066
Decrease	-	-	( 101,048)	( 31,100)	( 23,402)	( 89,956)	-	( 245,506)
Reclassification	132,839	229,352	360,845	-	41,595	7,801	( 1,539,625)	( 767,193)
Effect of exchange rate changes	-	-	7,052	2,900	5,054	2,528	-	17,534
Balance, end of the year	<u>21,418,687</u>	<u>16,453,502</u>	<u>7,107,777</u>	<u>1,123,200</u>	<u>3,695,639</u>	<u>181,297</u>	<u>1,362,759</u>	<u>51,342,861</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the year	-	7,927,491	5,588,167	995,642	3,234,975	198,657	-	17,944,932
Depreciation	-	309,897	397,550	31,923	139,616	29,808	-	908,794
Decrease	-	-	( 100,870)	( 31,100)	( 23,377)	( 89,899)	-	( 245,246)
Reclassification	-	578	-	-	-	-	-	578
Effect of exchange rate changes	-	-	5,488	2,405	4,876	2,335	-	15,104
Balance, end of the year	-	<u>8,237,966</u>	<u>5,890,335</u>	<u>998,870</u>	<u>3,356,090</u>	<u>140,901</u>	-	<u>18,624,162</u>
Net amount	<u>\$ 21,418,687</u>	<u>\$ 8,215,536</u>	<u>\$ 1,217,442</u>	<u>\$ 124,330</u>	<u>\$ 339,549</u>	<u>\$ 40,396</u>	<u>\$ 1,362,759</u>	<u>\$ 32,718,699</u>

- a. Apportionment of depreciation expense from HNCB to HNFH were \$8,081 and \$3 for the years ended December 31, 2023 and 2022.
- b. The amounts of property and equipment pledged as collateral as of December 31, 2023 and 2022 are disclosed in Note 47.
- c. The above items of property and equipment were depreciated on straight line basis over the estimated useful life of the asset:

Buildings	6-61 years
Computer and machinery	2-6 years
Transportation equipment	4-9 years
Other equipment	3-16 years
Lease improvements	The shorter of 1-7 years or lease period

## 18. LEASE ARRANGEMENTS

- a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Buildings	\$ 2,117,455	\$ 1,847,613
Computer and machinery	5,030	6,814
Transportation equipment	84,759	86,393
Other equipment	61,415	80,503
	<u>\$ 2,268,659</u>	<u>\$ 2,021,323</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 1,041,406</u>	<u>\$ 863,715</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 677,777	\$ 664,298
Computer and machinery	1,680	1,724
Transportation equipment	45,507	42,381
Other equipment	28,984	29,103
	<u>\$ 753,948</u>	<u>\$ 737,506</u>

The agreement for the investment properties under the operating lease contract, refer to Note 19.

- b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Buildings	\$ 2,113,563	\$ 1,842,211
Computer and machinery	4,816	6,772
Transportation equipment	88,903	90,427
Superficies	50,288	49,884
Other equipment	67,537	85,820
	<u>\$ 2,325,107</u>	<u>\$ 2,075,114</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Buildings	0.755%-3.910%	0.755%-2.160%
Transportation equipment	0.755%-2.300%	0.755%-2.300%
Superficies	4.19%	4.19%
Computer and machinery	0.755%-2.033%	0.755%-1.743%
Other equipment	1.035%-2.300%	0.755%-2.132%

c. Material lease-in activities and terms

The Group leases certain building with lease terms of 1 to 11 years. These arrangements do not contain renewal or purchase options. The Group leases 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

The agreement for the investment properties under the operating lease contract, refer to Note 19.

	For the Year Ended December 31	
	2023	2022
Expense relating to short-term leases	\$ 79,240	\$ 85,626
Expense relating to low-value asset leases	\$ 11,879	\$ 9,295
Expense relating to variable lease payments not included in the measurement of lease liabilities	\$ 62,698	\$ 51,899
Total cash outflow for leases	\$ 948,850	\$ 893,232

The Group leases certain assets which qualify as short-term leases or low-value asset leases. The Group 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	
	2023	2022
Land	\$ 9,963,276	\$ 9,080,074
Buildings	3,193,927	2,254,122
Construction in progress	1,525,157	1,118,167
Right-of-use assets	177,672	172,944
Others	3,143	1,793
	<u>\$ 14,863,175</u>	<u>\$ 12,627,100</u>

The movements of investment properties were as follows:

	For the Year Ended December 31	
	2023	2022
<u>Cost</u>		
Balance, beginning of the year	\$ 13,924,705	\$ 13,324,350
Additions	304,810	55,858
Decrease	( 611,173)	( 121,408)
Reclassification	2,589,009	665,905
Balance, end of the year	<u>16,207,351</u>	<u>13,924,705</u>
<u>Accumulated depreciation and impairment</u>		
Balance, beginning of the year	1,297,605	1,207,348
Depreciation	89,316	79,996
Decrease	( 51,629)	( 8,350)
Reclassification	8,884	18,611
Balance, end of the year	<u>1,344,176</u>	<u>1,297,605</u>
Investment properties, net	<u>\$ 14,863,175</u>	<u>\$ 12,627,100</u>

HNCB's investment properties with lease terms of 1 to 20 years. SCIC's investment properties with lease terms of 3 to 9 years. HNAMC's investment properties with lease terms of 1 to 8 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, 2023 and 2022 is as follows:

	December 31	
	2023	2022
Year 1	\$ 472,800	\$ 450,350
Year 2	387,039	326,760
Year 3	277,912	229,676
Year 4	104,756	136,986
Year 5	76,008	33,992
Onwards	<u>474,707</u>	<u>101,696</u>
	<u>\$ 1,793,222</u>	<u>\$ 1,279,460</u>

The Group follows 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 Group was depreciated over 5-57 years, using the straight-line method.  
c. The fair value of the Group's investment properties as of December 31, 2023 and 2022 were \$38,326,285 and \$32,060,966, respectively.

The fair value of HNCB's investment properties as of December 31, 2023 and 2022 were \$33,887,086 and \$28,717,904, respectively. The fair value was not performed by independent qualified professional valuers. Management of HNCB evaluated the fair value based on the model that market participants would use in determining 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, 2023 and 2022 were \$197,669 and \$187,532, respectively. The fair value by management of HNSC evaluated local market price.

The fair value of SCIC's investment properties as of December 31, 2023 was not performed by independent qualified professional valuers, and the evaluation of the fair value of properties as of December 31, 2022 were regarded effective on December 31, 2023 and December 31, 2022 by SCIC management after reviewing the validity of appraisal report on December 31, 2022 and the rental price in adjacent area.

The fair value of SCIC's investment properties as of December 31, 2022 was performed by independent qualified professional valuers Gold Real Estate Appraisal Co., Ltd.

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	
	2023	2022
The fair value	\$ 650,656	\$ 650,656
Discount rate	0.97%-3.55%	0.97%-3.55%

The above fair value measurement had taken the uncertainty on the volatility in the markets due to the evolution of the COVID-19 pandemic into account.

The fair values of HNAME's investment properties were evaluated based on market evidence of similar properties transaction's price.

The fair value of HNAME'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	
	2023	2022
The fair value	\$ 3,039,021	\$ 861,302
Income capital interest rate	0.35%-2.55%	1.36%-1.98%

The fair value of the others HNAME's investment properties were not performed by independent qualified professional values. The Management of HNAME 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	
	2023	2022
The fair value	\$ 3,844,936	\$ 5,002,771

- d. The accumulated impairment of investment properties as of December 31, 2023 and 2022 were \$19,750 and \$51,138, respectively.
- e. For the years ended December 31, 2023 and 2022, the rental income from investment properties were \$554,504 and \$554,104, respectively. For the years ended December 31, 2023 and 2022, the direct operating expenses of investment properties including depreciation expenses were \$198,101 and \$194,163, respectively, the gain on disposal of investment properties were \$193,546 and \$20,765 for the years ended December 31, 2023 and 2022, respectively. Refer to Note 47 for information relating to investments properties pledged as security.

**20. INTANGIBLE ASSETS, NET**

	December 31	
	2023	2022
Computer software	\$ 768,848	\$ 866,234
Goodwill	40,662	40,662
Others	109,601	61,238
	<u>\$ 919,111</u>	<u>\$ 968,134</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, 2023 and 2022.

The movements of computer software and others were as follows:

	For the Year Ended December 31	
	2023	2022
<u>Cost</u>		
Balance, beginning of the year	\$ 4,193,155	\$ 3,874,080
Additions	171,602	277,362
Decrease	( 91,988)	( 62,052)
Acquired by business combination	64,188	-
Reclassification	82,479	94,094
Effect of exchange rate changes	( 1,619)	9,678
Balance, end of the year	<u>4,417,817</u>	<u>4,193,162</u>
<u>Accumulated amortization</u>		
Balance, beginning of the year	3,265,683	2,972,329
Amortization	364,169	345,429
Decrease	( 88,988)	( 62,052)
Effect of exchange rate changes	( 1,496)	9,984
Balance, end of the year	<u>3,539,368</u>	<u>3,265,690</u>
Net amount	<u>\$ 878,449</u>	<u>\$ 927,472</u>

Apportionment of amortization expense from HNCB to HNFH were \$1,435 and \$1,504 for the years ended December 31, 2023 and 2022.

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	1-10 years
Others	5-10 years



## 21. OTHER ASSETS, NET

	December 31	
	2023	2022
Refundable deposits	\$ 2,872,023	\$ 2,318,703
Operating deposits and settlement fund	915,974	888,619
Prepayments	343,214	337,410
Others, net	<u>463,253</u>	<u>440,393</u>
	<u>\$ 4,594,464</u>	<u>\$ 3,985,125</u>

Refer to Note 47 for information relating to other assets pledged as security.

## 22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2023	2022
Call loans from banks	\$ 174,085,210	\$ 105,355,623
Call loans from the Central Bank	10,746,750	-
Overdraft	3,397,607	1,688,985
Deposits from banks	2,026,689	536,923
Deposits from Chunghwa Post Co., Ltd.	215,947	74,758,405
Deposits from the Central Bank	<u>78,419</u>	<u>51,560</u>
	<u>\$ 190,550,622</u>	<u>\$ 182,391,496</u>

## 23. COMMERCIAL PAPER PAYABLE, NET

## a. Commercial paper

Institution	December 31	
	2023	2020
Bank SinoPac	\$ 8,500,000	\$ 5,800,000
China Bills Finance Corp.	5,845,000	3,885,000
Yuanta Commercial Bank	4,600,000	400,000
Grand Bills Finance Corp.	3,078,000	703,000
Mega Bills Finance Corp.	2,600,000	780,000
Taishin International Bank Corp.	2,300,000	2,300,000
Ta Ching Bills Finance Corp.	2,300,000	1,100,000
Union Bank of Taiwan Corp.	2,200,000	2,000,000
Dah Chung Bill Finance Corp.	1,105,000	-
Taipei Fubon Commercial Bank Co., Ltd.	1,100,000	-
E.SUN Bank	900,000	2,000,000
International Bills Finance Corp.	738,000	803,000
Taiwan Finance Corp.	425,000	-
Sunny Bank Ltd.	300,000	-
KGI Commercial Bank Co., Ltd.	200,000	155,000
Taiwan Cooperative Bills Finance Corp.	180,000	-
Discount of commercial paper payable	( <u>54,823</u> )	( <u>46,529</u> )
	<u>\$ 36,316,177</u>	<u>\$ 19,879,471</u>

- b. Ranges of annual interest rates of the commercial paper payable were 1.47%-1.89% and 1.47%-1.94% as of December 31, 2023 and 2022, respectively.
- c. Regarding the above mentioned commercial paper payable, except non-guarantee issuers, are with guarantee or acceptance by bills finance companies and bank.

## 24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The amounts of securities sold under repurchase agreements were \$109,103,919 and \$53,361,205 as of December 31, 2023 and 2022, respectively. Ranges of interest rates were 0.10%-5.75% and 0.10%-4.93% as of December 31, 2023 and 2022, respectively. The agreed-upon repurchase price were \$110,286,089 and \$53,568,617, respectively. The maturity date of securities sold under repurchase agreements were March and November 2024, respectively.

## 25. PAYABLES

	December 31	
	2023	2022
Accounts payable	\$ 16,845,968	\$ 7,455,302
Interests payable	8,614,564	4,911,206
Accrued expenses	6,602,170	5,721,124
Acceptances	3,156,121	3,165,626
Collections for others	1,826,238	1,760,517
Short sales proceeds payable	1,547,907	3,350,510
Deposit for short sales	1,363,438	3,689,960
Insurance claims and benefits payable	1,231,269	-
Notes and checks in clearing	976,964	1,587,807
Dividends payable	623,398	597,976
Due to reinsurers and ceding companies	607,487	598,065
Options payables - nominal amounts	238,289	360,561
Temporary received customs	220,410	208,214
Attachment of debts	202,485	211,581
Payable - factoring	131,771	382,709
Others	4,012,441	3,922,595
	<u>\$ 48,200,920</u>	<u>\$ 37,923,753</u>

## 26. DEPOSITS AND REMITTANCES

	December 31	
	2023	2022
Demand deposits	\$ 878,623,111	\$ 964,061,060
Checking account deposits	66,113,826	70,365,192
Savings deposits	1,383,674,356	1,279,690,642
Time deposits	731,802,254	623,636,809
Negotiable certificates of deposits	3,827,398	4,516,409
Remittances	1,323,682	1,192,021
	<u>\$ 3,065,364,627</u>	<u>\$ 2,943,462,133</u>

## 27. BONDS PAYABLE

	December 31	
	2023	2022
Bank debentures	\$ 58,900,000	\$ 57,900,000
Corporate bonds	21,700,000	28,700,000
Discount of corporate bonds	( 13,085)	( 15,374)
	<u>\$ 80,586,915</u>	<u>\$ 86,584,626</u>

a. Bank debentures as of December 31, 2023 and 2022 were as follow:

	December 31	
	2023	2022
103-1 term ten-year subordinated debenture; 1.85% fixed rate; maturity on March 28, 2024	\$ 4,300,000	\$ 4,300,000
103-2B term ten-year subordinated debenture; 1.98% fixed rate; maturity on September 26, 2024	4,000,000	4,000,000
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
107-1 term subordinated debenture without maturity date; 2.7% fixed rate; redeemable after May 26, 2023	3,200,000	3,200,000
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	12,000,000
110-2 term three-year dominant debenture; 0.35% fixed rate; maturity on July 28, 2024	1,000,000	1,000,000
111-1 term subordinated debenture without maturity date; 3% fixed rate; redeemable after August 25, 2027	6,420,000	6,420,000
111-2 term subordinated debenture without maturity date; 3% fixed rate; redeemable after September 29, 2027	9,580,000	9,580,000
112-1 term two-year dominant debenture; 1.48% fixed rate; maturity on December 22 2025	<u>1,000,000</u>	<u>-</u>
	<u>\$ 58,900,000</u>	<u>\$ 57,900,000</u>

## b. Corporate bonds

In January 2018, HNFH issued 106-1 unsecured dominant 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.

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, HNFH 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 December 2022, HNFH issued 111-1 unsecured subordinated corporate bonds with a face value of \$9,200,000 and divided into A bonds term, B bonds term and C bonds term was \$3,000,000, \$3,100,000 and \$3,100,000, respectively, a coupon rate of 2.15%, 2.40% and 2.70%, respectively. The corporate bond will mature in five years, seven years and ten years, and principal is repayable on maturity date. Interest is payable annually.

**28. OTHER BORROWINGS****a. Short-term debts**

Character of Debts	December 31	
	2023	2022
Credit loans	\$ 1,233,000	\$ 1,286,000
Guaranteed loans	\$ 1,420,000	\$ -

**b. Long-term debts**

Character of Debts	December 31	
	2023	2022
Credit loans	\$ 759,328	\$ 570,000

c. The ranges of interest rate of other borrowings were 1.65%-4.30% and 1.50%-2.15% as of December 31, 2023 and 2022, respectively. The maturity date of other borrowings was November 2026 and June 2026, respectively.

d. The aforementioned related collaterals of other borrowings please refer to Note 47.

**29. PROVISIONS**

	December 31	
	2023	2022
Reserves of insurance industry	\$ 16,173,244	\$ 16,634,678
Provisions for employee benefits	5,677,070	5,514,335
Reserve for losses on guarantees	1,204,168	1,130,148
Provision for loan commitment	556,344	563,797
Others	48,724	48,724
	<u>\$ 23,659,550</u>	<u>\$ 23,891,682</u>

The movements of reserve for losses on guarantees were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 1,130,148	\$ 1,041,849
Provision	73,995	85,991
Foreign exchange gains and losses	25	2,308
Balance, end of the year	<u>\$ 1,204,168</u>	<u>\$ 1,130,148</u>

The movements of provision for loan commitment were as follows:

	For the Year Ended December 31	
	2023	2022
Balance, beginning of the year	\$ 563,797	\$ 550,181
(Reversal) provision	( 7,596)	6,807
Foreign exchange gains and losses	143	6,809
Balance, end of the year	<u>\$ 556,344</u>	<u>\$ 563,797</u>

a. The movements of reserves of insurance industry are as follows:

	January 1, 2023	Provision	Release	Foreign Exchange Gains and Losses	December 31, 2023
Unearned premium reserve	\$ 5,942,301	\$ 6,495,557	\$ 5,942,301	\$ -	\$ 6,495,557
Less: Ceded unearned premium reserve	( 1,698,553)	( 1,964,075)	( 1,698,553)	-	( 1,964,075)
	<u>4,243,748</u>	<u>4,531,482</u>	<u>4,243,748</u>	-	<u>4,531,482</u>
Reserve for deficiency premium	156,024	131,053	156,024	-	131,053
Less: Ceded reinsurance business	-	-	-	-	-
	<u>156,024</u>	<u>131,053</u>	<u>156,024</u>	-	<u>131,053</u>
Special reserve					
Catastrophe	274,053	-	11,078	-	262,975
Risk-volatility	<u>2,395,026</u>	<u>167,424</u>	<u>12,470</u>	-	<u>2,549,980</u>
	<u>2,669,079</u>	<u>167,424</u>	<u>23,548</u>	-	<u>2,812,955</u>
Claims reserve					
Reported but not paid	6,463,569	5,578,523	6,463,569	-	5,578,523
Incurred but not reported	1,403,705	1,155,156	1,403,705	-	1,155,156
Less: Ceded claims reserve	( 3,543,689)	( 2,628,921)	( 3,543,689)	-	( 2,628,921)
	<u>4,323,585</u>	<u>4,104,758</u>	<u>4,323,585</u>	-	<u>4,104,758</u>
Add: Ceded unearned premium reserve	1,698,553	1,964,075	1,698,553	-	1,964,075
Ceded claims reserve	<u>3,543,689</u>	<u>2,628,921</u>	<u>3,543,689</u>	-	<u>2,628,921</u>
	<u>\$ 16,634,678</u>				<u>\$ 16,173,244</u>

	January 1, 2022	Provision	Release	Foreign Exchange Gains and Losses	December 31, 2022
Unearned premium reserve	\$ 5,599,705	\$ 5,942,301	\$ 5,632,096	\$ 32,391	\$ 5,942,301
Less: Ceded unearned premium reserve	( 1,686,543)	( 1,698,553)	( 1,686,543)	-	( 1,698,553)
	<u>3,913,162</u>	<u>4,243,748</u>	<u>3,945,553</u>	<u>32,391</u>	<u>4,243,748</u>
Reserve for deficiency premium	32,229	156,024	33,543	1,314	156,024
Less: Ceded reinsurance business	-	-	-	-	-
	<u>32,229</u>	<u>156,024</u>	<u>33,543</u>	<u>1,314</u>	<u>156,024</u>
Special reserve					
Catastrophe	285,132	-	11,079	-	274,053
Risk-volatility	<u>2,520,497</u>	<u>71,765</u>	<u>197,236</u>	-	<u>2,395,026</u>
	<u>2,805,629</u>	<u>71,765</u>	<u>208,315</u>	-	<u>2,669,079</u>
Claims reserve					
Reported but not paid	4,897,337	6,463,569	4,923,929	26,592	6,463,569
Incurred but not reported	1,245,713	1,403,705	1,249,827	4,114	1,403,705
Less: Ceded claims reserve	( 2,661,726)	( 3,543,689)	( 2,661,726)	-	( 3,543,689)
	<u>3,481,324</u>	<u>4,323,585</u>	<u>3,512,030</u>	<u>30,706</u>	<u>4,323,585</u>
Add: Ceded unearned premium reserve	1,686,543	1,698,553	1,686,543	-	1,698,553
Ceded claims reserve	<u>2,661,726</u>	<u>3,543,689</u>	<u>2,661,726</u>	-	<u>3,543,689</u>
	<u>\$ 14,580,613</u>				<u>\$ 16,634,678</u>

## b. Unearned premium reserve

1) Details of unearned premium reserve are as follows:

	December 31	
	2023	2022
One-year commercial fire insurance	\$ 406,215	\$ 337,656
Personal automobile property damage insurance	1,857,098	1,739,140
Personal automobile liabilities insurance	1,159,987	1,061,642
Compulsory personal automobile liabilities insurance	296,576	296,108
Injury insurance	475,531	454,877
Other insurance	<u>2,300,150</u>	<u>2,052,878</u>
	<u>\$ 6,495,557</u>	<u>\$ 5,942,301</u>

The balances which exceed 5% of the account balance are as above.

2) Details of unearned premium reserve and ceded unearned premium reserve are as follows:

	December 31, 2023			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retention
	Direct Insurance	Assumed Reinsurance Business	Ceded Reinsurance Business	
Fire insurance	\$ 958,094	\$ 23,357	\$ 557,969	\$ 423,482
Marine insurance	172,885	1,633	136,883	37,635
Motor insurance	3,716,374	166,683	916,411	2,966,646
Casualty insurance	669,424	37,948	315,521	391,851
Health and injury insurance	485,003	4,000	37,291	451,712
Foreign inward business insurance	<u>-</u>	<u>260,156</u>	<u>-</u>	<u>260,156</u>
	<u>\$ 6,001,780</u>	<u>\$ 493,777</u>	<u>\$ 1,964,075</u>	<u>\$ 4,531,482</u>

	December 31, 2022			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	Retention
	Direct Insurance	Assumed Reinsurance Business	Ceded Reinsurance Business	
Fire insurance	\$ 796,000	\$ 23,593	\$ 398,284	\$ 421,309
Marine insurance	189,808	2,274	112,816	79,266
Motor insurance	3,434,084	162,671	857,797	2,738,958
Casualty insurance	634,691	46,412	288,840	392,263
Health and injury insurance	468,166	4,075	40,458	431,783
Foreign inward business insurance	<u>-</u>	<u>180,527</u>	<u>358</u>	<u>180,169</u>
	<u>\$ 5,522,749</u>	<u>\$ 419,552</u>	<u>\$ 1,698,553</u>	<u>\$ 4,243,748</u>



## c. Claims reserve

## 1) Details of claims reserve are as follows:

	December 31	
	2023	2022
One-year commercial fire insurance	\$ 1,170,798	\$ 2,202,762
Personal automobile property damage insurance	899,433	866,358
Personal automobile liability insurance	1,337,749	1,274,819
Compulsory personal automobile liability insurance	423,955	536,944
General liability insurance	359,021	381,767
Injury insurance	458,249	453,883
Other insurance	2,084,474	2,150,741
	<u>\$ 6,733,679</u>	<u>\$ 7,867,274</u>

The balances which exceed 5% of the balance of the account are as above.

## 2) Details of claims reserve and ceded claims reserve are as follows:

	December 31, 2023			
	Claim Reserve		Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
<u>Reported but not paid</u>				
Fire insurance	\$ 1,207,505	\$ 2,517	\$ 1,016,511	\$ 193,511
Marine insurance	398,991	4,077	265,365	137,703
Motor insurance	2,846,406	82,940	658,722	2,270,624
Casualty insurance	609,845	7,621	300,217	317,249
Health and injury insurance	111,722	11	15,995	95,738
Foreign inward business insurance	-	306,888	854	306,034
	<u>5,174,469</u>	<u>404,054</u>	<u>2,257,664</u>	<u>3,320,859</u>
<u>Incurred but not reported</u>				
Fire insurance	4,427	46	736	3,737
Marine insurance	52,771	726	38,006	15,491
Motor insurance	301,268	155,685	156,048	300,905
Casualty insurance	182,471	8,471	67,204	123,738
Health and injury insurance	425,712	2,971	109,263	319,420
Foreign inward business insurance	-	20,608	-	20,608
	<u>966,649</u>	<u>188,507</u>	<u>371,257</u>	<u>783,899</u>
	<u>\$ 6,141,118</u>	<u>\$ 592,561</u>	<u>\$ 2,628,921</u>	<u>\$ 4,104,758</u>

	December 31, 2022			
	Claim Reserve		Ceded Claims Reserve	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
<u>Reported but not paid</u>				
Fire insurance	\$ 2,239,321	\$ 5,017	\$ 1,806,430	\$ 437,908
Marine insurance	472,684	12,604	280,095	205,193
Motor insurance	2,664,960	84,060	625,525	2,123,495
Casualty insurance	583,912	11,037	296,077	298,872
Health and injury insurance	91,019	12	26,908	64,123
Foreign inward business insurance	-	298,943	629	298,314
	<u>6,051,896</u>	<u>411,673</u>	<u>3,035,664</u>	<u>3,427,905</u>
<u>Incurred but not reported</u>				
Fire insurance	6,525	73	1,404	5,194
Marine insurance	70,369	615	46,416	24,568
Motor insurance	401,163	150,687	210,007	341,843
Casualty insurance	260,017	11,421	106,704	164,734
Health and injury insurance	469,962	3,269	143,494	329,737
Foreign inward business insurance	-	29,604	-	29,604
	<u>1,208,036</u>	<u>195,669</u>	<u>508,025</u>	<u>895,680</u>
	\$ 7,259,932	\$ 607,342	\$ 3,543,689	\$ 4,323,585

3) The movements of claims reserve and ceded claims reserve are as follows:

	For the Year Ended December 31, 2023							
	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	\$ 1,207,505	\$ 2,239,321	\$ 2,517	\$ 5,017	\$( 1,034,316)	\$ 1,016,511	\$ 1,806,430	\$( 789,919)
Marine insurance	398,991	472,684	4,077	12,604	( 82,220)	265,365	280,095	( 14,730)
Motor insurance	2,846,406	2,664,960	82,940	84,060	180,326	658,722	625,525	33,197
Casualty insurance	609,845	583,912	7,621	11,037	22,517	300,217	296,077	4,140
Health and injury insurance	111,722	91,019	11	12	20,702	15,995	26,908	( 10,913)
Foreign inward business insurance	-	-	306,888	298,943	7,945	854	629	225
	<u>5,174,469</u>	<u>6,051,896</u>	<u>404,054</u>	<u>411,673</u>	<u>( 885,046)</u>	<u>2,257,664</u>	<u>3,035,664</u>	<u>(778,000)</u>
<u>Incurred but not reported</u>								
Fire insurance	4,427	6,525	47	74	( 2,125)	736	1,404	( 668)
Marine insurance	52,771	70,369	726	615	( 17,487)	38,006	46,416	( 8,410)
Motor insurance	301,267	401,162	155,685	150,687	( 94,897)	156,048	210,007	( 53,959)
Casualty insurance	182,472	260,018	8,471	11,421	( 80,496)	67,204	106,704	( 39,500)
Health and injury insurance	425,712	469,962	2,970	3,268	( 44,548)	109,263	143,494	( 34,231)
Foreign inward business insurance	-	-	20,608	29,604	( 8,996)	-	-	-
	<u>966,649</u>	<u>1,208,036</u>	<u>188,507</u>	<u>195,669</u>	<u>( 248,549)</u>	<u>371,257</u>	<u>508,025</u>	<u>( 136,768)</u>
	<u>\$ 6,141,118</u>	<u>\$ 7,259,932</u>	<u>\$ 592,561</u>	<u>\$ 607,342</u>	<u>\$( 1,133,595)</u>	<u>\$ 2,628,921</u>	<u>\$ 3,543,689</u>	<u>\$( 914,768)</u>

	For the Year Ended December 31, 2022							
	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	\$ 2,239,321	\$ 1,384,284	\$ 5,017	\$ 5,247	\$ 854,807	\$ 1,806,430	\$ 1,134,161	\$ 672,269
Marine insurance	472,684	267,001	12,604	27,738	190,549	280,095	159,818	120,277
Motor insurance	2,664,960	2,228,711	84,060	80,348	439,961	625,525	556,950	68,575
Casualty insurance	583,912	578,532	11,037	5,423	10,994	296,077	313,436	( 17,359)
Health and injury insurance	91,019	65,688	12	16	25,327	26,908	20,236	6,672
Foreign inward business insurance	-	-	298,943	280,941	18,002	629	-	629
	<u>6,051,896</u>	<u>4,524,216</u>	<u>411,673</u>	<u>399,713</u>	<u>1,539,640</u>	<u>3,035,664</u>	<u>2,184,601</u>	<u>851,063</u>
<u>Incurred but not reported</u>								
Fire insurance	6,525	19,300	73	315	( 13,017)	1,404	2,593	( 1,189)
Marine insurance	70,369	126,702	615	2,756	( 58,474)	46,416	99,556	( 53,140)
Motor insurance	401,163	313,356	150,687	153,905	84,589	210,007	165,575	44,432
Casualty insurance	260,017	172,853	11,421	7,148	91,437	106,704	69,956	36,748
Health and injury insurance	469,962	409,024	3,269	2,619	61,588	143,494	139,445	4,049
Foreign inward business insurance	-	-	29,604	41,849	( 12,245)	-	-	-
	<u>1,208,036</u>	<u>1,041,235</u>	<u>195,669</u>	<u>208,592</u>	<u>153,878</u>	<u>508,025</u>	<u>477,125</u>	<u>30,900</u>
	\$ 7,259,932	\$ 5,565,451	\$ 607,342	\$ 608,305	\$ 1,693,518	\$ 3,543,689	\$ 2,661,726	\$ 881,963

## d. Special reserve

1) Details of special reserve were as follows:

	December 31	
	2023	2022
Catastrophe	\$ 262,975	\$ 274,053
Risk-volatility	<u>2,549,980</u>	<u>2,395,026</u>
	<u>\$ 2,812,955</u>	<u>\$ 2,669,079</u>

2) Special reserve - the movements of non-compulsory automobile liability insurance were as follows:

	For the Year Ended December 31, 2023				
	Liabilities				Total
	Catastrophe	Risk-Volatility			
		Special Reserve - Compulsory Automobile Liability Insurance	Special Reserve - Non- compulsory Automobile Liability Insurance		
Balance, beginning of the period	\$ 274,053	\$ 733,281	\$ 1,661,745	\$ 2,669,079	
Provision	-	-	167,424	167,424	
Release	( 11,078)	-	( 12,470)	( 23,548)	
Balance, end of the period	\$ 262,975	\$ 733,281	\$ 1,816,699	\$ 2,812,955	

	For the Year Ended December 31, 2022				
	Liabilities				Total
	Catastrophe	Risk-volatility			
		Special Reserve - Compulsory Automobile Liability Insurance	Special Reserve - Non- compulsory Automobile Liability Insurance		
Balance, beginning of the period	\$ 285,132	\$ 930,517	\$ 1,589,980	\$ 2,805,629	
Provision	-	-	71,765	71,765	
Release	( 11,079)	( 197,236)	-	( 208,315)	
Balance, end of the period	\$ 274,053	\$ 733,281	\$ 1,661,745	\$ 2,669,079	

e. 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, 2023	December 31, 2022
1.	Cash and cash in banks	\$ 2,511,003	\$ 2,396,529
2.	Cash equivalents	-	-
3.	Notes receivable	6,661	6,357
4.	Premiums receivable	18,045	16,841
5.	Indemnity refundable on reinsurance ceded	69,043	65,625
6.	Refundable reinsurance	48,985	48,083
7.	Other receivable	-	-
8.	Financial assets at FVOCI	-	-
9.	Ceded unearned premium reserve	223,592	219,414
10.	Ceded claims reserve	287,878	341,205
11.	Temporary payments	5,665	710
12.	Other assets	-	-
13.	Total	\$ 3,170,872	\$ 3,094,764

Items		Amount	
	Liabilities	December 31, 2023	December 31, 2022
1.	Notes payable	\$ -	\$ -
2.	Insurance claims and benefits payable	-	-
3.	Reinsurance indemnity payable	-	-
4.	Due to reinsurance and ceding companies	73,401	72,535
5.	Unearned premium reserve	536,988	526,703
6.	Claims reserve	719,262	815,603
7.	Special reserve	1,816,699	1,661,745
8.	Temporary receipts	24,103	17,759
9.	Other liabilities	419	419
10.	Total	\$ 3,170,872	\$ 3,094,764

## 2) The revenues and costs of compulsory automobile liability insurance

	For the Year Ended December 31	
	2023	2022
Operating revenues		
Direct written premiums	\$ 680,629	\$ 667,779
Reinsurance premiums	294,800	289,475
Premiums income	975,429	957,254
Less: Reinsurance premiums ceded	( 408,390)	( 400,66)
Net changes in unearned premium reserve	( 6,107)	( 10,031)
Net premium	560,932	546,555
Interest revenue	25,653	17,152
Total operating revenues	\$ 586,585	\$ 563,707
Operating costs		
Claims incurred and paid	\$ 561,352	\$ 575,220
Reinsurance claims incurred	270,491	260,068
Less: Claims recovered from reinsurance	( 332,019)	( 347,796)
Net claims	499,824	487,492
Net changes in claims reserve	( 43,014)	28,998
Net changes in special reserve (Note)	154,954	71,765
Total operating costs	\$ 611,764	\$ 588,255

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.

## f. Reserve for deficiency premium

## 1) Details of reserve for deficiency premium and ceded reserve for deficiency premium are as follows:

	December 31, 2023			
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium	Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business	
Fire insurance	\$ 72,891	\$ 73	\$ -	\$ 72,964
Marine insurance	5,035	24	-	5,059
Motor insurance	-	-	-	-
Casualty insurance	-	-	-	-
Health and injury insurance	2,950	-	-	2,950
Foreign inward business insurance	-	50,080	-	50,080
	\$ 80,876	\$ 50,177	\$ -	\$ 131,053

	December 31, 2022				
	Reserve for Deficiency Premium		Ceded Reserve for Deficiency Premium		Retention
	Direct Underwriting Business	Assumed Reinsurance Business	Ceded Reinsurance Business		
Fire insurance	\$ 35,245	\$ 164	\$ -	\$ 35,409	
Marine insurance	24,919	-	-	24,919	
Motor insurance	-	-	-	-	
Casualty insurance	-	-	-	-	
Health and injury insurance	62,280	-	-	62,280	
Foreign inward business insurance	-	33,416	-	33,416	
	<u>\$ 122,444</u>	<u>\$ 33,580</u>	<u>\$ -</u>	<u>\$ 156,024</u>	

- 2) 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, 2023									
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change	Ceded Reinsurance Business		Net Change	Loss of Provisions for Deficiency Premium Reserve	
	Reserve for Deficiency Premium		Reserve for Deficiency Premium			Reserve for Deficiency Premium				
	Provision	Release	Provision	Release		Provision	Release			
Fire insurance	\$ 72,891	\$ 35,245	\$ 73	\$ 164	\$ 37,555	\$ -	\$ -	\$ -	\$ 37,555	
Marine insurance	5,035	24,919	24	-	( 19,860)	-	-	-	( 19,860)	
Motor insurance	-	-	-	-	-	-	-	-	-	
Casualty insurance	-	-	-	-	-	-	-	-	-	
Health and injury insurance	2,950	62,280	-	-	( 59,330)	-	-	-	( 59,330)	
Foreign inward business insurance	-	-	50,080	33,416	16,664	-	-	-	16,664	
	\$ 80,876	\$ 122,444	\$ 50,177	\$ 33,580	\$( 24,971)	\$ -	\$ -	\$ -	\$( 24,971)	

	For the Year Ended December 31, 2022									
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change	Ceded Reinsurance Business		Net Change	Loss of Provisions for Deficiency Premium Reserve	
	Reserve for Deficiency Premium		Reserve for Deficiency Premium			Reserve for Deficiency Premium				
	Provision	Release	Provision	Release		Provision	Release			
Fire insurance	\$ 35,245	\$ 2,517	\$ 164	\$ -	\$ 32,892	\$ -	\$ -	\$ -	\$ 32,892	
Marine insurance	24,919	16,635	-	-	8,284	-	-	-	8,284	
Motor insurance	-	-	-	-	-	-	-	-	-	
Casualty insurance	-	-	-	-	-	-	-	-	-	
Health and injury insurance	62,280	1,053	-	-	61,227	-	-	-	61,227	
Foreign inward business insurance	-	-	33,416	13,338	20,078	-	-	-	20,078	
	\$ 122,444	\$ 20,205	\$ 33,580	\$ 13,338	\$ 122,481	\$ -	\$ -	\$ -	\$ 122,481	



## 30. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2023	2022
Recognized in consolidated balance sheet		
Defined benefit plans	\$ 4,206,337	\$ 4,072,307
Preferential interest on employees' deposits	<u>1,470,733</u>	<u>1,442,028</u>
	<u>\$ 5,677,070</u>	<u>\$ 5,514,335</u>

## a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Group makes 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, 2023 and 2022 were \$404,830 and \$372,417, respectively.

## b. Defined benefit plans

The defined benefit plans adopted by the Group 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, HNFH, HNCB and HNAMC 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 Group is 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, 2023 and 2022 were \$302,582 and \$301,121, respectively.

The amount of defined benefit plans which listed in balance sheet are as follow:

	December 31	
	2023	2022
Present value of funded defined benefit obligation	\$ 10,993,739	\$ 11,178,335
Fair value of plan asset	( 6,787,942)	( 7,106,391)
Deficit	<u>4,205,797</u>	<u>\$ 4,071,944</u>
Net defined benefit asset (included in other assets - others)	\$ ( 540)	\$ (363)
Net defined benefit liability	<u>4,206,337</u>	<u>4,072,307</u>
	<u>\$ 4,205,797</u>	<u>\$ 4,071,944</u>

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, 2023	\$ 11,178,335	\$( 7,106,391)	\$ 4,071,944
Reclassification	1,612	-	1,612
Balance after adjusted at January 1, 2023	11,179,947	( 7,106,391)	4,073,556
Service cost			
Current service cost	245,732	-	245,732
Past service cost	3,164	-	3,164
Net interest expense (income)	150,752	( 97,066)	53,686
Recognized in profit or loss	399,648	( 97,066)	302,582
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 50,029)	( 50,029)
Actuarial loss - changes in demographic assumptions	922	-	922
Actuarial loss - changes in financial assumptions	114,843	-	114,843
Actuarial loss (gain) - experience adjustments	136,715	( 1,835)	134,880
Recognized in other comprehensive income	252,480	( 51,864)	200,616
Contributions from the employer	-	( 251,134)	( 251,134)
Benefits paid	( 838,336)	718,513	( 119,823)
Balance at December 31, 2023	\$ 10,993,739	\$( 6,787,942)	\$ 4,205,797
Balance at January 1, 2022	\$ 12,064,611	\$( 6,744,321)	\$ 5,320,290
Service cost			
Current service cost	269,264	-	269,264
Gain (loss) on settlements	( 146)	115	( 31)
Net interest expense (income)	73,629	( 41,741)	31,888
Recognized in profit or loss	342,747	( 41,626)	301,121
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 520,989)	( 520,989)
Actuarial loss - changes in demographic assumptions	981	-	981
Actuarial gain - changes in financial assumptions	( 515,197)	-	( 515,197)
Actuarial loss (gain) - experience adjustments	258,532	( 19,876)	238,656
Recognized in other comprehensive income	( 255,684)	( 540,865)	( 796,549)
Contributions from the employer	-	( 595,705)	( 595,705)
Benefits paid	( 973,339)	800,439	( 172,900)
Refunds from plan assets	-	15,687	15,687
Balance at December 31, 2022	\$ 11,178,335	\$( 7,106,391)	\$ 4,071,944

Through the defined benefit plans under the Labor Standards Law, the Group 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	
	2023	2022
Discount rate	1.10%-1.30%	0.50%-1.50%
Expected rate of salary increase	2.00%-3.00%	2.00%-4.00%

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	
	2023	2022
Discount rate		
0.1%-0.5% increase	\$ (234,256)	\$( 246,122)
0.1%-0.5% decrease	\$ 242,630	\$ 255,276
Expected rate of salary increase		
0.25%-0.5% increase	\$ 234,810	\$ 247,326
0.25%-0.5% decrease	\$( 228,045)	\$( 239,868)

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	
	2023	2022
The expected contributions to the plan for the next year	\$ 741,613	\$ 711,579
The average duration of the defined benefit obligation	4-10 years	4-11 years

c. Preferential interest on employees' deposits

HNCB offers preferential interest on employees' deposits to both current and retired employees.

	December 31	
	2023	2022
Present value of funded defined preferential interest on employee's deposits obligation	\$ 1,470,733	\$ 1,442,028
Fair value of plant assets	-	-
Net preferential interest on employee's deposits liability	\$ 1,470,733	\$ 1,442,028

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, 2023	\$ 1,442,028	\$ -	\$ 1,442,028
Service cost			
Past service cost	102,322	-	102,322
Net interest expense	54,721	-	54,721
Actuarial loss in the rules of the Banking Bureau	178,683	-	178,683
Recognized in profit or loss	335,726	-	335,726
Benefits paid	(307,021)	-	(307,021)
Balance at December 31, 2023	\$ 1,470,733	\$ -	\$ 1,470,733
Balance at January 1, 2022	\$ 1,464,212	\$ -	\$ 1,464,212
Service cost			
Past service cost	116,446	-	116,446
Net interest expense	55,646	-	55,646
Actuarial loss in the rules of the Banking Bureau	101,727	-	101,727
Recognized in profit or loss	273,819	-	273,819
Benefits paid	(296,003)	-	(296,003)
Balance at December 31, 2022	\$ 1,442,028	\$ -	\$ 1,442,028

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Account decline rate	2.50%	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	
	2023	2022
Discount rate		
0.25% increase	\$ (27,429)	\$ (26,989)
0.25% decrease	\$ 28,313	\$ 27,865
Expected return on employees' deposits		
0.25% increase	\$ (188,229)	\$ (174,433)
0.25% decrease	\$ 168,321	\$ 174,433
Account decline rate		
2% increase	\$ (212,857)	\$ (209,316)
2% decrease	\$ 267,905	\$ 263,869
The probability of preferential interest on employees' deposits changed		
10% increase	\$ 294,147	\$ 288,406
10% decrease	\$ (294,147)	\$ (288,406)

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	
	2023	2022
The expected contributions to the plan for the next year	\$ 153,511	\$ 148,002
The average duration of preferential interest on employees' deposits	7.9 years	7.9 years

### 31. OTHER FINANCIAL LIABILITIES

	December 31	
	2023	2022
Principal of structured products	\$ 71,771,662	\$ 60,487,684
Futures traders' equity	5,206,318	4,367,478
Appropriations loan funds	898	21,405
	<u>\$ 76,978,878</u>	<u>\$ 64,876,567</u>

### 32. OTHER LIABILITIES

	December 31	
	2023	2022
Guarantee deposits received	\$ 2,131,655	\$ 8,671,995
Deposits from securities borrowing	1,878,180	1,751,545
Advance receipts	1,311,258	1,134,732
Temporary receipt and suspense accounts	729,120	696,304
Receipts under custody from customer's security subscription	38,044	444,171
Others	<u>370,276</u>	<u>374,728</u>
	<u>\$ 6,458,533</u>	<u>\$ 13,073,475</u>

### 33. EQUITY

#### a. Share capital

On January 10, 2022, the Company acquired 2 shares of the Company's stock from foreign shareholders abandoned, recognized treasury stock and capital surplus - donated surplus based on the closing price on that day. The Company disposed of the treasury stock on February 21, 2022.

The shareholders resolved stock dividends of \$4,486,009 to paid-in capital, the number of common stocks of a par value of \$10 are 448,601 thousand at the shareholders' meeting on June 17, 2022. Total share capital was increased to \$136,427,459. These appropriations of stock dividends were approved by the Securities and Futures Bureau, and the record date for stock dividends was on August 19, 2022.

The issued common stocks of a par value of \$10 are 13,642,746 shares as of December 31, 2023.

#### 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 due to 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 HNFH's capital surplus were as follows:

	December 31	
	2023	2022
Share premium	\$ 17,702,376	\$ 17,702,376
Treasury stock	52,349	52,349
Donated assets received	2,936	2,936
Others	4,143	1,325
	<u>\$ 17,761,804</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 HNFH's capital surplus as of December 31, 2023 were as follows:

	December 31, 2023
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 HNFH 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)
Subsidiaries' share of change in capital surplus of associates ventures	<u>2,818</u>
Balance, end of the year	<u>\$ 17,761,804</u>

c. Special reserve

According to Rule No. 11202709871 issued by FSC, 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, The Company takes residual dividend policy in order to expand its scale and enhance its abilities to make profit. When HNFH 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. Shareholders' 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 shareholders' meeting. For the policies on distribution of employees' compensation and remuneration to directors and supervisor before and after amendment, please refer to Note 39.

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 Group 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 2022 and 2021 had been approved by the shareholders' meeting on June 16, 2023 and June 17, 2022, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 1,892,993	\$ 1,787,345	\$ -	\$ -
Special reserve	12,031,764	-	-	-
Cash dividends	8,049,221	10,291,433	0.5900	0.7800
Stock dividends	-	4,486,009	-	0.3400

e. Unrealized gain (loss) on financial assets at FVOCI

	For the Year Ended December 31, 2023	
	Gain (Loss) on Equity Instruments	Gain (Loss) on Debt Instruments
Balance at January 1	\$ 8,570,902	\$( 26,224,250)
Unrealized loss - equity instruments	3,736,720	-
Unrealized loss - debt instruments	-	5,742,753
Income tax related to unrealized loss - debt instruments	-	( 35,886)
Allowance for impairment loss adjustment - debt instruments	-	14,615
Disposal of investments in debt instruments	-	( 60,517)
Cumulative gain on disposal of equity instruments transferred to retained earnings	( 1,610,212)	-
Balance at December 31	\$ 10,697,410	\$( 20,563,285)

	For the Year Ended December 31, 2022	
	Gain (Loss) on Equity Instruments	Gain (Loss) on Debt Instruments
Balance at January 1	\$ 12,337,960	\$( 2,676,360)
Unrealized loss - equity instruments	( 2,784,289)	-
Unrealized loss - debt instruments	-	( 24,549,608)
Income tax related to unrealized loss - debt instruments	-	109,942
Allowance for impairment loss adjustment - debt instruments	-	( 484)
Disposal of investments in debt instruments	-	892,260
Cumulative gain on disposal of equity instruments transferred to retained earnings	( 982,769)	-
Balance at December 31	\$ 8,570,902	\$( 26,224,250)

## f. Unrealized gain (loss) on other comprehensive income reclassified by overlay approach

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$( 291,568)	\$ 310,358
Loss (gain) on reclassification of overlay approach	517,243	( 629,375)
Income tax related to reclassification of overlay approach	( 14,245)	27,449
Balance at December 31	<u>\$ 211,430</u>	<u>\$( 291,568)</u>

## 34. NET INTEREST

	For the Year Ended December 31	
	2023	2022
Interest revenue		
Discounts and loans	\$ 60,313,997	\$ 40,206,954
Securities investments	18,540,002	10,479,096
Due from the Central Bank and other banks	6,900,575	2,613,544
Others	<u>1,989,608</u>	<u>1,551,975</u>
	<u>87,744,182</u>	<u>54,851,569</u>
Interest expense		
Deposits	42,166,711	15,587,535
Due to the Central Bank and banks	9,573,947	2,961,312
Others	<u>8,135,576</u>	<u>3,125,031</u>
	<u>59,876,234</u>	<u>21,673,878</u>
	<u>\$ 27,867,948</u>	<u>\$ 33,177,691</u>

## 35. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2023	2022
Commission and fee revenues		
Insurance commission	\$ 4,021,148	\$ 3,660,635
Brokerage business	3,698,830	3,449,735
Trust and financial management business	2,893,979	2,345,463
Credit card business	1,555,649	1,314,884
Loan business	1,174,224	828,123
Others	<u>2,083,342</u>	<u>1,977,816</u>
	<u>15,427,172</u>	<u>13,576,656</u>
Commission and fee expenses		
Insurance commission	2,049,923	1,914,049
Credit card business	1,148,213	965,488
Brokerage business	345,656	344,351
Others	<u>567,686</u>	<u>600,405</u>
	<u>4,111,478</u>	<u>3,824,293</u>
	<u>\$ 11,315,694</u>	<u>\$ 9,752,363</u>

## 36. INCOME FROM INSURANCE PREMIUMS, NET

	For the Year Ended December 31	
	2023	2022
Insurance revenue		
Direct written premiums	\$ 14,047,798	\$ 12,870,184
Indemnity refundable on reinsurance ceded	4,170,244	2,430,080
	<u>18,218,042</u>	<u>15,300,264</u>
Insurance expense		
Insurance claims and benefits	9,830,490	7,075,904
Reinsurances premiums ceded	4,759,403	4,276,535
Disbursements toward industry stability	21,359	19,762
	<u>14,611,252</u>	<u>11,372,201</u>
	<u>\$ 3,606,790</u>	<u>\$ 3,928,063</u>

## 37. GAIN OR LOSS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2023	2022
Realized gain or loss on financial assets at FVTPL		
Currency swap	\$ 21,378,065	\$ 7,265,167
Cross currency swap	1,011,382	136,711
Listed stocks	648,818 (	8,401)
Currency options	181,319	116,483
Unlisted stocks	107,295	117,323
Government bonds	8,111 (	127,165)
Forward	( 88,392) (	329,365)
Others	17,000	42,299
	<u>23,263,598</u>	<u>7,213,052</u>
Unrealized gain (loss) on financial assets at FVTPL		
Listed stocks	532,603 (	549,384)
Mutual funds	68,396 (	115,448)
Cross currency swap	( 722,232)	794,339
Currency swap	( 11,949,981)	10,076,520
Others	12,457	1,821
	<u>( 12,058,757)</u>	<u>10,207,848</u>
Dividend income on financial assets at FVTPL	394,558	265,902
Interest revenue on financial assets at FVTPL	1,317,103	535,151
Interest expense on financial liabilities at FVTPL	-	( 1,999)
	<u>\$ 12,916,502</u>	<u>\$ 18,219,954</u>

When the Group designated financial instruments measure at FVTPL, fair value change in derivate instruments is also listed in “financial assets and liabilities at FVTPL”.

Part of financial assets and liabilities at FVTPL held by the Group, like currency swap, its gain or loss on valuation arising from spot position is recorded as “foreign exchange gain or loss”; its gain or loss on valuation arising from forward position is recorded as “gain (loss) on financial assets or liabilities at FVTPL”.

**38. REALIZED GAIN ON FINANCIAL ASSETS AT FVOCI**

	For the Year Ended December 31	
	2023	2022
Dividend income	\$ 1,984,322	\$ 2,184,390
Gain on disposal of		
Government bonds	116,569 (	931,826)
Agency mortgage-backed securities	5,107	7,023
Corporate bonds	( 58,915)	35,357
Bank debentures	( 2,244)	( 2,814)
	<u>60,517</u>	<u>( 892,260)</u>
	\$ 2,044,839	\$ 1,292,130

**39. EMPLOYEE BENEFITS EXPENSE**

	For the Year Ended December 31	
	2023	2022
Salaries and wages	\$ 15,539,497	\$ 14,565,838
Labor insurance and national health insurance	1,120,758	1,065,912
Pension and compensation	741,177	704,693
Others	<u>1,874,363</u>	<u>1,675,921</u>
	\$ 19,275,795	\$ 18,012,364

For the years ended December 31, 2023 and 2022, the amount of incentives and bonus were \$6,120,324 and \$5,497,138 included in salaries and wages.

The Company distribute compensation of employees and remuneration of directors at the rates between 0.2‰ and 1.5‰ and no higher than 1%, respectively, of net profit before income tax, compensation of employees and remuneration of directors.

The board of directors had been hold on March 11, 2024 and March 13, 2023, which resolution compensations to employees and remuneration to directors for 2023 and 2022.

For the year ended December 31, 2023, compensation of employees and remuneration of directors were \$21,364 and \$215,375, representing 0.98994‰ and 0.998% of the base net profit, respectively. For the year ended December 31, 2022, compensation of employees and remuneration of directors were \$14,734 and \$174,552 representing 0.84244‰ and 0.998% of the base net profit, respectively.

If there is any difference between 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 2023 and 2022.

The information about the approved compensation of employees and remuneration of directors for 2023 and 2022 is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

**40. DEPRECIATION AND AMORTIZATION EXPENSE**

	For the Year Ended December 31	
	2023	2022
Depreciation expense		
Property and equipment		
Buildings	\$ 310,620	\$ 309,897
Computer and machinery	385,217	397,547
Transportation equipment	34,888	31,923
Other equipment	127,971	139,616
Lease improvements	19,472	29,808
	878,168	908,791
Right-of-use assets	753,948	737,506
Investments properties	89,316	79,996
	1,721,432	1,726,293
Amortization expense	362,734	343,925
Deferred expense	7,714	9,719
	<u>\$ 2,091,880</u>	<u>\$ 2,079,937</u>

**41. OTHER OPERATING EXPENSES**

	For the Year Ended December 31	
	2023	2022
Taxation and government fee	\$ 3,691,965	\$ 2,956,135
Membership fee	684,217	674,742
Printing, binding and advertising fee	630,634	604,844
Insurance	629,385	604,476
Postage fee	597,732	578,190
Rent	559,037	532,490
Professional fee	528,748	451,320
Maintenance and warranty fee	374,869	347,793
Others	1,725,934	1,424,021
	<u>\$ 9,422,521</u>	<u>\$ 8,174,011</u>

**42. INCOME TAX**

Under a Ministry of Finance directive 910458039 “Article 49 of the Financial Holding Company Act and Article 45 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 HNAMEC (collectively, the “Group”) under the linked-tax system is to reduce the income tax liabilities of the Group and to consider the fairness of the tax borne by all the companies in order to maximize the synergy of the Group.

The government of U.K., Australia continent and Vietnam, where the overseas branches of HNCB have registered in enacted the Pillar Two income tax legislation effective from January 1, 2024. Since the Pillar Two income tax legislation was not effective at the reporting date, the Group has no related current tax exposure.

The Group will continue to review the impact of the Pillar 2 Income Tax Act on its future financial performance ring.

## a. Income tax recognized in profit or loss

The components of tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 3,679,385	\$ 3,394,444
Income tax of overseas branches	1,008,884	777,005
Adjustments for prior year	( 318,297)	( 45,289)
Other	35,381	-
	<u>4,405,353</u>	<u>4,126,160</u>
Deferred tax		
In respect of the current year	171,532	( 441,640)
Income tax expenses recognized through profit or loss	<u>\$ 4,576,885</u>	<u>\$ 3,684,520</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 26,195,305</u>	<u>\$ 20,992,991</u>
Income tax expenses calculated at the statutory rate	\$ 5,239,061	\$ 4,198,598
Tax effect of adjusting items:		
Permanent differences	( 1,689,030)	( 1,491,608)
Temporary differences	( 171,532)	441,640
Income tax of overseas branches	1,008,884	777,005
Additional tax on unappropriated earnings	-	65,097
Effects of different income tax rate of group entities operating in other jurisdiction	4,530	5,582
Unrecognized deductible temporary differences	296,356	170,440
Additional income tax under the Alternative Minimum Tax Act	-	4,695
Adjustments for prior years' tax	( 318,297)	( 45,289)
Other	35,381	-
Current tax	4,405,353	4,126,160
Deferred tax	171,532	( 441,640)
Income tax expense recognized in profit or loss	<u>\$ 4,576,885</u>	<u>\$ 3,684,520</u>

## b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
In respect of the current period		
Remeasurement of defined benefit plans	\$ 40,419	\$( 157,745)
Fair value changes on financial assets as at FVOCI	( 35,886)	109,942
Reclassification of overlay approach	( 14,245)	27,449
Income tax recognized in other comprehensive income	<u>\$( 9,712)</u>	<u>\$( 20,354)</u>



## c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	\$ 90,200	\$ 89,331
Others	308,193	80,336
	<u>\$ 398,393</u>	<u>\$ 169,667</u>
Current tax liabilities		
Income tax payable	<u>\$ 3,640,732</u>	<u>\$ 3,599,175</u>

## d. Deferred tax assets and liabilities

The components of deferred tax assets and liabilities were as follows:

	December 31	
	2023	2022
<u>Deferred tax assets</u>		
Provisions for bad debts and losses on guarantees over limitation	\$ 2,371,085	\$ 2,512,930
Defined benefit plans and preferential interest rate plan for employees' deposits	945,505	912,010
Provisions for financing commitments of loans	50,848	42,848
Business losses	225,669	228,781
Others	257,188	321,703
	<u>\$ 3,850,295</u>	<u>\$ 4,018,272</u>
<u>Deferred tax liabilities</u>		
Land value increment tax	\$ 6,087,943	\$ 6,087,943
Others	51,774	38,437
	<u>\$ 6,139,717</u>	<u>\$ 6,126,380</u>

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Provisions for bad debts and losses on guarantees over limitation	\$ 2,512,930	\$( 141,845)	\$ -	\$ -	\$ 2,371,085
Defined benefit plans and preferential interest rate plan for employees' deposits	912,010	( 6,940)	40,435	-	945,505
Provision for financing commitments of loans	42,848	8,000	-	-	50,848
Business losses	228,781	( 3,112)	-	-	225,669
Others	321,703	( 14,384)	( 50,131)	-	257,188
	<u>\$ 4,018,272</u>	<u>\$( 158,281)</u>	<u>\$( 9,696)</u>	<u>\$ -</u>	<u>\$ 3,850,295</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 6,087,943	\$ -	\$ -	\$ -	\$ 6,087,943
Others	38,437	13,251	16	70	51,774
	<u>\$ 6,126,380</u>	<u>\$ 13,251</u>	<u>\$ 16</u>	<u>\$ 70</u>	<u>\$ 6,139,717</u>

For the year ended December 31, 2022

	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	\$ 1,912,771	\$ 600,159	\$ -	\$ 2,512,930
Defined benefit plans and preferential interest rate plan for employees' deposits	1,159,924	( 90,223)	( 157,691)	912,010
Provision for financing commitments of loans	40,848	2,000	-	42,848
Business losses	234,811	( 6,030)	-	228,781
Others	222,726	( 34,434)	133,411	321,703
	<u>\$ 3,571,080</u>	<u>\$ 471,472</u>	<u>\$( 24,280)</u>	<u>\$ 4,018,272</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 6,087,943	\$ -	\$ -	\$ 6,087,943
Others	12,531	29,832	( 3,926)	38,437
	<u>\$ 6,100,474</u>	<u>\$ 29,832</u>	<u>\$( 3,926)</u>	<u>\$ 6,126,380</u>

As of December 31, 2023, income tax returns through 2017 of HNFH had been assessed by the tax authorities. However, HNFH disagreed with the tax authorities' assessments of its tax returns for 2016 and had applied for administrative remedy.

As of December 31, 2023, income tax returns through 2017 of HNCB had been assessed by the tax authorities. However, HNCB disagreed with the tax authorities' assessments of its tax returns for 2016 and 2017 and had applied for administrative remedy.

As of December 31, 2023, income tax returns through 2017 of HNSC had been assessed by the tax authorities. However, HNSC disagreed with the tax authority's assessments of its tax returns for 2016 had applied for administrative remedy.

As of December 31, 2023, income tax returns through 2017 of SCIC, HNIT, HNVN and HNAMC had been assessed by the tax authorities

As of December 31, 2023, income tax returns through 2021 of HNFC, HNSIM and HNILC had been assessed by the tax authorities.

#### 43. EARNINGS PER SHARE

Earnings per share is calculated by earnings on the Company's shareholders divide by weighted average number of ordinary shares outstanding.

	For the Year Ended December 31	
	2023	2022
Basic and diluted earnings per share		
Profit for the year attributable to HNFH's shareholders	\$ 1.58	\$ 1.27

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	
	2023	2022
Profit for the year attributable to HNFH's shareholders	\$ 21,618,294	\$ 17,308,343

##### Shares

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares in computation of basic and diluted earnings per share	13,642,746	13,642,746

#### 44. RELATED PARTY TRANSACTIONS

Balances and transactions between the Group, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, related party transactions and related party transactions of subsidiaries over \$100 million were summarized below, and the transactions wrote-off were disclosed in Table 3.

## 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 HNFH
Bank Taiwan Life Insurance Co., Ltd. (BTLI)	Major shareholder of HNFH (the related information and proportionate share in investees with BOT)
Funds Under Hua Nan Investment Trust Corporation (HNIT)	Funds issuer is a subsidiary of HNFH
Yuan-Ding Investment Co., Ltd. (Yuan-Ding Investment)	The director of HNFH is its chairman
Entrust Investment Co., Ltd. (Entrust Investment)	The director of HNFH is its chairman
Yung-Chi Asset Management Corp. (Yung-Chi AMC)	The director of HNFH is its chairman
Chung-Hua Real Estate Management Co., Ltd. (Chung-Hua Real Estate)	Associates of HNCB
Sinopac Leasing Corp. (Sinopac Leasing)	Associates of HNCB
Yuan Jen Enterprises Co., Ltd. (YJE)	Associates of HNSC
Shin Kong Commercial Bank Co., Ltd. (SKCB)	Related party in substance
Shin Kong Life Insurance Co., Ltd. (SKLI)	Related party in substance
Yong Da Construction Co., Ltd. (Yong Da Construction)	Related party in substance
Chien Hsin Trading Co., Ltd. (Chien Hsin Trading)	Related party in substance
Taiwan Futures Exchange (TAIFEX)	Within second immediate family of the Company's director is its supervisors
Reliance Securities Co., Ltd. (Reliance Securities)	FSC-approved IAS 24, "Related Party Disclosures" other related parties
Chou Dang-Zheng	A close relative of the supervisor of HNSC
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

## b. Substantial transactions with related parties were as follows:

## 1) Due from other banks

	December 31	
	2023	2022
BOT	\$ 194,185	\$ 318,007

## 2) Call loans to banks

	For the Year Ended December 31, 2023			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 10,614,100	\$ 307,050	\$ 26,998	0.83-5.90

	For the Year Ended December 31, 2022			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 14,162,000	\$ 577,081	\$ 5,084	0.08-4.45

## 3) Call loans from banks

	For the Year Ended December 31, 2023			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 14,751,645	\$ 9,692,730	\$ 408,343	0.65-5.93

	For the Year Ended December 31, 2023			
	Highest Balance	Ending Balance	Interest Income	Interest Rate (%)
BOT	\$ 17,212,685	\$ 7,577,575	\$ 92,450	0.08-5.28

## 4) Deposits

	For the Year Ended December 31					
	2023			2022		
	Ending Balance	Interest Rate (%)	Interest Expenses	Ending Balance	Interest Rate (%)	Interest Expenses
Chung-Hua Real Estate	\$ 151,345	0-1.45	\$ 1,319	\$ 162,817	0-1.035	\$ 414
Chien Hsin Trading	120,639	0-4.6	941	138,593	0-3.5	275
Entrust Investment	84,216	-	-	-	-	-
Yuan-Ding Investment	82,953	-	-	3,831	-	-
Reliance Securities	11,372	0.5-0.67	62	12,599	0.3875-0.5	19
Sinopac Leasing	69	0.5662-0.5816	-	69	0.3780	-
TAIFEX	26,907,029	0-5.75	434,800	23,450,315	0-5.15	137,193
Others	8,722,691	0-13	102,428	7,768,927	0-13	38,111
	<u>\$ 36,080,314</u>		<u>\$ 539,550</u>	<u>\$ 31,537,151</u>		<u>\$ 176,012</u>

## 5) Loans

For the Year Ended December 31, 2023							
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	7	\$ 1,726	\$ 1,190	\$ 1,190	\$ -	None	Yes
Household mortgages	42	429,849	343,060	343,060	-	Real estate	Yes
Others	Others	23,896	19,685	19,685	-	Real estate	Yes

For the Year Ended December 31, 2022							
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	7	\$ 1,947	\$ 277	\$ 277	\$ -	None	Yes
Household mortgages	42	365,304	299,350	299,350	-	Real estate	Yes
Others	Others	31,896	25,084	25,084	-	Real estate and checking account overdraft	Yes

	December 31	
	2023	2022
SCIC		
Others	<u>\$ 87,508</u>	<u>\$ 102,833</u>

## Interest revenue generated from loans

	December 31	
	2023	2022
SCIC		
Others	<u>\$ 1,895</u>	<u>\$ 1,463</u>

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, 2023 and 2022.

## 6) Operating deposits

	December 31	
	2023	2022
BOT	\$ -	\$ 345,000

## 7) Futures traders' equity

	December 31	
	2023	2022
Fund under HNIT	\$ 132	\$ 44,230

## 8) Securities transaction

For the years ended December 31, 2023 and 2022, HNSC purchased open-end mutual funds for \$5,000 and \$84,500, respectively, and disposed HNIT open-end mutual funds for \$85,047 and \$1,892, respectively. The disposal gains or losses were gain \$547 and loss \$108, 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 \$5,096 and \$84,650 as of December 31, 2023 and 2022, respectively (recorded as financial assets at FVTPL).

The cost of mutual funds purchased by SCIC from HNIT on December 31, 2023 and 2022, amounts to \$160,086 and \$190,661, respectively.

For the years ended December 31, 2023 and 2022, the gain or loss from the sale of funds under HNIT and related revenues were gain \$1,645 and gain \$32, respectively (recorded as financial assets at FVTPL).

## 9) Receivables - management expense

	December 31	
	2023	2022
Fund under HNIT	\$ 12,897	\$ 9,357

## 10) Sales or purchase of bills and bonds

	For the Year Ended December 31, 2023				
	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	\$ 49,840	\$ -	\$ -	\$ -	-
BOT	-	1,415,873	-	-	-
Fund under HNIT	-	-	50,000	-	9

	For the Year Ended December 31, 2022				
	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
BOT	\$ -	\$ 247,059	\$ -	\$ -	-
Others	398,632	698,441	-	-	-

## 11) Trust business commission

	For the Year Ended December 31	
	2023	2022
Fund under HNIT	\$ 118,976	\$ 71,873



## 12) Brokerage commission

	For the Year Ended December 31	
	2023	2022
Fund under HNIT	\$ 3,852	\$ 3,515
YJE	77	-
Others	<u>6,757</u>	<u>6,136</u>
	<u>\$ 10,686</u>	<u>\$ 9,651</u>

## 13) Brokerage commission discount (decrease in the brokerage commission)

	For the Year Ended December 31	
	2023	2022
YJE	\$ 32	\$ -
Others	<u>3,765</u>	<u>3,218</u>
	<u>\$ 3,797</u>	<u>\$ 3,218</u>

## 14) Premium income

	For the Year Ended December 31	
	2023	2022
Others	<u>\$ 58,864</u>	<u>\$ 47,591</u>

## 15) Commission

	For the Year Ended December 31	
	2023	2022
SKLI	\$ 20,580	\$ 96,731
BOT	8,619	8,140
BTLI	364	391
Chung-Hua Real Estate	<u>35</u>	<u>685</u>
	<u>\$ 29,598</u>	<u>\$ 105,947</u>

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 and the rewards from Chung-Hua Real Estate to HNCB under business promotion commission revenue.

## 16) Lease arrangements

Line Item	Related Party Name	For the Year Ended December 31	
		2023	2022
Acquisition of right-of-use assets	Chien Hsin Trading	\$ 31,406	\$ -
	SKLI	16,776	-
	Chou Dang-Zheng	<u>3,497</u>	<u>-</u>
		<u>\$ 51,679</u>	<u>\$ -</u>

Line Item	Related Party Name	December 31	
		2023	2022
Lease liabilities	SKLI	\$ 35,371	\$ 28,980
	Chien Hsin Trading	27,904	2,740
	Yung-Chi AMC	6,514	8,289
	Yong Da Construction	3,816	7,897
	Chou Dang-Zheng	2,738	399
	BOT	1,618	2,247
		<u>\$ 77,961</u>	<u>\$ 50,552</u>
Refundable deposits	Chou Dang-Zheng	\$ 200	\$ 200
	BOT	110	110
		<u>\$ 310</u>	<u>\$ 310</u>

Line Item	Related Party Name	For the Year Ended December 31	
		2023	2022
Interest expense	SKLI	\$ 838	\$ 716
	Chien Hsin Trading	357	120
	Yung-Chi AMC	145	182
	Yong Da Construction	120	204
	Chou Dang-Zheng	42	17
	BOT	31	41
		<u>\$ 1,533</u>	<u>\$ 1,280</u>

## 17) Rental agreement

Business lease rental

Lease arrangements under operating leases for the leasing out of properties to the following related parties, lease period 2 to 5 years, rent is charged monthly.

The total amount of lease payments to be received in the future is summarized as follows:

	For the Year Ended December 31	
	2023	2022
Sinopac Leasing	\$ 3,744	\$ 7,488
Reliance Securities	2,592	200
Chung-Hua Real Estate	406	561
	<u>\$ 6,742</u>	<u>\$ 8,249</u>

The rental income is summarized as follows:

Related Party	For the Year Ended December 31	
	2023	2022
Sinopac Leasing	\$ 3,744	\$ 3,744
Reliance Securities	1,237	1,200
Chung-Hua Real Estate	157	157
	<u>\$ 5,138</u>	<u>\$ 5,101</u>

## 18) Dividend income

	For the Year Ended December 31	
	2023	2022
TAIFEX	\$ 17,446	\$ 17,749

## 19) Interest expense

	For the Year Ended December 31	
	2023	2022
Fund under HNIT	\$ 29	\$ 21

## 20) Other non-interest income

	For the Year Ended December 31	
	2023	2022
Others	\$ 449	\$ 451

## 21) Cash and cash equivalents

Checking deposits and savings deposits (foreign currency included)

	December 31	
	2023	2022
BOT	\$ 23,968	\$ 27,875
SKCB	1	1
Others	10,445	2,495
	\$ 34,414	\$ 30,371

Time deposits

	December 31	
	2023	2022
SKCB	\$ 332,500	\$ 202,500
BOT	3,000	3,000
Others	78,000	78,000
	\$ 413,500	\$ 283,500

Interest revenues from related parties were \$4,959 and \$2,189 for the years ended December 31, 2023 and 2022, respectively.

## 22) HNCB paid \$11,560 and \$10,584 to Chung-Hua Real Estate to build an information technology center on December 31, 2023 and 2022. It is recognized in construction in investment properties.

HNAMC paid \$18,661 and \$16,905 to Chung-Hua Real Estate to build an information technology center on December 31, 2023 and 2022. It is recognized in investment properties and other properties.

## 23) Compensation of key managements personnel

The key managements refer to directors, supervisors, and vice president beyond managements personnel.

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 491,690	\$ 507,868
Post-employment benefits	18,772	24,866
Other long-term employee benefits	21	17
	<u>\$ 510,483</u>	<u>\$ 532,751</u>

## 24) 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					
	2023			2022		
	Ending Balance	Interest Rate (%)	Interest Expense	Ending Balance	Interest Rate (%)	Interest Expense
SCIC	\$ 779,896	0-1.575	\$ 6,621	\$ 1,061,759	0-1.44	\$ 2,455
HNSC	478,895	0-1.565	4,449	813,911	0-1.44	1,040
HNVC	452,727	0-3.55	5,308	315,345	0-1.44	1,912
HNFH	376,130	0.472-0.856	8,153	7,373,574	0.028-0.533	5,177
Chung-Hua Real Estate	151,345	0-1.45	1,319	162,817	0-1.035	414
Chien Hsin Trading	120,639	0-4.6	941	138,593	0-3.5	275
TAIFEX	<u>26,907,029</u>	0.01-5.58	<u>434,800</u>	<u>23,450,315</u>	0.01-1.325	<u>137,193</u>
	<u>\$ 29,266,661</u>		<u>\$ 461,591</u>	<u>\$ 33,316,314</u>		<u>\$ 148,466</u>

## b) Payable to related party for allocation under the linked-tax system

	December 31	
	2023	2022
Tax payable to the Company	<u>\$ 2,468,456</u>	<u>\$ 2,679,956</u>

## c) Acquisition of property and equipment

Line Item	Related Party Name	For the Year Ended December 31	
		2023	2022
Land and building	HNAMC	\$ -	\$ 704,354

## 2) HNSC

## a) Cash and cash equivalents

	December 31			
	2023		2022	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 478,895	0-1.565	\$ 813,911	0-1.44

## b) Payable to related party for allocation under the linked-tax system

	For the Year Ended December 31	
	2023	2022
Tax payable to the Company	\$ 238,021	\$ 218,179

## 3) SCIC

## a) Cash and cash equivalents

	December 31			
	2023		2022	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 779,896	0-1.575	\$ 1,061,759	0-1.44

## 4) HNIT

## Payable to related party for allocation under the linked-tax system

	For the Year Ended December 31	
	2023	2022
Tax payable to the Company	\$ 105,440	\$ 105,440

## 5) HNVC

## Cash and cash equivalents

	December 31			
	2023		2022	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 452,727	0-3.55	\$ 315,345	0-1.44

## 6) HNILC - Shenzhen

## Cash and cash equivalents

	December 31			
	2023		2022	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 47,038	0.05-4.5	\$ 406,065	0.01-2.25

## 7) Subsidiaries of HNSC

## Cash and cash equivalents

	December 31			
	2023		2022	
	Amount	Annual Interest Rate (%)	Amount	Annual Interest Rate (%)
HNCB	\$ 72,913	0-3.75	\$ 559,758	0-1.44

## 45. BUSINESS COMBINATIONS

### Business Transfer

In order to enhance the operating performance and expand the business competitiveness, the stockholders of HNSC approved to sell all its business for the total consideration of \$66,000 thousand to Feng Long Securities, \$22,000 shall be prepaid at the time of signing the contract on August 15, 2022. With the lessor's consent, upon the approve and acquisition date of FSC was paid \$22,000, respectively. According to Rule No. 1110384930 issued by FSC, the record date of business transfer was January 3, 2023, the amount of business transfer and assets acquired were as follows:

	Amount
Contract price for business transfer	\$ 66,000
Non-current assets	
Property and equipment	\$ 1,812
Intangible assets - computer software	62
Other intangible assets - customer relationships	64,126
Total assets	\$ 66,000

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date; the acquirer shall retrospectively adjust additional assets or liabilities recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Appointed to new information obtained about facts and circumstances that existed as of the acquisition date and should not acquire more information, the measurement period will be end. The measurement period cannot exceed one year from the acquisition date.

## 46. CASH FLOW INFORMATION

### a. Non-cash transactions

Except as disclosed in other notes, the Group conducted the following non-cash transaction investment and financing activities in 2023 and 2022:

The Group acquired property and equipment with an aggregate fair value of \$2,815,078 and \$1,926,066 during 2023 and 2022 (refer to Note 17). Related payables on property and equipment (recorded as accounts payable) decreased by \$239 and increased by \$419, respectively. Total cash used in acquisition of property and equipment were \$2,815,317 and \$1,925,647, respectively.

The Group acquired intangible assets with an aggregate fair value of \$171,602 and \$277,362 at December 31, 2023 and 2022 (refer to Note 20). Related payables on intangible assets (recorded as accounts payable) decreased by \$7,034 and increased by \$271, respectively. Total cash used in acquisition of intangible assets were \$178,636 and \$277,091, respectively.



## b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	Opening Balance	Cash Flows	Non-cash Changes			Other	Closing Balance
			Increase in Leasing	Change in Exchange Rates	Other Changes		
Short-term debts	\$ 1,286,000	\$ 1,367,000	\$ -	\$ -	\$ -	\$ -	\$ 2,653,000
Commercial paper payable	19,879,471	16,442,816	-	-	( 6,110)	-	36,316,177
Corporate debentures	28,684,626	( 7,000,000)	-	-	2,289	-	21,686,915
Bank debentures	57,900,000	1,000,000	-	-	-	-	58,900,000
Long-term debts	570,000	189,328	-	-	-	-	759,328
Lease liabilities	2,075,114	( 751,870)	1,041,406	369	3,251	( 43,163)	2,325,107
	<u>\$ 110,395,211</u>	<u>\$ 11,247,274</u>	<u>\$ 1,041,406</u>	<u>\$ 369</u>	<u>\$ ( 570)</u>	<u>\$ ( 43,163)</u>	<u>\$ 122,640,527</u>

For the year ended December 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes			Other	Closing Balance
			Increase in Leasing	Change in Exchange Rates	Other Changes		
Short-term debts	\$ 1,740,340	\$( 454,340)	\$ -	\$ -	\$ -	\$ -	\$ 1,286,000
Funds borrowed from central bank and other banks	34,478,600	( 34,478,600)	-	-	-	-	-
Commercial paper payable	19,305,630	611,502	-	-	( 37,661)	-	19,879,471
Corporate debentures	19,491,382	9,200,000	-	-	( 6,756)	-	28,684,626
Bank debentures	48,400,000	9,500,000	-	-	-	-	57,900,000
Long-term debts	600,000	( 30,000)	-	-	-	-	570,000
Lease liabilities	1,984,400	( 705,017)	863,715	13,004	( 39,593)	( 41,395)	2,075,114
	<u>\$ 126,000,352</u>	<u>\$ 16,356,455</u>	<u>\$ 863,715</u>	<u>\$ 13,004</u>	<u>\$ ( 84,010)</u>	<u>\$ ( 41,395)</u>	<u>\$ 110,395,211</u>

#### 47. PLEDGED ASSETS

The pledged assets as of December 31, 2023 and 2022 were as follows:

	December 31	
	2023	2022
Equity instruments at FVOCI	\$ 742,676	\$ 576,776
Debt instruments at FVOCI	645,588	1,106,772
Debt instruments at amortized cost - bond investment	8,004,000	7,824,700
Debt instruments at amortized cost - certificates of time deposits	39,200,000	39,200,000
Other assets - operating deposits and settlement fund	915,974	888,619
Other assets - restricted assets	39,690	40,590
Property and equipment - land	596,727	627,109
Property and equipment - buildings, net	82,814	90,732
Investment properties - land	867,802	867,802
Investment properties - buildings, net	11,439	11,838
	<u>\$ 51,106,710</u>	<u>\$ 51,234,938</u>

#### 48. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

##### a. HNCB and its subsidiaries

- As of December 31, 2023 and 2022, HNCB and its subsidiaries had commitments as follows:

	December 31	
	2023	2022
Undrawn loan commitment (Note)	\$ 113,093,465	\$ 115,648,930
Undrawn credit card commitment	100,644,210	97,466,724
Standby letters of credit	27,703,497	27,809,067
Guarantees issued	105,123,922	92,558,475
Collections for customers	86,167,451	89,228,199
Commissioned deposit	1,263	1,263
Guarantee notes payable	47,804,575	48,086,450
Trust assets	1,181,397,888	901,825,799
Marketable securities under custody	46,292,509	46,390,141
Agent for book-entry government bonds	100,158,700	105,876,000
Agent for short-term bills under custody	105,550,738	117,476,570

Note: Only disclose irrevocable undrawn loan commitment.

##### b. SCIC

##### Unrecognized contractual agreements

	December 31	
	2023	2022
Purchase of property, equipment and intangible assets	<u>\$ 78,610</u>	<u>\$ 117,735</u>

#### 49. 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 take 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, 2023, HNCB and HNIT had bought back \$5,518,236 and \$1,660,023, 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 \$3,745,491 and \$1,334,264. 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.

## 50. 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 Group are all measured at fair value on a recurring basis. The fair value hierarchy of the Group financial instruments were as follows:

Assets and Liabilities Items	December 31, 2023			
	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 FVTPL				
Investment in shares	\$ 8,292,287	\$ 7,326,209	\$ 122,823	\$ 843,255
Investment in bonds	5,554,445	1,283,548	4,270,897	-
Others	99,487,271	1,952,757	97,031,423	503,091
Financial assets at FVOCI				
Investment in shares	45,179,062	35,401,604	-	9,777,458
Investment in bonds	326,175,965	9,806,560	316,369,405	-
Others	8,429,912	491,555	7,938,357	-
Other financial assets				
Buy the overdue receivable	32,544	-	32,544	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	5,459,900	704	5,459,196	-
<u>Liabilities</u>				
Financial liabilities at FVTPL	8,618,874	2,453	8,612,870	3,551

Assets and Liabilities Items	December 31, 2022			
	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 FVTPL				
Investment in shares	\$ 6,178,007	\$ 5,202,154	\$ 49,696	\$ 926,227
Investment in bonds	641,821	-	641,821	-
Others	69,840,950	3,402,915	65,926,744	511,291
Financial assets at FVOCI				
Investment in shares	36,055,894	25,334,076	-	10,721,818
Investment in bonds	312,369,450	2,940,541	309,428,909	-
Others	10,279,178	444,326	9,834,852	-
Other financial assets				
Buy the overdue receivable	10,003	-	-	10,003
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	\$ 15,684,814	\$ -	\$ 15,684,814	\$ -
<u>Liabilities</u>				
Financial liabilities at FVTPL	6,233,545	34,531	6,199,014	-

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, 2023

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 FVTPL										
Unlisted shares	\$ 926,227	\$( 27,208)	\$ -	\$ 43,589	\$ -	\$ 99,353	\$ -	\$ -	\$ -	\$ 843,255
Beneficiary securities	511,291	( 36,005)	-	52,980	-	25,175	-	-	-	503,091
Financial assets at FVOCI										
Unlisted shares	10,721,818	-	( 937,830)	-	-	-	-	-	6,530	9,777,458
Other financial assets										
Overdue receivables	10,003	30,664	-	-	-	40,667	-	-	-	-

As of December 31, 2023, the valuation gain included in profit and loss for assets still held was loss \$63,213.

For the Year Ended December 31, 2023

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 FVTPL										
Unlisted shares	\$ 1,160,109	\$( 34,326)	\$ -	\$ 47,962	\$ -	\$ 98,012	\$ 149,506	\$ -	\$ -	\$ 926,227
Beneficiary securities	530,099	( 2,712)	-	25,740	-	41,836	-	-	-	511,291
Financial assets at FVOCI										
Unlisted shares	8,995,372	-	1,633,482	95,489	-	-	-	-	2,525	10,721,818
Other financial assets										
Overdue receivables	10,003	-	-	-	-	-	-	-	-	10,003

As of December 31, 2022, the valuation gain included in profit and loss for assets still held was loss \$37,038.

## c. Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

As of December 31, 2023 and 2022, Level 3 items of financial assets and financial liabilities held by the Group. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on December 31, 2023	Fair Value on December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at FVTPL						
Unlisted shares	\$ 843,225	\$ 926,277	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation
Beneficiary securities	503,091	511,291	Balance sheet approach	Volatility	10%-20%	Positive correlation
Financial assets at FVOCI						
Unlisted shares	9,777,458	10,721,818	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	Market approach	Discount rate	5%	Negative correlation

HNFH

As of December 31, 2023 and 2022, Level 3 items of financial assets and financial liabilities held by HNFH. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on December 31, 2023	Fair Value on December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at FVOCI						
Unlisted shares	\$ 1,363,092	\$ 1,089,593	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation

HNCB and its subsidiaries

As of December 31, 2023 and 2022, Level 3 items of financial assets and financial liabilities held by HNFH. The quantitative information about the unobservable inputs is as follows:

Name	Fair Value on December 31, 2023	Fair Value on December 31, 2022	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 FVTPL						
Beneficiary securities	\$ 288,976	\$ 323,147	Balance sheet approach	Volatility	10%	Positive correlation
Financial assets at FVOCI						
Unlisted shares	7,601,465	8,870,187	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, 2023	Fair Value on December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Correlation Between Inputs and Fair Value
<u>Measured on a recurring basis</u>						
Financial assets at FVOCI						
Unlisted shares	\$ 701,768	\$ 656,431	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, 2023	Fair Value on December 31, 2022	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 FVTPL						
Unlisted shares	\$ 91,105	\$ 79,066	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation
Beneficiary securities	22,815	25,513	Balance sheet approach	Volatility	10%	Positive correlation
Financial assets at FVOCI						
Unlisted shares	10,896	9,773	Market approach or market prices adjusted according to liquidity discount	Volatility	10%-20%	Positive correlation

HNIT

Significant unobservable inputs are as follow:

Name	Fair Value on December 31, 2023	Fair Value on December 31, 2022	Valuation Techniques	Interval (Weighted-average)	Correlation Between Inputs and Fair Value	Significant Unobservable Inputs
<u>Measured on a recurring basis</u>						
Financial assets at FVOCI						
Unlisted shares	\$ 91,414	\$ 86,059	Market approach or market prices adjusted according to liquidity discount	10%	Positive correlation	Volatility

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, 2023	Fair Value on December 31, 2022	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 FVTPL						
Unlisted shares	\$ 739,190	\$ 847,161	Market approach or market prices adjusted according to liquidity discount	Volatility	20%	Positive correlation
Beneficiary securities	191,300	162,631	Balance sheet approach	Volatility	10%-20%	Positive correlation

HNAMC

Significant unobservable input is 5% discount rate.

Name	Fair Value on December 31, 2023	Fair Value on December 31, 2022	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 FVTPL						
Overdue receivables	\$ -	\$ 10,003	Market approach	Discount rate	5%	Negative correlation
Financial assets at FVOCI						
Unlisted shares	8,823	9,775	Balance sheet approach	Volatility	10%	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 and adjustment with the fair value, the final consideration of the liquidity discount to obtain the fair value.

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, 2023 and 2022, the sensitivity analysis based on assets category are as follow:

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, 2023</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Equity investment	\$ 3,211	\$( 3,211)	\$ -	-
Financial assets at FVOCI - equity instruments				
Unlisted shares	-	-	186,378	( 186,378)

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, 2022</u>				
<u>Assets</u>				
Financial assets mandatorily at FVTPL				
Equity investment	\$ 3,591	\$( 3,591)	\$ -	-
Financial assets at FVOCI - equity instruments				
Unlisted shares	-	-	218,289	( 218,289)

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, other financial assets, refundable deposits, deposits from the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittance, other financial liabilities and guarantee deposits received.

Items	Book Value	Fair Value
<u>December 31, 2023</u>		
Financial assets		
Financial assets at amortized cost	\$ 685,304,417	\$ 678,045,131
Non-financial assets		
Investment properties	11,644,573	33,887,086
Financial liabilities		
Bank debentures	58,900,000	60,035,128
<u>December 31, 2022</u>		
Financial assets		
Financial assets at amortized cost	714,672,438	704,936,887
Non-financial assets		
Investment properties	8,978,315	28,717,904
Financial liabilities		
Bank debentures	57,900,000	59,391,384

## b. Hierarchy information of fair value of financial instruments

Assets and Liabilities Items	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 678,045,131	\$ 7,424,501	\$ 670,620,630	\$ -
Non-financial assets				
Investment properties	33,887,086	-	-	33,887,086
Financial liabilities				
Bank debentures	60,035,128	-	60,035,128	-

Assets and Liabilities Items	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	\$ 704,936,887	\$ 954	\$ 704,935,933	\$ -
Non-financial assets				
Investment properties	28,717,904	-	-	28,717,904
Financial liabilities				
Bank debentures	59,391,384	-	59,391,384	-

## 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, other financial assets, refundable deposits, deposits from the Central Bank and other banks, fund borrowed from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, 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 1.5850% to 1.7642%.

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.
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.
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. Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Domestic unlisted (counter) stocks	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.  Balance sheet approach.  It is one covered by the evaluation target the total value of individual assets and individual liabilities, to reflect the overall value of a business or business. Significant but not appreciable observe that the input values represent minority stakes and liquidity discounts. The invested company is a government peripheral institution with minority shares rights and interests will not be damaged, Therefore, each is listed 10% as discount.

## c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Mandatory at FVTPL	\$ 2,508,539	\$ 2,362,504
Financial assets of amortized cost (Note 1)	42,739,707	29,112,466
Financial assets at FVOCI		
Investments in equity instruments	4,460,658	2,046,135
Investments in debt instruments	19,015,259	15,274,198
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	36,736	2,910
Financial liabilities valued at amortized cost (Note 2)	57,028,424	38,699,675

Note 1: Balance for financial assets at amortized cost include the succeeding accounts: Cash and cash equivalents, securities purchased under resell agreements, securities financing receivables, refinancing deposits, refinancing guarantee prices receivable, securities borrowings receivable, and borrowing receivables - unlimited use, customer margin accounts, futures trading margin receivable, security borrowing margins, notes receivable and accounts receivable, other receivables, pledged time deposits (presented as other assets), underwriting stock payments (presented as other assets) and other assets (excluding prepayments for equipment, prepayments for investments and others).

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), other payables - related party receipts under custody-collections from underwriting, corporate bonds payable (including foreign corporate bonds), other long-term provision and other liabilities.

## SCIC

## a. The information of fair value

## 1) Financial instruments not valued at fair value

December 31, 2023

	Book Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at amortized cost (Note)					
Domestic bank debentures	\$ 149,044	\$ -	\$ 149,995	\$ -	\$ 149,995
Domestic government bonds	296,613	295,069	-	-	295,069
Foreign bank debentures	468,973	-	447,514	-	447,514
Foreign corporate bonds	876,854	-	821,648	-	821,648
Foreign government bonds	91,848	88,951	-	-	88,951
	\$ 1,883,332	\$ 384,020	\$ 1,419,157	\$ -	\$ 1,803,177

December 31, 2022

	Book Value	Fair Value				
		Level 1	Level 2	Level 3	Total	
Financial assets at amortized cost (Note)						
Domestic bank debentures	\$ 149,260	\$ -	\$ 149,995	\$ -	\$ 149,995	
Domestic government bonds	296,411	294,460	-	-	294,460	
Foreign bank debentures	354,859	-	313,082	-	313,082	
Foreign corporate bonds	873,758	-	796,102	-	796,107	
Foreign government bonds	183,851	177,078	-	-	177,078	
	\$ 1,858,139	\$ 471,538	\$ 1,259,179	\$ -	\$ 1,730,717	

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	
	2023	2022
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatory at FVTPL	\$ 8,106,879	\$ 6,547,095
Financial assets at amortized costs (Note 1)	9,922,989	8,264,240
Financial assets at FVOCI		
Equity instruments	10,896	9,773
Debt instruments	2,994,298	2,940,541
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	36,165	33,402
Financial liabilities at amortized cost (Note 2)	2,108,006	836,045

Note 1: Balance includes cash and cash equivalents, receivables, financial assets amortized at cost, other financial assets, loans, claims recoverable from reinsurers, 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	
	2023	2022
<u>Financial assets</u>		
Financial liabilities value at amortized cost (Note 1)	\$ 438,221	\$ 426,534
FVOCI - equity instruments	91,415	86,059
<u>Financial liabilities</u>		
Financial liabilities valued at amortized cost (Note 2)	443,845	306,826

Note 1: Balances includes financial assets at amortized cost such as cash and cash equivalents, accounts receivable (including related persons), 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 notes payable, 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 measured at fair value approximates their fair value, except that the fair value of financial assets at cost cannot be reliably valued.

## b. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 1,071,357	\$ 1,151,925
Financial assets at amortized cost (Note 1)	501,326	336,948
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	272	201

Note 1: Balances include financial assets at amortized cost such cash and cash equivalents, accounts receivable, other receivables, other receivables-related parties, 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, insurance payable, pension payable, insurance payable and sales tax payable) and other payables-related parties.

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	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 260,623	\$ 166,612
FVOCI - equity instruments	8,823	9,775
Mandatorily at FVTPL	-	10,003
<u>Financial liabilities</u>		
Financial liabilities valued at amortized cost (Note 2)	4,391,767	3,580,354

Note 1: Balances include financial assets at amortized cost such as cash and cash equivalents, part of receivables, other receivable, long-term receivables, refundable deposit and other financial assets-non-current.

Note 2: Balances include financial liabilities amortized at cost such as short-term loans, net value of commercial paper payable, notes payable, parts of other payables, long-term loans, long-term payables, provisions and refundable deposit.

**51. FINANCIAL RISK MANAGEMENT**

## a. Hua Nan Financial Holdings Co., Ltd. (HNFH)

HNFH 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, HNFH 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.

HNFH 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, HNFH 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.

To strengthen the management of climate risk by HNCB and its subsidiaries, and ensure the sustainable operation of HNCB and its subsidiaries, HNCB and its subsidiaries established new policies "Climate Risk Management Policy of HNCB", which clearly define the responsibilities and management system, and regularly report risk information to the Risk Management Committee and the board of directors.

## 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, 2023

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card receivables	\$ 120,506	\$ 13,043	\$ 107,463	\$ -
Others	5,776,249	3,899,777	1,876,472	-
Discounts and loans	9,836,318	1,635,038	8,201,280	12,199,306
	<u>\$ 15,733,073</u>	<u>\$ 5,547,858</u>	<u>\$ 10,185,215</u>	<u>\$ 12,199,306</u>

December 31, 2022

	Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Receivables				
Credit card receivables	\$ 135,709	\$ 18,083	\$ 117,626	\$ -
Others	6,241,339	4,058,780	2,182,559	-
Discounts and loans	18,493,078	3,695,763	14,797,315	32,306,855
	<u>\$ 24,870,126</u>	<u>\$ 7,772,626</u>	<u>\$ 17,097,500</u>	<u>\$ 32,306,855</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 which do not belong to stage 3, however there is any loan or receivable which overdue date is 31 to 89 days. Or the creditor has the following events: Listed as an early warning account by the bank, refunded checks, be listed as a dishurned account by Taiwan Clearing House, the pledged collateral in the bank is enforced by other financial institutions, debts are listed as collections by other financial institutions or written off as bad debts, financial reports issued by accountants that have material uncertainty about the assumption of continued operation, and occurrence of bad credit.

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 FVOCI 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;
- Claim for reorganization;
- 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 interesting, 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 overseas branch. Domestic corporate banking is divided into five groups based on government agency, public enterprise, and credit line. Overseas 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 increase 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 increase 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. Overseas branch offices apply GDP growth rate whereas customer banking apply unemployment rate to adjust prospective estimation. 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, 2023					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 4,036,727	\$ 1,914,979	\$ 3,695,763	\$ 9,647,469	\$ 18,025,750	\$ 27,673,219
Changes of financial instruments that have been identified at the beginning of the year:						
To lifetime ECL	( 1,870,915)	1,980,010	( 109,095)	-	-	-
To credit impaired financial assets	( 89,078)	( 3,099)	92,177	-	-	-
To 12-month ECL	10,587	( 10,461)	( 126)	-	-	-
Derecognizing financial assets during the current period	( 3,325,184)	( 1,906,254)	( 2,721,050)	( 7,952,488)	-	( 7,952,488)
Purchased or originated financial assets	2,808,697	1,789,311	672,760	5,270,768	-	5,270,768
Loss recognized based on the regulations	-	-	-	-	3,859,235	3,859,235
Exchange rate and others changes	6,237	-	4,609	10,846	-	10,846
Balance, December 31	\$ 1,577,071	\$ 3,764,486	\$ 1,635,038	\$ 6,976,595	\$ 21,884,985	\$ 28,861,580

	For the Year Ended December 31, 2022					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 4,470,437	\$ 1,100,136	\$ 4,719,295	\$ 10,289,868	\$ 14,843,472	\$ 25,133,340
Changes of financial instruments that have been identified at the beginning of the year:						
To lifetime ECL	( 607,176)	611,362	( 4,186)	-	-	-
To credit impaired financial assets	( 326,510)	( 14,227)	340,737	-	-	-
To 12-month ECL	5,412	( 1,757)	( 3,655)	-	-	-
Derecognizing financial assets during the current period	( 3,000,289)	( 287,487)	( 2,253,876)	( 5,541,652)	-	( 5,541,652)
Purchased or originated financial assets	3,306,378	506,217	802,864	4,615,459	-	4,615,459
Loss recognized based on the regulations	-	-	-	-	3,182,278	3,182,278
Exchange rate and others changes	188,475	735	94,584	283,794	-	283,794
Balance, December 31	\$ 4,036,727	\$ 1,914,979	\$ 3,695,763	\$ 9,647,469	\$ 18,025,750	\$ 27,673,219

Note: HNCB and its subsidiaries applied the amendments to IFRS 9 effective since 2023, please refer to Notes 51 b. 3) d) i. and 51 b. 3) i) i for more information.

## Changes of discounts and loans book value

	For the Year Ended December 31, 2023			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit- impaired Financial Assets)	Total
Balance, January 1	\$ 2,006,203,694	\$ 40,083,936	\$ 18,493,078	\$ 2,064,780,708
Changes of financial instruments that have been identified at the beginning of the year:				
To lifetime ECL	( 61,214,729)	65,956,727	( 4,741,998)	-
To credit impaired financial assets	( 523,058)	( 55,071)	578,129	-
To 12-month ECL	25,434,546	( 24,768,837)	( 665,709)	-
Derecognizing financial assets during the current period	( 843,176,175)	( 20,430,423)	( 7,716,637)	( 871,323,235)
Purchased or originated financial assets	988,345,500	85,945,552	3,866,468	1,078,157,520
Exchange rate and others changes	679,862	78	22,987	702,927
Balance, December 31	\$ 2,115,749,640	\$ 146,731,962	\$ 9,836,318	\$ 2,272,317,920

	For the Year Ended December 31, 2022			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 1,955,809,346	\$ 33,224,510	\$ 21,607,807	\$ 2,010,641,663
Changes of financial instruments that have been identified at the beginning of the year:				
To lifetime ECL	( 5,656,008)	5,703,924	( 47,916)	-
To credit impaired financial assets	( 2,734,010)	( 124,471)	2,858,481	-
To 12-month ECL	2,258,984	( 1,331,116)	( 927,868)	-
Derecognizing financial assets during the current period	( 857,190,728)	( 9,651,407)	( 9,929,537)	( 876,771,672)
Purchased or originated financial assets	887,536,848	12,140,062	4,480,410	904,157,320
Exchange rate and others changes	26,179,262	122,434	451,701	26,753,397
Balance, December 31	\$ 2,006,203,694	\$ 40,083,936	\$ 18,493,078	\$ 2,064,780,708

Note: HNCB and its subsidiaries applied the amendments to IFRS 9 effective since 2023, please refer to Notes 51 b. 3) d) i. and 51 b. 3) i) i for more information.

### Changes of receivable allowance loss

	For the Year Ended December 31, 2023					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 55,095	\$ 45,078	\$ 4,076,863	\$ 4,177,036	\$ 72,789	\$ 4,249,825
Changes of financial instruments that have been identified at the beginning of the year:						
To lifetime ECL	( 7,220)	7,296	( 76)	-	-	-
To credit impaired financial assets	( 21,795)	( 898)	22,693	-	-	-
To 12-month ECL	49	( 46)	( 3)	-	-	-
Derecognizing financial assets during the current period	( 42,469)	( 9,675)	( 151,511)	( 203,655)	-	( 203,655)
Purchased or originated financial assets	59,527	8,762	14,392	82,681	-	82,681
Loss recognized based on the Regulations	-	-	-	-	( 8,135)	( 8,135)
Exchange rate and others changes	( 291)	34,004	( 49,538)	( 15,825)	-	( 15,825)
Balance, December 31	\$ 42,896	\$ 84,521	\$ 3,912,820	\$ 4,040,237	\$ 64,654	\$ 4,104,891

	For the Year Ended December 31, 2022					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 57,957	\$ 32,179	\$ 3,546,448	\$ 3,636,584	\$ 52,895	\$ 3,689,479
Changes of financial instruments that have been identified at the beginning of the year:						
To lifetime ECL	( 3,466)	3,468	( 2)	-	-	-
To credit impaired financial assets	( 9,229)	( 1,112)	10,341	-	-	-
To 12-month ECL	22	( 17)	( 5)	-	-	-
Derecognizing financial assets during the current period	( 47,014)	( 4,110)	( 28,674)	( 79,798)	-	( 79,798)
Purchased or originated financial assets	54,910	7,175	141,838	203,923	-	203,923
Loss recognized based on the Regulations	-	-	-	-	19,894	19,894
Exchange rate and others changes	1,915	7,495	406,917	416,327	-	416,327
Balance, December 31	\$ 55,095	\$ 45,078	\$ 4,076,863	\$ 4,177,036	\$ 72,789	\$ 4,249,825

## Changes of receivable book value

	For the Year Ended December 31, 2023			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 17,101,573	\$ 7,986,674	\$ 6,377,048	\$ 31,465,295
Changes of financial instruments that have been identified at the beginning of the year:				
To lifetime ECL	( 209,288)	215,837	( 6,549)	-
To credit impaired financial assets	( 73,223)	( 7,809)	81,032	-
To 12-month ECL	59,552	( 57,677)	( 1,875)	-
Derecognizing financial assets during the current period	( 9,648,508)	( 254,572)	( 244,772)	( 10,147,852)
Purchased or originated financial assets	11,639,522	536,080	46,692	12,222,294
Exchange rate and others changes	( 51,874)	4,548,092	( 354,821)	4,141,397
Balance, December 31	\$ 18,817,754	\$ 12,966,625	\$ 5,896,755	\$ 37,681,134

	For the Year Ended December 31, 2022			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 15,483,926	\$ 6,672,919	\$ 5,667,221	\$ 27,824,066
Changes of financial instruments that have been identified at the beginning of the year:				
To lifetime ECL	( 43,764)	43,881	( 117)	-
To credit impaired financial assets	( 62,689)	( 8,275)	70,964	-
To 12-month ECL	10,433	( 9,017)	( 1,416)	-
Derecognizing financial assets during the current period	( 9,544,162)	( 218,759)	( 124,974)	( 9,887,895)
Purchased or originated financial assets	10,957,395	232,479	179,233	11,369,107
Exchange rate and others changes	300,434	1,273,446	586,137	2,160,017
Balance, December 31	\$ 17,101,573	\$ 7,986,674	\$ 6,377,048	\$ 31,465,295

## Changes of other financial assets allowance loss

	For the Year Ended December 31, 2023					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 5,790	\$ -	\$ 10,799	\$ 16,589	\$ 2,791	\$ 19,380
Changes of financial instruments that have been identified at the beginning of the year:						
Derecognizing financial assets during the current period	( 4,051)	-	( 8,956)	( 13,007)	-	( 13,007)
Purchased or originated financial assets	9,531	-	135,885	145,416	-	145,416
Loss recognized based on the Regulations	-	-	-	-	809	809
Exchange rate and others changes	( 102)	-	-	( 102)	-	( 102)
Balance, December 31	\$ 11,168	\$ -	\$ 137,728	\$ 148,896	\$ 3,600	\$ 152,496

	For the Year Ended December 31, 2022					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 6,103	\$ -	\$ 6,992	\$ 13,095	\$ 6,890	\$ 19,985
Changes of financial instruments that have been identified at the beginning of the year:						
Derecognizing financial assets during the current period	( 4,714)	-	( 4,779)	( 9,493)	-	( 9,493)
Purchased or originated financial assets	4,316	-	8,586	12,902	-	12,902
Loss recognized based on the Regulations	-	-	-	-	( 4,099)	( 4,099)
Exchange rate and others changes	85	-	-	85	-	85
Balance, December 31	<u>\$ 5,790</u>	<u>\$ -</u>	<u>\$ 10,799</u>	<u>\$ 16,589</u>	<u>\$ 2,791</u>	<u>\$ 19,380</u>

## Changes of other financial assets book value

	For the Year Ended December 31, 2023			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 307,737	\$ -	\$ 22,189	\$ 329,926
Changes of financial instruments that have been identified at the beginning of the year:				
Derecognizing financial assets during the current period	( 172,736)	-	( 16,041)	( 188,777)
Purchased or originated financial assets	720,510	-	143,896	864,406
Exchange rate and others changes	( 5,113)	-	-	5,113
Balance, December 31	<u>\$ 850,398</u>	<u>\$ -</u>	<u>\$ 150,044</u>	<u>\$ 1,000,442</u>

	For the Year Ended December 31, 2022			
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance, January 1	\$ 282,673	\$ -	\$ 27,115	\$ 309,788
Changes of financial instruments that have been identified at the beginning of the year:				
Derecognizing financial assets during the current period	( 213,121)	-	( 20,178)	( 233,299)
Purchased or originated financial assets	234,130	-	15,120	249,250
Exchange rate and others changes	4,055	-	132	4,187
Balance, December 31	<u>\$ 307,737</u>	<u>\$ -</u>	<u>\$ 22,189</u>	<u>\$ 329,926</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, 2023					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 549,524	\$ 587,145	\$ 52,982	\$ 1,189,651	\$ 504,294	\$ 1,693,945
Changes of financial instruments that have been identified at the beginning of the year:						
To lifetime ECL	( 527,875)	527,875	-	-	-	-
To credit impaired financial assets	( 389)	( 23)	412	-	-	-
To 12-month ECL	4,091	( 4,060)	( 31)	-	-	-
Derecognizing financial assets during the current period	( 455,154)	( 584,704)	( 47,418)	( 1,087,276)	-	( 1,087,276)
Purchased or originated financial assets	631,006	348,103	3,038	982,147	-	982,147
Loss recognized based on the Regulations	-	-	-	-	171,481	171,481
Exchange rate and others changes	199	( 8)	24	215	-	215
Balance, December 31	\$ 201,402	\$ 874,328	\$ 9,007	\$ 1,084,737	\$ 675,775	\$ 1,760,512

	For the Year Ended December 31, 2022					
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Credit-impaired Financial Assets)	Impairment under IFRS 9	Differences in Impairments According to Law	Total
Balance, January 1	\$ 744,245	\$ 459,025	\$ 209,344	\$ 1,412,614	\$ 179,416	\$ 1,592,030
Changes of financial instruments that have been identified at the beginning of the year:						
To lifetime ECL	( 85,107)	85,107	-	-	-	-
To credit impaired financial assets	( 22,159)	( 165)	22,324	-	-	-
To 12-month ECL	564	( 197)	( 367)	-	-	-
Derecognizing financial assets during the current period	( 559,464)	( 35,080)	( 209,029)	( 803,573)	-	( 803,573)
Purchased or originated financial assets	459,164	78,449	21,469	559,082	-	559,082
Loss recognized based on the Regulations	-	-	-	-	324,878	324,878
Exchange rate and others changes	12,281	6	9,241	21,528	-	21,528
Balance, December 31	\$ 549,524	\$ 587,145	\$ 52,982	\$ 1,189,651	\$ 504,294	\$ 1,693,945

## k) The maximum credit exposure of the financial instruments

- Maximum credit exposures of assets, excluding collaterals and other credit enhancement instruments, on consolidated balance sheet are almost equivalent to its carrying amount.
- 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, 2023	December 31, 2022
Undrawn loan commitment	\$ 113,093,465	\$ 115,648,930
Undrawn credit card commitment	100,644,210	97,466,724
Standby letters of credit	27,703,497	27,809,067
Guarantees issued	105,123,922	92,558,475
Total	\$ 346,565,094	\$ 333,483,196

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 Group's consolidated balance sheet:

#### December 31, 2023

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Financial assets at FVOCI		
Bond investments	\$ 304,166,408	\$ 1,199,996
Others	7,938,357	-
Amortized costs - debt instruments		
Bond investments	248,539,273	5,899,916
Others	436,798,479	-
Receivables		
Credit cards business	10,381,019	-
Others	23,117,427	-
Discounts and loans	2,272,317,920	1,635,491,677
Other financial assets		
Credit cards business	149,909	-
Others	4,137	-
<u>Off-balance sheet items</u>		
Undrawn loan commitment	113,093,465	6,681,580
Undrawn credit card commitment	100,644,210	-
Standby letters of credit	27,703,497	11,623,384
Guarantees issued	105,123,922	50,419,170

#### December 31, 2022

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Financial assets at FVOCI		
Bond investments	\$ 294,154,711	\$ 1,199,996
Others	9,834,852	-
Amortized costs - debt instruments		
Bond investments	198,341,405	3,699,965
Others	516,348,369	-
Receivables		
Credit cards business	9,654,708	-
Others	20,053,023	-
Discounts and loans	2,064,780,709	1,537,317,224
Other financial assets		
Credit cards business	22,058	-
Others	2,042	-
Other assets		
Refundable deposit		
<u>Off-balance sheet items</u>		
Undrawn loan commitment	\$ 115,648,930	\$ 6,071,013
Undrawn credit card commitment	97,466,724	-
Standby letters of credit	27,809,067	11,497,544
Guarantees issued	92,558,475	49,281,464



## iii. Total book value of the maximum credit risk exposures discounted and loans

Categories of Financial Assets	December 31, 2023			
	Stage 1			Total
	12-month	Stage 2	Stage 3	
	Expected Credit Losses	Duration Period Credit Losses	Duration Period Credit Losses	
Ratings				
Corporate finance	\$ 1,267,324,454	\$ 142,966,235	\$ 8,410,763	\$ 1,418,701,452
Personal finance	848,425,186	3,765,727	1,425,555	853,616,468
Total book value	<u>\$ 2,115,749,640</u>	<u>\$ 146,731,962</u>	<u>\$ 9,836,318</u>	<u>2,272,317,920</u>
Allowance for impairment loss	<u>\$( 1,577,071)</u>	<u>\$( 3,764,486)</u>	<u>\$( 1,635,038)</u>	<u>( 6,976,595)</u>
Exchange rate and others changes				<u>( 21,884,985)</u>
Adjustment of premium or discount				<u>( 111,904)</u>
Discounted and loans, Net				<u>\$ 2,243,344,436</u>

Categories of Financial Assets	December 31, 2022			
	Stage 1			Total
	12-month	Stage 2	Stage 3	
	Expected Credit Losses	Duration Period Credit Losses	Duration Period Credit Losses	
Ratings				
Corporate finance	\$ 1,203,460,900	\$ 37,166,884	\$ 13,967,919	\$ 1,254,595,703
Personal finance	802,742,794	2,917,052	4,525,159	810,185,005
Total book value	<u>\$ 2,006,203,694</u>	<u>\$ 40,083,936</u>	<u>\$ 18,493,078</u>	<u>2,064,780,708</u>
Allowance for impairment loss	<u>\$( 4,036,727)</u>	<u>\$( 1,914,979)</u>	<u>\$( 3,695,763)</u>	<u>( 9,647,469)</u>
Exchange rate and others changes				<u>( 18,025,750)</u>
Adjustment of premium or discount				<u>144,052</u>
Discounted and loans, Net				<u>\$ 2,037,251,541</u>

## iv. Amount that does not apply impairment of financial instruments of the maximum credit risk exposure

	December 31	
	2023	2022
Financial assets at FVTPL		
Bonds	\$ 3,732,122	\$ 291,858
Derivative financial instruments	5,368,328	15,635,886
Others	<u>98,006,678</u>	<u>66,356,394</u>
	<u>\$ 107,107,128</u>	<u>\$ 82,284,138</u>

## 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, 2023		December 31, 2022	
	Amount	%	Amount	%
Private enterprise	\$ 1,063,833,221	47	\$ 944,087,097	46
Natural person	849,727,748	38	805,433,929	39
Foreign institution	288,462,835	13	267,220,990	13
Government agency	32,406,020	1	29,851,720	1
Public enterprise	33,015,047	1	17,011,546	1
Non-profit organization	1,824,049	-	1,013,426	-
Social insurance and retirement fund	3,049,000	-	162,000	-
Total	\$ 2,272,317,920	100	\$ 2,064,780,708	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 35.8%, 30.7%, 17.3% and 16.2%, respectively. In compliance with the conservatism principles, Group 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, 2023		December 31, 2022	
	Amount	%	Amount	%
Credit	\$ 636,826,243	28	\$ 527,463,485	26
Secured				
Stocks	31,900,071	1	30,663,806	1
Liabilities	37,748,949	2	41,494,545	2
Real estate	1,376,974,346	61	1,304,693,284	63
Movables	40,913,527	2	37,743,715	2
Receivables	10,375,172	-	9,968,324	-
Guarantees	120,558,360	5	94,903,605	5
Others	17,021,252	1	17,849,944	1
Total	\$ 2,272,317,920	100	\$ 2,064,780,708	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 FVTPL 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, 2023	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	\$ 29,527,591	\$ 3,309,432	\$ 2,415,319	\$ 1,590,266	\$ -	\$ 36,842,608
Due from the Central Bank and other banks	136,880,325	33,642,262	11,154,060	14,807,237	49,273,579	245,757,463
Financial assets mandatorily at FVTPL	101,449,824	-	-	-	-	101,449,824
Securities purchased under agreements to resell	2,000,000	-	-	-	-	2,000,000
Loans (excluding nonperforming loans)	218,493,130	201,474,060	215,282,949	199,810,916	1,405,028,978	2,240,090,033
Financial assets at FVOCI	1,238,264	3,299,284	10,537,509	7,017,470	329,747,972	351,840,499
Amortized cost - debt instruments	324,802,937	33,569,221	33,183,768	67,301,125	226,447,366	685,304,417
Other capital inflow	7,510,781	2,022,885	2,874,594	1,344,711	923,701	14,676,672
Subtotal	821,902,852	277,317,144	275,448,199	291,871,725	2,011,421,596	3,677,961,516
<u>Main capital outflow on maturity</u>						
Deposits from the Central Bank and banks	109,747,151	80,588,401	172,197	42,871	2	190,550,622
Deposits	356,079,705	403,238,271	311,861,936	507,989,153	1,488,438,879	3,067,607,944
Securities sold under repurchase agreements	21,220,184	63,759,771	3,990,454	35,033	-	89,005,442
Bank debentures	-	4,300,000	-	6,900,000	47,700,000	58,900,000
Lease liabilities	85,651	93,211	147,219	292,350	1,568,643	2,187,074
Other capital outflow	9,971,760	7,238,308	7,883,957	8,399,704	47,920,461	81,414,190
Subtotal	497,104,451	559,217,962	324,055,763	523,659,111	1,585,627,985	3,489,665,272
Gap	\$ 324,798,401	\$( 281,900,818)	\$( 48,607,564)	\$( 231,787,386)	\$ 425,793,611	\$ 188,296,244

December 31, 2022	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	\$ 47,622,996	\$ 2,594,675	\$ 2,206,920	\$ 1,826,688	\$ -	\$ 54,251,279
Due from the Central Bank and other banks	135,443,756	29,144,110	9,204,013	11,381,715	52,951,775	238,125,369
Financial assets mandatorily at FVTPL	66,325,104	-	-	-	-	66,325,104
Securities purchased under agreements to resell	1,550,000	-	-	-	-	1,550,000
Loans (excluding nonperforming loans)	186,306,584	197,265,430	190,106,871	190,432,072	1,270,376,418	2,034,487,375
Financial assets at FVOCI	519,814	5,090,613	1,535,871	11,430,324	318,671,826	337,248,448
Amortized cost - debt instruments	358,392,644	76,808,018	32,832,245	72,721,021	173,918,510	714,672,438
Other capital inflow	5,498,792	2,092,081	1,368,268	829,760	414,991	10,203,892
Subtotal	801,659,690	312,994,927	237,254,188	288,621,580	1,816,333,520	3,456,863,905
<u>Main capital outflow on maturity</u>						
Deposits from the Central Bank and banks	65,321,251	42,873,367	33,347	74,163,531	-	182,391,496
Deposits	300,838,072	355,528,137	264,346,637	389,725,009	1,642,686,058	2,953,123,913
Securities sold under repurchase agreements	17,445,223	17,637,606	1,325,819	766,220	961,029	38,135,897
Bank debentures	-	-	-	-	57,900,000	57,900,000
Lease liabilities	91,411	100,719	148,315	267,737	1,420,025	2,028,207
Other capital outflow	3,517,628	4,205,645	4,938,257	5,456,163	47,753,210	65,870,903
Subtotal	387,213,585	420,345,474	270,792,375	470,378,660	1,750,720,322	3,299,450,416
Gap	\$ 414,446,105	\$( 107,350,547)	\$ (33,538,187)	\$( 181,757,080)	\$ 65,613,198	\$ 157,413,489

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, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Cash outflow	\$ 147,536,401	\$ 109,565,178	\$ 138,221,559	\$ 59,340,411	\$ 2,940,092	\$ 457,603,641
Cash inflow	148,066,864	109,375,314	137,984,815	59,785,442	2,949,809	458,162,244

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Cash outflow	\$ 165,019,003	\$ 131,070,470	\$ 37,592,784	\$ 39,233,118	\$ 2,641,674	\$ 375,557,049
Cash inflow	170,939,923	133,870,083	38,662,945	39,851,660	2,642,025	385,966,636

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, 2023	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ 171,698	\$ 872,512	\$ 3,716,892	\$ 11,989,629	\$ 83,893,479	\$ 100,644,210
Undrawn loan commitment	957,522	9,765,910	2,329,406	52,129,894	47,910,733	113,093,465
Standby letters of credit	6,062,842	16,425,941	2,353,442	1,541,003	1,320,269	27,703,497
Guarantee issued	15,767,742	8,587,860	7,403,848	13,572,647	59,791,825	105,123,922
Total	\$ 22,959,804	\$ 35,652,223	\$ 15,803,588	\$ 79,233,173	\$ 192,916,306	\$ 346,565,094

December 31, 2022	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn credit card commitment	\$ 269,795	\$ 1,996,402	\$ 2,115,078	\$ 6,617,694	\$ 86,467,755	\$ 97,466,724
Undrawn loan commitment	1,828,893	1,973,099	4,364,633	63,588,843	43,893,462	115,648,930
Standby letters of credit	6,078,677	14,208,831	3,228,674	2,210,130	2,082,755	27,809,067
Guarantee issued	9,336,544	12,421,111	8,993,659	12,442,831	49,364,330	92,558,475
Total	\$ 17,513,909	\$ 30,599,443	\$ 18,702,044	\$ 84,859,498	\$ 181,808,302	\$ 333,483,196

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 (VaR)

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 cannot 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					
	2023			2022		
	Average	Highest	Lowest	Average	Highest	Lowest
Exchange rate risk	\$ 63,625	\$ 94,408	\$ 21,256	\$ 43,319	\$ 78,535	\$ 8,752
Interest rate risk	180,304	248,215	29,404	118,978	205,528	26,689
Equity risk	14,633	28,610	3,726	14,267	41,161	-
Diversified risk	182,163	238,740	48,117	127,185	229,572	25,144

## 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 cannot 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 other currency + 10% and then report the outcome to the management and Risk Management Committee.

## d) Information of exchange rate risks

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<b>Financial assets</b>			
<b>Monetary items</b>			
AUD	\$ 1,209,000	21.000	\$ 25,388,997
CAD	94,928	23.2200	2,204,237
CNY	7,943,425	4.3280	34,379,142
EUR	683,969	34.0200	23,268,617
GBP	297,060	39.1200	11,620,995
HKD	4,711,167	3.9290	18,510,174
JPY	76,909,573	0.2171	16,697,068
NZD	64,088	19.5000	1,249,718
SGD	82,034	23.3100	1,912,204
USD	9,777,697	30.7050	300,224,180
VND	4,692,539,570	0.0013	5,943,477
ZAR	325,857	1.6570	539,946
PHP	777,588	0.5546	431,251
MOP	92,889	3.8146	354,331
<b>Nonmonetary items</b>			
AUD	2,370,180	21.000	49,773,789
CNY	1,977,384	4.3280	8,558,118
EUR	14,600	34.0200	496,697
GBP	8	39.1200	297
HKD	222,621	3.9290	874,677
SGD	87,229	23.3100	2,033,315
USD	8,950,945	30.7050	274,838,753
ZAR	1,644,672	1.6570	2,725,221
PHP	1,535,103	0.5546	851,368
MOP	87,864	3.8146	335,161
<b>Financial liabilities</b>			
<b>Monetary items</b>			
AUD	2,629,053	21.0000	55,210,120
CAD	94,761	23.2200	2,200,358
CNY	7,934,247	4.3280	34,339,419
EUR	852,645	34.0200	29,006,984
GBP	301,100	39.1200	11,779,040
HKD	2,951,230	3.9290	11,595,383
JPY	171,927,172	0.2171	37,325,389
NZD	58,810	19.5000	1,146,800
SGD	44,356	23.3100	1,033,927
USD	27,194,905	30.7050	835,019,548
VND	4,695,814,697	0.0013	5,947,625
ZAR	2,494,639	1.6570	4,133,616
MOP	66,849	3.8146	255,001
<b>Nonmonetary item</b>			
USD	20,696	30.7050	635,482

	December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<b>Financial assets</b>			
<b>Monetary items</b>			
AUD	\$ 776,362	20.7800	\$ 16,132,809
CAD	74,312	22.6800	1,685,406
CNY	6,016,122	4.4110	26,537,115
EUR	586,333	32.7600	19,208,260
GBP	213,785	37.0700	7,925,023
HKD	4,172,854	3.9400	16,441,044
JPY	74,070,651	0.2321	17,191,798
NZD	50,396	19.4500	980,202
SGD	97,291	22.8700	2,225,040
USD	11,174,845	30.7250	343,347,108
VND	3,600,419,463	0.0013	4,687,098
ZAR	141,559	1.8090	256,080
PHP	876,008	0.5513	482,943
<b>Nonmonetary items</b>			
AUD	1,963,094	20.7800	40,793,098
CNY	2,547,506	4.4110	11,237,050
HKD	189,098	3.9400	745,045
SGD	125,193	22.8700	2,863,154
USD	7,871,822	30.7250	241,861,737
ZAR	1,644,276	1.8090	2,974,495
PHP	1,522,368	0.5513	839,282
MOP	69,334	3.8252	265,217
<b>Financial liabilities</b>			
<b>Monetary items</b>			
AUD	2,441,912	20.7800	50,742,932
CAD	72,706	22.6800	1,648,976
CNY	6,592,432	4.4110	29,079,217
EUR	631,229	32.7600	20,679,057
GBP	207,449	37.0700	7,690,138
HKD	3,069,232	3.9400	12,092,774
JPY	119,992,303	0.2321	27,850,213
NZD	51,593	19.4500	1,003,490
SGD	55,651	22.8700	1,272,730
USD	24,139,390	30.7250	741,682,743
VND	3,606,922,372	0.0013	4,695,564
ZAR	2,095,303	1.8090	3,790,403
<b>Nonmonetary item</b>			
USD	14,762	30.7250	453,568

## 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. And the “LIBOR Conversion Special Committee” has been established and “LIBOR Exit Conversion The Planning Working Group” promotes the implementation of the response plan. Given that LIBOR in each currency has been exited on June 30, 2023. As of December 31, 2023, 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, 2023, 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		
Bonds held-financial assets at FVTOCI	\$	3,346,845
Bonds held-debt instruments at amortized cost		460,575
Non-derivative financial assets affected by interest rate benchmark reform	\$	3,807,420

The postponed announcement of the benchmark reform on investments in debt instruments is mainly attributable to part of bond issuers in consideration of the fact that the ICE Benchmark Administration will provide the U.S. Dollar Synthetic LIBOR for a corresponding period until September 2024. The Company has confirmed the alternative interest rate benchmark applicable for post-reform of LIBOR with counterparties on their affected contracts whose conversion process is expected to be close on the next repricing date.

## 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 cannot 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, 2023				
	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 FVTPL	\$ 1,940,000	\$ 1,938,466	\$ 1,940,000	\$ 1,938,466	\$ 1,534
Financial assets at FVOCI	62,656,841	53,985,455	56,439,050	54,291,930	2,147,120
Amortized cost - debt instruments	34,939,132	33,081,521	33,165,514	32,953,214	212,300

Category of Financial Asset	December 31, 2022				
	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 FVTPL	\$ 3,794,718	\$ 3,788,458	\$ 3,794,718	\$ 3,788,458	\$ 6,260
Financial assets at FVOCI	11,205,079	9,689,169	9,932,639	9,622,612	310,027
Amortized cost - debt instruments	25,584,603	24,658,270	24,251,993	24,658,270	( 406,277)

## 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, 2023

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	\$ 5,368,328	\$ -	\$ 5,368,328	\$ 2,765,908	\$ 1,058,401	\$ 1,544,019
Securities purchased under agreements of resell	2,000,000	-	2,000,000	2,000,000	-	-

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	\$ 8,578,517	\$ -	\$ 8,578,517	\$ 2,765,908	\$ 1,894,499	\$ 3,918,111
Securities sold under repurchase agreements	89,005,442	-	89,005,442	99,535,973	-	( 10,530,531)

## December 31, 2022

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	\$ 15,635,886	\$ -	\$ 15,635,886	\$ 3,958,920	\$ 7,668,038	\$ 11,676,966
Securities purchased under agreements of resell	1,550,000	-	1,550,000	1,550,000	-	-

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	\$ 6,197,233	\$ -	\$ 6,197,233	\$ 3,958,920	\$ 594,528	\$ 1,643,785
Securities sold under repurchase agreements	38,135,897	-	38,135,897	40,584,400	798,727	( 3,247,230)

Note: Including netting settlement agreement and non-cash financial collaterals.

## c. HNSC and its subsidiaries

- Financial risk management objectives and policies

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, liquidity risk and operational risks.

HNSC and its subsidiaries seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. To achieve reasonable identification, assessment, monitoring and the management purpose of controlling various types of risks.

## 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:

- 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
- 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, 2023			December 31	
	Average	Min	Max	2023	2022
Equity risk	\$ 74,838	\$ 35,226	\$ 120,877	\$ 62,046	\$ 34,212
Interest risk	28,159	22,193	33,408	28,976	23,675
Exchange rate risk	45,948	34,210	57,976	55,503	33,790
Volatility risk	219	9	509	204	186
Risk diversification	( 71,860)	-	-	( 83,769)	( 53,284)
Sum of risk level after risk diversification	\$ 77,305			\$ 62,960	\$ 38,579

(In Thousands of New Taiwan Dollars)

Historic Risk Value (Daily Risk Level in 99% Confidence Level)	For the Year Ended December 31, 2022			December 31	
	Average	Min	Max	2022	2021
Equity risk	\$ 42,419	\$ 26,235	\$ 84,566	\$ 34,212	\$ 38,113
Interest risk	22,544	9,952	29,817	23,675	10,526
Exchange rate risk	27,490	18,336	35,516	33,790	18,653
Volatility risk	136	4	761	186	746
Risk diversification	( 55,273)			( 53,284)	( 33,864)
Sum of risk level after risk diversification	\$ 37,316			\$ 38,579	\$ 34,174

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 equity security, 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	
	2023	2022
Profit or loss	\$ (218,600)*	\$ (128,310)*

\* 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 218,600

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	
	2023	2022
Fair value interest rate risk		
Financial assets (Note 1)	\$ 22,247,571	\$ 18,086,953
Financial liabilities (Note 2)	37,205,973	26,517,323
Cash flow interest rate risk		
Financial assets	1,069,287	940,440

Note 1: Includes fixed interest rate time deposit, commercial paper, operating deposits and all bonds.

Note 2: Includes short-term debts, commercial paper payable, bonds sold under repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, refundable bonds, securities lending refundable deposits and corporate bonds payable.

### 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, 2023 and 2022 would decrease by \$531,839 and \$381,524, 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, 2023 and 2022 would increase/decrease by \$10,693 and \$9,404, 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, 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 \$113,561 as a whole measured at FVTPL and \$207,297 in investments through other comprehensive income due to fair value fluctuations on December 31, 2023.

If equity price dropped by 15%, the market value would decrease by \$38,168 as a whole measured mandatorily at FVTPL and \$19,251 in investments at FVTOCI due to fair value fluctuations on December 31, 2022.

## 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 Group's consolidated balance sheet:

### December 31, 2023

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Margin loans receivable	\$ 16,945,261	\$ 16,945,261
Refinancing deposit receivable	8,726	8,726
Securities lending receivable customers margin account	2,246,390	2,246,390

### December 31, 2022

	Maximum Exposure to Credit Risk Mitigated by	
	Collateral	Total
<u>Balance sheet items</u>		
Margin loans receivable	\$ 10,628,613	\$ 10,628,613
Refinancing deposit receivable	4,863	4,863
Securities lending receivable customers margin account	1,460,360	1,460,360

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, 2023 and 2022.

## 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, 2023

	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	\$ 14,019,048	\$ -	\$ 839,681	\$ 319,928	\$ 133,179
Lease liabilities	5,033	10,119	42,073	92,178	-
Floating interest rate instruments	5,404,296	-	-	-	-
Fixed interest rate instruments	23,720,914	1,002,777	9,817,695	2,850,820	-
	<u>\$ 43,149,291</u>	<u>\$ 1,012,896</u>	<u>\$ 10,699,449</u>	<u>\$ 3,262,926</u>	<u>\$ 133,179</u>

December 31, 2022

	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	\$ 7,239,370	\$ 760	\$ 742,882	\$ 296,517	\$ 104,216
Lease liabilities	5,225	10,455	38,162	83,333	-
Floating interest rate instruments	4,564,474	-	-	-	-
Fixed interest rate instruments	9,211,536	2,903,729	11,443,350	3,071,467	-
	<u>\$ 21,020,605</u>	<u>\$ 2,914,944</u>	<u>\$ 12,224,394</u>	<u>\$ 3,451,317</u>	<u>\$ 104,216</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, 2023

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Exchange rate swap	\$ 7,610	\$ -	\$ -	\$ -
Net cash outflow	<u>\$ 7,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## December 31, 2022

	Requested Immediate Payment or Less than One Month	One to Three Months	Three Months to One Year	One Year to Five Years
<u>Net delivery</u>				
Exchange rate swap	\$( 1,187)	\$( 2,972)	\$ -	\$ -
Net cash outflow	\$( 1,187)	\$( 2,972)	\$ -	\$ -

## b) Finance facilities

	December 31	
	2023	2022
Nonguaranteed bank facilities		
Drawn amount	\$ 8,980,000	\$ 540,000
Undrawn amount	13,922,350	20,762,350
	<u>\$ 22,902,350</u>	<u>\$ 21,302,350</u>
Guaranteed bank facilities		
Drawn amount	\$ 1,420,000	\$ -
Undrawn amount	2,427,650	3,847,650
	<u>\$ 3,847,650</u>	<u>\$ 3,847,650</u>

## c) Transfers of financial assets

The transferred financial assets of the Group 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 Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Group still bear the interest rate risk and credit risk thus, the Group 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, 2023				
	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	\$ 20,399,559	\$ 20,098,477	\$ 20,399,559	\$ 20,098,477	\$ 301,082

Category of Financial Asset	December 31, 2022				
	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	\$ 15,223,970	\$ 15,225,308	\$ 15,223,970	\$ 15,225,308	\$( 1,338)



## 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 FVOCI.

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, 2023	December 31, 2022
Risk level of trading book	\$ 73	\$ 8
Risk level of non-trading book	206,341	433,231

## 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 reinsurance, 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	
	2023	2022
Profit or loss	\$ (26,929)	\$ (16,237)

	CNY Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss	\$ (81)	\$ (107)

	EUR Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss	\$ (76)	\$ (51)

The source of the risk are from outstanding and non-cash flow hedged foreign deposits, financial assets and reinsurance of SCIC on balance sheet date.

The current period USD sensitivity level of SCIC increases due to increase investments in USD. The current period CNY sensitivity level of SCIC decreases due to decrease 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, 2023

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$ 204,239	30.71	\$ 6,272,159
CNY	1,476	4.33	6,391
EUR	14,191	33.98	482,176
<u>Financial liabilities</u>			
Monetary items			
USD	674	30.71	20,707

December 31, 2022

	Foreign Currencies	Exchange Rate	Book Value
<u>Financial assets</u>			
Monetary items			
USD	\$ 168,939	30.71	\$ 5,188,135
CNY	1,184	4.41	5,222
EUR	13,961	32.72	456,773
<u>Financial liabilities</u>			
Monetary items			
USD	616	30.71	18,910

## 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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 8,306,152	\$ 7,310,003
Cash flow interest rate risk		
Financial assets	1,762,103	2,145,799

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 \$176 for the year ended December 31, 2023 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 30, 2022 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 \$104 in the FVTPL due to fair value fluctuations; other comprehensive income would increase/decrease by \$80,270 for the year ended December 31, 2023.

If equity price increase/decrease by 1%, the income before tax would increase/decrease by \$55 in the FVTPL due to fair value fluctuations; other comprehensive income would increase/decrease by \$65,024 for the year ended December 31, 2022.

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, 2023

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.1108%	0.0558%	(Note)	0.0000%-0.0098%
Gross carrying amount	\$ 169,952	\$ 151,278	\$ 117,687	\$ 108,887
Impairment under IFRS 9	188	84	-	2
Differences in Impairments According to Law	821	4,891	588	1,631
Allowance loss	\$ 1,009	\$ 4,975	\$ 588	\$ 1,633

December 31, 2022

	Notes Receivable	Premiums Receivable	Other Receivable	Loans
Expected loss rate	0.1083%	0.0558%	(Note)	0.0009%-0.0250%
Gross carrying amount	\$ 158,643	\$ 199,984	\$ 112,706	\$ 170,780
Impairment under IFRS 9	172	112	-	19
Differences in Impairments According to Law	783	1,825	564	2,543
Allowance loss	\$ 955	\$ 1,937	\$ 564	\$ 2,562

Note: As of December 31, 2023 and 2022, 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, 2023

	Notes Receivable	Premiums Receivable	Indemnity Refundable on Reinsurance Ceded	Refundable Reinsurance	Other Receivable	Loans
Balance, January 1	\$ 955	\$ 1,937	\$ 2,926	\$ 10,133	\$ 564	\$ 2,562
Provision	54	3,837	999	25,175	24	-
Less: Amounts reversed	-	-	-	-	-	( 929)
Less: Amount written off	-	( 799)	-	-	-	-
Allowance loss	\$ 1,009	\$ 4,975	\$ 3,925	\$ 35,308	\$ 588	\$ 1,633

December 31, 2022

	Notes Receivable	Premiums Receivable	Indemnity Refundable on Reinsurance Ceded	Refundable Reinsurance	Other Receivable	Loans
Balance, January 1	\$ 674	\$ 5,546	\$ 2,380	\$ 9,499	\$ 666	\$ 3,303
Provision	281	-	546	634	-	-
Less: Amounts reversed	-	( 2,068)	-	-	( 102)	( 741)
Less: Amount written off	-	( 1,541)	-	-	-	-
Allowance loss	\$ 955	\$ 1,937	\$ 2,926	\$ 10,133	\$ 564	\$ 2,562

## 4) Liquidity risk

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.

Table of liquidity and interest rate risk of non-derivatives financial 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, 2023

	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	\$ -	\$ 1,483,366	\$ 607,585	\$ 16,735	\$ 320
Lease liabilities	2,559	4,888	19,752	35,518	8,742
	<u>\$ 2,559</u>	<u>\$ 1,488,254</u>	<u>\$ 627,337</u>	<u>\$ 52,253</u>	<u>\$ 9,062</u>

December 31, 2022

	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	\$ 288	\$ 220,135	\$ 598,345	\$ 17,277	\$ -
Lease liabilities	2,378	4,717	19,404	36,932	390
	<u>\$ 2,666</u>	<u>\$ 224,852</u>	<u>\$ 617,749</u>	<u>\$ 54,209</u>	<u>\$ 390</u>

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, 2023

	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	\$ 29,148	\$( 5,473)	\$ -	\$ -
<u>Gross delivery</u>				
<u>Currency swap</u>				
Inflow	\$ 1,813,197	\$ 1,746,206	\$ -	\$ -
Outflow	( 1,827,073)	( 1,711,853)	-	-
	<u>\$( 13,876)</u>	<u>\$ 34,353</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	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	\$ -	\$ 2,047	\$ -	\$ -
<u>Gross delivery</u>				
<u>Currency swap</u>				
Inflow	\$ 2,868,082	\$ 1,455,325	\$ -	\$ -
Outflow	( 2,858,365)	( 1,451,563)	-	-
	<u>\$ 9,717</u>	<u>\$ 3,762</u>	<u>\$ -</u>	<u>\$ -</u>

## e. HNIT

Financial risk management objectives and policies

HNIT's major financial instruments include cash and cash equivalents, investments in equity instruments at FVTOCI, account receivables, loans, lease liabilities and short-term bills. 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.

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	
	2023	2022
Cash flow interest rate risk		
Financial assets	\$ 48,338	\$ 16,432
Financial liabilities	325,000	299,847

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 \$553 and \$567 for the years ended December 31, 2023 and 2022 due to the interest rate risk exposure derived from demand deposits and floating rate loans.

## 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, 2023 and 2022.

## 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, 2023

	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	\$ 1,572	\$ 274	\$ 466	\$ 3,919
Lease liabilities	64	128	576	1,049
Floating interest instrument	<u>92</u>	<u>325,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,728</u>	<u>\$ 325,402</u>	<u>\$ 1,042</u>	<u>\$ 4,968</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 768</u>	<u>\$ 1,049</u>

December 31, 2022

	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	\$ 1,873	\$ 921	\$ 4,048	\$ -
Lease liabilities	27	34	42	125
Floating interest instrument	<u>136</u>	<u>299,847</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,036</u>	<u>\$ 300,802</u>	<u>\$ 4,090</u>	<u>\$ 125</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 103</u>	<u>\$ 125</u>

## b) Financing facilities

	December 31	
	2023	2022
<u>Unsecured bank overdraft facility</u>		
Drawn amount	\$ 325,000	\$ 150,000
Undrawn amount	<u>125,000</u>	<u>100,000</u>
	<u>\$ 450,000</u>	<u>\$ 250,000</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	
	2023	2022
Assets		
USD	\$ 7,257	\$ 7,171

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, and the conversion at the end of the year shall be adjusted with 1% of the exchange rate change. 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	
	2023	2022
<u>Profit or loss</u>		
Currency assets		
USD	\$ 73*	\$ 72*

\* It is mainly derived from the USD-denominated bank deposits of HNVC that are still in circulation on the balance sheet date and have not hedged cash flow.

The current period USD sensitivity level of HNCV increases due to increased investments in USD.

## 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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 54,086	\$ -
Financial liabilities	2,347	914
Cash flow interest rate risk		
Financial assets	445,506	315,203

### 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 \$4,455 and \$3,152 for the years ended December 31, 2023 and 2022 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 \$10,714 and \$11,519 in the financial assets at FVTPL due to fair value rise/drop for the years ended December 31, 2023 and 2022.

## 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, 2023

	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	\$ 272	\$ -	\$ -	\$ -
Lease liabilities	148	295	1,329	633
	<u>\$ 420</u>	<u>\$ 295</u>	<u>\$ 1,329</u>	<u>\$ 633</u>

December 31, 2022

	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	\$ 101	\$ -	\$ 100	\$ -
Lease liabilities	148	295	114	380
	<u>\$ 249</u>	<u>\$ 295</u>	<u>\$ 214</u>	<u>\$ 380</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 and other price risk.

## 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	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 3,378,421	\$ 2,512,197
Cash flow interest rate risk		
Financial assets	53,761	10,397
Financial liabilities	920,000	1,016,000

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 HNAMEC would increase/decrease \$866 for the year ended December 31, 2023 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 by \$1,006 for the year ended December 31, 2022 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, 2023 and 2022 would have increased/decreased by \$88 and \$98, 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.

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, 2023, 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, 2023 and 2022.

## 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, 2023

	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	\$ 1,980	\$ 3,370	\$ 26,598	\$ 61,398	\$ -
Variable interest rate liabilities	166,220	2,240	408,919	363,602	-
Fixed interest rate liabilities	3,384,067	-	-	-	-
Lease liabilities	811	1,621	7,219	18,383	182,380
	<u>\$ 3,553,078</u>	<u>\$ 7,231</u>	<u>\$ 442,736</u>	<u>\$ 443,383</u>	<u>\$ 182,380</u>

December 31, 2022

	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	\$ 935	\$ 3,655	\$ 191	\$ 47,375	\$ -
Variable interest rate liabilities	1,415	451,609	22,524	555,249	-
Fixed interest rate liabilities	3,067	2,497,038	276	20,895	-
Lease liabilities	808	1,616	4,411	8,751	184,169
	<u>\$ 6,225</u>	<u>\$ 2,953,918</u>	<u>\$ 27,402</u>	<u>\$ 632,270</u>	<u>\$ 184,169</u>

## b) Financing facilities

	December 31	
	2023	2022
Unsecured bank overdraft facilities		
Drawn amount	\$ 4,301,000	\$ 3,532,000
Undrawn amount	<u>4,549,000</u>	<u>5,418,000</u>
	<u>\$ 8,850,000</u>	<u>\$ 8,950,000</u>
Secured bank overdraft facilities		
Undrawn amount	<u>\$ 600,000</u>	<u>\$ 600,000</u>

## 52. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

**Principle of Capital Management**

To maintain sufficient eligible capital and withstand the possible losses, the Group 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 Group are capable of developing countermeasures in a timely manner.



## Group's Capital Adequacy Rate

(In Thousands of New Taiwan Dollars; %)

December 31, 2023				
Companies	Items	Percentage of Ownership	The Group's Net Eligible Capital	The Group's Statutory Capital Requirement
Financial Holdings Co., Ltd.		100%	\$ 218,003,947	\$ 253,410,336
Commercial Bank Ltd.		100%	292,756,825	212,602,260
Securities Corp.		100%	11,354,438	5,710,775
Insurance Corp.		100%	7,082,520	3,175,662
Investment Trust Corp.		100%	1,841,102	924,915
Others		100%	1,512,983	3,337,067
Deduction			253,390,169	251,773,982
Total			(A) 279,161,646	(B) 227,387,033
Group capital adequacy ratio (C) = (A) ÷ (B)				122.77%

(In Thousands of New Taiwan Dollars; %)

December 31, 2022				
Companies	Items	Percentage of Ownership	The Group's Net Eligible Capital	The Group's Statutory Capital Requirement
Financial Holdings Co Ltd		100%	\$ 196,017,010	\$ 223,471,321
Commercial Bank Ltd		100%	268,511,624	192,535,143
Securities Corp		100%	10,666,716	4,110,645
Insurance Corp		100%	5,901,889	3,081,696
Investment Trust Corp		100%	1,760,595	886,161
Others		100%	1,622,792	2,952,257
Deduction			225,174,037	222,229,603
Total			(A) 259,306,589	(B) 204,807,620
Group capital adequacy ratio (C) = (A) ÷ (B)				126.61%

## Financial Holding Company's Net Eligible Capital

(In Thousands of New Taiwan Dollars)

December 31, 2023	
Item	Amount
Common stock	\$ 136,427,459
Unaccumulated preferred stocks which meet Tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-
Other preferred stocks and subordinated debts	10,200,000
Stock dividends to be distributed	-
Capital surplus	17,761,804
Legal reserve	22,273,772
Special reserve	18,503,358
Unappropriated earnings	23,117,999
Equity adjustments	( 10,274,310)
Less: Goodwill and intangible assets	( 3,327)
Less: Deferred assets	( 2,808)
Less: Treasury stock	-
Total net eligible capital	218,003,947

(In Thousands of New Taiwan Dollars)

December 31, 2022	
Item	Amount
Common stock	\$ 136,427,459
Unaccumulated preferred stocks which meet Tier 1 capital requirement and unaccumulated subordinated debts with no maturity date	-
Other preferred stocks and subordinated debts	11,200,000
Stock dividends to be distributed	-
Capital surplus	17,758,986
Legal reserve	20,380,779
Special reserve	6,471,594
Unappropriated earnings	22,023,668
Equity adjustments	( 18,237,555)
Less: Goodwill and intangible assets	( 5,113)
Less: Deferred assets	( 2,808)
Less: Treasury stock	-
Total net eligible capital	196,017,010

### 53. 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	
	2023	2022
Trust assets		
Bank deposits	\$ 24,119,491	\$ 22,667,008
Bonds	30,051,061	21,409,186
Shares	10,585,001	9,765,832
Mutual funds	187,703,645	181,874,454
Real estate, net	89,202,041	67,573,793
Custodial securities	<u>839,736,649</u>	<u>598,535,526</u>
Total trust assets	<u>\$ 1,181,397,888</u>	<u>\$ 901,825,799</u>
Trust liabilities		
Other liabilities	\$ 39	\$ 40
Custodial securities payable	839,736,649	598,535,526
Trust capital		
Monetary trust	237,818,241	222,028,583
Securities trust	7,865,803	7,107,154
Real estate trust	96,435,598	73,995,895
Accumulated deficit	( 1,293,572)	( 814,025)
Net income	<u>835,130</u>	<u>972,626</u>
Total trust liabilities	<u>\$ 1,181,397,888</u>	<u>\$ 901,825,799</u>

Note: Trust accounts including OBU's foreign currency mutual funds that Invested in foreign securities amounted to \$5,046,052 as of December 31, 2023. Additionally, foreign currency mutual funds that invested in domestic securities amounted to \$614,440 as of December 31, 2023. Trust accounts including OBU's foreign currency mutual funds that Invested in foreign securities amounted to \$4,848,738 as of December 31, 2022. Additionally, foreign currency mutual funds that invested in domestic securities amounted to \$675,823 as of December 31, 2022.

**Trust Properties of Trust Accounts**

	December 31	
	2023	2022
Investment portfolio		
Bank deposits	\$ 24,119,491	\$ 22,667,008
Bonds	30,051,061	21,409,186
Shares	10,585,001	9,765,832
Mutual funds	187,703,645	181,874,454
Real estate, net		
Land	58,896,479	49,133,079
Building	11,566	13,183
Construction in progress	30,293,996	18,427,531
Custodial securities	<u>839,736,649</u>	<u>598,535,526</u>
	<u>\$ 1,181,397,888</u>	<u>\$ 901,825,799</u>

**Trust Income Statements**

Item	For the Year Ended December 31	
	2023	2022
Trust income		
Interest revenue	\$ 175,362	\$ 86,754
Rental income	4,260	4,311
Cash dividends	258,406	547,168
Realized investment income - shares	2	1,480
Realized investment income - mutual funds	4,484	1,614
Income apportion from beneficiary certificates	17,393	14,070
Cash dividends from capital surplus	90	134
Other income	<u>495,876</u>	<u>380,829</u>
Total trust income	<u>955,873</u>	<u>1,036,360</u>
Trust expenses		
Administrative expenses	45,797	28,772
Inspection expenses	1,021	1,565
Tax expenses	4,845	5,029
Interest expense	1	-
Health insurance fees	3,314	2,817
Custody fees	5	4
Realized investment loss - bonds	30,254	-
Realized investment loss - shares	47	11
Realized investment loss - mutual funds	8,276	8,255
Income tax expenses	7,671	2,162
Other expenses	<u>19,512</u>	<u>15,119</u>
Total trust expenses	<u>120,743</u>	<u>63,734</u>
Net income	<u>\$ 835,130</u>	<u>\$ 972,626</u>

## 54. PUBLIC ANNOUNCEMENTS PRESCRIBED IN ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT: TABLE 17.

## 55. COLLABORATIVE MARKETING

HNCB, HNSC, SCIC, HNIT, HNVC, HNAME and HNFC signed an agreement and the term of the agreement was from January 2023 to December 2023 (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 HNFH’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.

In addition, HNCB also signed into a commission agreement with the Company, HNSC, SCIC, HNIT, HNVC and HNAME in July 2005. Cooperation projects include system planning, construction, management, and cost sharing of information equipment used jointly for the purpose of joint management or business promotion.

Accordingly, for the years ended December 31, 2023 and 2022, HNCB paid HNSC and its subsidiaries \$150,501, \$151,939; HNSC and its subsidiaries paid HNCB \$67,872, \$62,910 for business promotion and infrastructures sharing. For the years ended December 31, 2023 and 2022, SCIC paid HNCB \$97,924, \$95,612; HNCB paid SCIC \$472, \$322 for the remuneration. For the years ended December 31, 2023 and 2022, HNIT paid HNCB \$12,718, \$9,065. For the years ended December 31, 2023 and 2022, HNVC paid HNCB \$237, \$223 for the remuneration. For the years ended December 31, 2023 and 2022, HNAME paid HNCB \$13, \$314 for the remuneration.

## 56. SEGMENT INFORMATION

	For the Year Ended December 31, 2023				
	Bank Division	Securities Division	Insurance Division	Other Divisions	Consolidation
Net interest income (loss)	\$ 27,755,626	\$ 604,291	\$ 184,597	\$( 676,566)	\$ 27,867,948
Net non-interest income	23,893,736	4,187,030	2,974,483	544,250	31,599,499
Net income	51,649,362	4,791,321	3,159,080	( 132,316)	59,467,447
Allowance for doubtful accounts, commitments and guarantees	( 2,254,527)	( 5,995)	( 29,160)	( 4,452)	( 2,294,134)
Change in provisions for insurance liabilities, net	-	-	( 187,812)	-	( 187,812)
Operating expenses	( 24,970,581)	( 3,079,546)	( 1,872,023)	( 868,046)	( 30,790,196)
Net profit (loss) before income tax from continuing operations	24,424,254	1,705,780	1,070,085	( 1,004,814)	26,195,305
Income tax expenses	( 4,432,790)	( 280,452)	( 97,768)	234,125	( 4,576,885)
Net profit (loss) from continuing operations	\$ 19,991,464	\$ 1,425,328	\$ 972,317	\$( 770,689)	\$ 21,618,420

	For the Year Ended December 31, 2022				
	Bank Division	Securities Division	Insurance Division	Other Divisions	Consolidation
Net interest income (loss)	\$ 32,644,719	\$ 756,076	\$ 158,414	\$( 381,518)	\$ 33,177,691
Net non-interest income	13,705,246	3,335,569	3,177,996	270,250	20,489,561
Net income	46,349,965	4,091,645	3,336,410	( 111,268)	53,666,252
Allowance for doubtful accounts, commitments and guarantees	( 3,332,898)	( 10,469)	1,450	30,149	( 3,311,768)
Change in provisions for insurance liabilities, net	-	-	( 1,095,681)	-	( 1,095,681)
Operating expenses	( 22,999,864)	( 2,794,029)	( 1,650,711)	( 821,708)	( 28,266,812)
Net profit (loss) before income tax from continuing operations	20,017,203	1,287,147	591,468	( 902,827)	20,992,991
Income tax expenses	( 3,331,319)	( 271,136)	( 81,867)	198	( 3,684,520)
Net profit (loss) from continuing operations	\$ 16,685,884	\$ 1,016,011	\$ 509,601	\$( 903,025)	\$ 17,308,471

## 57. FINANCIAL STATEMENTS OF HUA NAN FINANCIAL HOLDINGS CO., LTD.

Hua Nan Financial Holdings Co., Ltd.

Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 376,150	\$ 7,373,577
Financial assets at fair value through other comprehensive income	1,363,092	1,089,593
Receivables, net	41,064	77,229
Current tax assets	3,028,701	3,092,970
Investments accounted for using equity method, net	251,773,982	222,229,603
Property and equipment, net	2,397	2,250
Right-of-use assets	229,801	72,446
Intangible assets, net	3,327	5,113
Deferred tax assets	2,808	2,808
Other assets, net	-	200
<b>Total</b>	<b>\$ 256,821,322</b>	<b>\$ 233,945,789</b>
<b>Liabilities</b>		
Commercial paper payable, net	\$ 24,250,017	\$ 17,357,504
Payables	2,463,820	2,498,908
Current tax liabilities	2,835,200	2,965,014
Bonds payable	19,186,915	26,184,626
Provision	42,397	40,962
Lease liabilities	232,214	73,167
Other liabilities	677	677
<b>Total liabilities</b>	<b>49,011,240</b>	<b>49,120,858</b>
<b>Equity</b>		
Share capital		
Ordinary shares	136,427,459	136,427,459
Capital surplus	17,761,804	17,758,986
Retained earnings		
Legal reserve	22,273,772	20,380,779
Special reserve	18,503,358	6,471,594
Unappropriated earnings	23,117,999	22,023,668
<b>Total retained earnings</b>	<b>63,895,129</b>	<b>48,876,041</b>
Other equity		
Exchange differences on translating the financial statements of foreign operations	( 619,865)	( 292,639)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	10,697,410	8,570,902
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	( 20,563,285)	( 26,224,250)
Unrealized gain (loss) on other comprehensive income reclassified by overlay approach	211,430	( 291,568)
<b>Total other equity</b>	<b>( 10,274,31)</b>	<b>( 18,237,555)</b>
<b>Total equity</b>	<b>207,810,082</b>	<b>184,824,931</b>
<b>Total</b>	<b>\$ 256,821,322</b>	<b>\$ 233,945,789</b>

Hua Nan Financial Holdings Co., Ltd.  
Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

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

	2023	2022
<b>REVENUES</b>		
Interest revenue	\$ 8,603	\$ 5,413
Share of profit of subsidiaries and associates	22,572,136	18,202,679
Other non-interest income, net	33,607	31,099
Total revenues	22,614,346	18,239,191
<b>OPERATING EXPENSES AND LOSSES</b>		
Interest expenses	( 643,871)	( 349,280)
Employee benefits	( 440,171)	( 383,583)
Depreciation and amortization expenses	( 61,545)	( 73,253)
Other operating expenses	( 124,885)	( 132,134)
Total operating expenses and losses	( 1,270,472)	( 938,250)
NET PROFIT BEFORE INCOME TAX	21,343,874	17,300,941
INCOME TAX BENEFIT	274,420	7,402
NET PROFIT FOR THE YEAR	21,618,294	17,308,343
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	1,479	7,824
Share of other comprehensive income or loss of subsidiaries and associates accounted for using the equity method	3,261,126	( 1,847,691)
Gain or loss on equity instruments at fair value through other comprehensive income	273,499	( 147,873)
Income tax of items that will not be reclassified subsequently to profit or loss	40,419	( 157,745)
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	5,886,868	( 20,888,606)
Income tax relating to items that may be reclassified subsequently to profit or loss	( 50,131)	137,391
Total other comprehensive income (loss) for the year	9,413,260	( 22,896,700)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 31,031,554	\$ 5,588,357
<b>EARNINGS PER SHARE</b>		
Basic and diluted	\$ 1.58	\$ 1.27

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Share Capital	Capital Surplus					Retained Earnings	
	Capital Stock	Share Premium	Treasury Stock	Donated Assets	Others	Total	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2022	\$ 131,941,450	\$ 17,702,376	\$ 52,349	\$ 2,936	\$ 1,325	\$ 17,758,986	\$ 18,593,434	\$ 6,471,594
Appropriation of 2021 earnings								
Legal reserve	-	-	-	-	-	-	1,787,345	-
Cash dividends	-	-	-	-	-	-	-	-
Stock dividends	4,486,009	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	136,427,459	17,702,376	52,349	2,936	1,325	17,758,986	20,380,779	6,471,594
Appropriation of 2021 earnings								
Legal reserve	-	-	-	-	-	-	1,892,993	-
Special reserve	-	-	-	-	-	-	-	12,031,764
Cash dividends	-	-	-	-	-	-	-	-
Changes in equity of investment in associates and joint ventures accounted for using equity method	-	-	-	-	2,818	2,818	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	<u>\$ 136,427,459</u>	<u>\$ 17,702,376</u>	<u>\$ 52,349</u>	<u>\$ 2,936</u>	<u>\$ 4,143</u>	<u>\$ 17,761,804</u>	<u>\$ 22,273,772</u>	<u>\$ 18,503,358</u>



(In Thousands of New Taiwan Dollars)

Retained Earnings		Other Equity				Total Equity
Unappropriated Earnings	Overlay Approach	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	
\$ 19,658,539	\$ 44,723,567	\$( 3,691,240)	\$ 12,337,960	\$( 2,676,360)	\$ 310,358	\$ 200,704,721
( 1,787,345)	-	-	-	-	-	-
( 10,291,433)	( 10,291,433)	-	-	-	-	( 10,291,433)
( 4,486,009)	( 4,486,009)	-	-	-	-	-
17,308,343	17,308,343	-	-	-	-	-
638,804	638,804	3,398,601	( 2,784,289)	( 23,547,890)	( 601,926)	( 22,896,700)
17,947,147	17,947,147	3,398,601	( 2,784,289)	( 23,547,890)	( 601,926)	( 5,588,357)
982,769	982,769	-	( 982,769)	-	-	-
22,023,668	48,876,041	( 292,639)	8,570,902	( 26,224,250)	( 291,568)	184,824,931
( 1,892,993)	-	-	-	-	-	-
( 12,031,764)	-	-	-	-	-	-
( 8,049,221)	( 8,049,221)	-	-	-	-	( 8,049,221)
-	-	-	-	-	-	2,818
21,618,294	21,618,294	-	-	-	-	21,618,294
( 160,197)	( 160,197)	( 327,226)	3,736,720	5,660,965	502,998	9,413,260
21,458,097	21,458,097	( 327,226)	3,736,720	5,660,965	502,998	31,031,554
1,610,212	1,610,212	-	( 1,610,212)	-	-	-
\$ 23,117,999	\$ 63,895,129	\$( 619,865)	\$ 10,697,410	\$( 20,563,285)	\$ 211,430	\$ 207,810,082

Hua Nan Financial Holdings Co., Ltd.  
Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 21,343,874	\$ 17,300,941
Adjustments for		
Depreciation expenses	59,697	71,423
Amortization expenses	1,848	1,830
Interest expenses	643,871	349,280
Interest income	( 8,603)	( 5,413)
Dividend income	( 44,066)	( 38,179)
Share of profit of subsidiaries and associates accounted for using the equity method	( 22,572,136)	( 18,202,679)
Gain on change in leasing contracts	( 68)	( 21)
Changes in operating assets and liabilities		
Decrease in receivables	35,098	59,745
Increase in payables	235,160	145,854
Increase (decrease) in provisions	2,914	( 9,456)
Interest received	9,670	4,278
Dividend received	2,212,923	4,497,822
Interest paid	( 712,058)	( 384,647)
Income tax paid	( 24,777)	( 508)
Net cash generated from operating activities	<u>1,183,347</u>	<u>3,790,270</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	( 1,196)	( 1,453)
Acquisition of intangible assets	( 62)	( 311)
Decrease in other assets	<u>200</u>	<u>-</u>
Net cash used in investing activities	<u>( 1,058)</u>	<u>( 1,764)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payables	6,900,000	4,300,000
Proceeds from corporate debentures	-	9,200,000
Repayments of corporate bonds	( 7,000,000)	-
Repayment of the principal portion of lease liabilities	( 56,888)	( 59,918)
Cash dividends paid	<u>( 8,022,828)</u>	<u>( 10,259,126)</u>
Net cash (used in) generated from financing activities	<u>( 8,179,716)</u>	<u>3,180,956</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	( 6,997,427)	6,969,462
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,373,577</u>	<u>404,115</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 376,150</u>	<u>\$ 7,373,577</u>

## 58. SUBSIDIARIES' CONDENSED FINANCIAL STATEMENTS

## a. Condensed balance sheets

Hua Nan Commercial Bank, Ltd.

Condensed Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	2023	2022
Cash and cash equivalents	\$ 36,799,731	\$ 54,123,121
Due from the Central Bank and other banks	245,757,463	238,125,369
Financial assets at fair value through profit or loss	107,107,128	82,284,138
Financial assets at fair value through other comprehensive income	351,840,499	337,248,448
Investments in debt instruments at amortized, net	685,304,417	714,672,438
Securities purchase under resell agreements	2,000,000	1,550,000
Receivables, net	32,067,373	26,114,160
Current tax assets	308,193	82,741
Discounts and loans, net	2,243,344,436	2,037,251,541
Investments accounted for using equity method, net	1,518,821	1,544,495
Other financial assets, net	8,740,709	9,179,092
Property and equipment, net	27,700,106	29,649,458
Right-of-use assets, net	2,079,442	1,822,306
Investment properties, net	11,665,462	8,999,292
Intangible assets, net	531,146	658,364
Deferred tax assets	3,374,792	3,485,859
Other assets, net	2,756,925	2,239,042
Total	\$ 3,762,896,643	\$ 3,549,029,864

Liabilities	2023	2022
Deposits from the Central Bank and banks	\$ 190,550,622	\$ 182,391,496
Financial liabilities at fair value through profit or loss	8,578,517	6,197,233
Securities sold under repurchase agreements	89,005,442	38,135,897
Payables	25,822,391	20,022,477
Current tax liabilities	3,238,156	3,282,353
Deposits and remittances	3,067,662,275	2,953,569,288
Bank debentures	58,900,000	57,900,000
Other financial liabilities	71,772,560	60,509,089
Provisions	7,087,072	6,880,401
Lease liabilities	2,081,672	1,822,464
Deferred tax liabilities	6,020,553	6,011,414
Other liabilities	3,495,090	9,926,321
Total liabilities	3,534,214,350	3,346,648,433
<b>Equity</b>		
Share capital		
Common shares	97,938,000	97,938,000
Capital surplus	37,762,777	37,762,777
Retained earnings	104,832,869	84,566,372
Other equity	( 11,851,353)	( 17,885,718)
Total equity	228,682,293	202,381,431
Total	\$ 3,762,896,643	\$ 3,549,029,864

Hua Nan Securities Co., Ltd.  
Condensed Balance Sheets  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	2023	2022
Current assets	\$ 35,865,950	\$ 22,977,136
Financial assets at fair value through profit or loss current	2,503,444	2,357,982
Financial assets at fair value through other comprehensive income - current	22,723,943	16,613,674
Financial assets at fair value through other comprehensive income - non-current	385,983	362,014
Investments accounted for using equity method	1,198,721	1,176,523
Property and equipment	1,563,826	1,445,483
Right-of-use assets	139,719	127,859
Investment properties	99,939	100,338
Intangible assets	242,190	186,895
Deferred tax assets	34,803	42,365
Other non-current assets	<u>1,083,904</u>	<u>1,123,486</u>
Total	<u>\$ 65,842,422</u>	<u>\$ 46,513,755</u>

Liabilities	2023	2022
Current liabilities	\$ 49,547,607	\$ 31,973,991
Corporate bonds payable	2,500,000	2,500,000
Lease liabilities - current	53,551	50,738
Lease liabilities - non-current	87,968	79,412
Other non-current liabilities	<u>448,303</u>	<u>399,986</u>
Total liabilities	<u>52,637,429</u>	<u>35,004,127</u>
<b>Equity</b>		
Share capital	6,547,743	6,547,743
Capital surplus	503,998	503,998
Retained earnings	5,231,310	4,525,819
Other equity	<u>921,942</u>	<u>(67,932)</u>
Total equity	<u>13,204,993</u>	<u>11,509,628</u>
Total	<u>\$ 65,842,422</u>	<u>\$ 46,513,755</u>

South China Insurance Co., Ltd.  
Condensed Balance Sheets  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	2023	2022
Cash and cash equivalents	\$ 3,473,048	\$ 2,996,654
Receivables	432,345	467,877
Current tax assets	-	3,022
Financial assets at fair value through profit or loss	8,106,879	6,547,095
Financial assets at fair value through other comprehensive income	3,005,194	2,950,314
Investments in debt instruments at amortized cost	1,586,719	1,561,728
Other financial assets	1,624,908	1,522,908
Right-of-use assets	67,969	62,187
Investment properties	61,749	62,091
Loans	107,254	168,218
Reinsurance contracts assets	6,917,297	6,404,284
Property and equipment	912,395	882,119
Intangible assets	93,893	70,799
Deferred tax assets	159,299	202,858
Other assets, net	467,681	476,171
Total	\$ 27,016,630	\$ 24,378,325

Liabilities	2023	2022
Payables	\$ 2,381,887	\$ 1,040,078
Current tax liabilities	93,801	-
Financial liabilities at fair value through profit or loss	36,165	33,402
Reserves of insurance industry	16,173,244	16,634,678
Provisions	193,913	200,233
Lease liabilities	69,286	62,996
Deferred tax liabilities	118,904	113,962
Other liabilities	488,146	405,482
Total liabilities	19,555,346	18,490,831
<b>Equity</b>		
Share capital	2,001,386	2,001,386
Capital surplus	5,278	5,278
Retained earnings	5,521,981	4,609,295
Other equity	(67,361)	(728,465)
Total equity	7,461,284	5,887,494
Total	\$ 27,016,630	\$ 24,378,325

Hua Nan Investment Trust Corp.  
Condensed Balance Sheets  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	2023	2022
Current assets	\$ 63,903	\$ 27,124
Financial assets at fair value through other comprehensive income - non-current	91,414	86,059
Property and equipment	115,287	113,568
Right-of-use assets	1,795	205
Intangible assets	1,994	2,151
Deferred tax assets	226,016	228,967
Other non-current assets	<u>383,298</u>	<u>401,078</u>
Total	<u>\$ 883,707</u>	<u>\$ 859,152</u>

Liabilities	2023	2022
Current liabilities	\$ 505,941	\$ 478,411
Deferred tax liabilities	109	362
Lease liabilities - current	741	102
Lease liabilities - non-current	<u>1,033</u>	<u>104</u>
Total liabilities	<u>507,824</u>	<u>478,979</u>
<b>Equity</b>		
Share capital	308,399	308,399
Capital surplus	3,113	3,112
Accumulated deficits	( 17,609)	( 7,963)
Other equity	<u>81,980</u>	<u>76,625</u>
Total equity	<u>375,883</u>	<u>380,173</u>
Total	<u>\$ 883,707</u>	<u>\$ 859,152</u>

Hua Nan Venture Capital Co., Ltd.  
Condensed Balance Sheets  
December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	2023	2022
Current assets	\$ 501,074	\$ 336,679
Financial assets at fair value through profit or loss - current	140,867	142,133
Financial assets at fair value through profit or loss - non-current	930,490	1,009,792
Investments accounted for using equity method	274,157	281,794
Property and equipment	298	317
Right-of-use assets	2,317	907
Intangible assets	53	87
Deferred tax assets	73	71
Other non-current assets	520	541
Total	\$ 1,849,849	\$ 1,772,321

Liabilities	2023	2022
Current liabilities	\$ 4,794	\$ 9,231
Lease liabilities - current	1,721	545
Deferred tax liabilities	1	2
Lease liabilities - non-current	627	369
Other non-current liabilities	1,604	1,579
Total liabilities	8,747	11,726
<b>Equity</b>		
Share capital	2,000,000	2,000,000
Capital surplus	2,818	-
Accumulated deficits	(161,716)	(239,405)
Total equity	1,841,102	1,760,595
Total	\$ 1,849,849	\$ 1,772,321



## Hua Nan Assets Management Co., Ltd.

## Condensed Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Assets	2023	2022
Current assets	\$ 142,340	\$ 83,877
Financial assets at fair value through profit or loss - current	-	10,003
Financial assets at fair value through other comprehensive income - non-current	8,823	9,774
Property and equipment	124,190	89,953
Right-of-use assets	18,806	6,789
Investment properties	5,318,275	4,703,516
Intangible assets	2,335	493
Deferred tax assets	6,168	7,635
Other non-current assets	169,489	133,322
Total	\$ 5,790,426	\$ 5,045,362

Liabilities	2023	2022
Current liabilities	\$ 3,777,096	\$ 3,122,514
Lease liabilities - current	7,669	5,102
Long-term borrowings	755,000	570,000
Deferred tax liabilities	70	-
Lease liabilities - non-current	61,507	51,662
Other non-current liabilities	51,984	53,465
Total liabilities	4,653,326	3,802,743
<b>Equity</b>		
Share capital	1,000,000	1,000,000
Capital surplus	892	892
Retained earnings	152,385	256,953
Other equity	(16,177)	(15,226)
Total equity	1,137,100	1,242,619
Total	\$ 5,790,426	\$ 5,045,362

## b. Condensed statements of comprehensive income

Hua Nan Commercial Bank, Ltd.

## Condensed Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

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

	2023	2022
Interest revenue	\$ 86,184,664	\$ 53,622,047
Interest expense	( 58,536,321)	( 21,066,594)
Net interest income	27,648,343	32,555,453
Net revenue other than interest	24,177,337	13,982,376
Allowance for doubtful accounts, commitments and guarantees	( 2,232,221)	( 3,337,499)
Operating expenses	( 25,120,530)	( 23,157,423)
Net profit before income tax	24,472,929	20,042,907
Income tax expenses	( 4,421,460)	( 3,315,853)
Net profit for the period	20,051,469	16,727,054
Other comprehensive income (loss)	7,516,042	( 21,239,229)
Total comprehensive income (loss) for the year	<u><u>\$ ( 27,567,511)</u></u>	<u><u>\$ ( 4,512,175)</u></u>
Earnings per share	<u><u>\$ 2.05</u></u>	<u><u>\$ 1.71</u></u>

Hua Nan Securities Co., Ltd.

## Condensed Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

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

	2023	2022
Revenue	\$ 5,618,812	\$ 4,462,924
Service fee expenses	928,276	478,617
Employee benefits expenses	1,693,051	1,561,231
Share of profit of associates and joint ventures	46,238	44,952
Operating expenses	<u>1,267,777</u>	<u>1,101,755</u>
Net profit before income tax	1,775,946	1,366,273
Income tax expenses	<u>270,028</u>	<u>( 259,500)</u>
Net profit for the period	1,505,918	1,106,773
Other comprehensive income (loss)	<u>959,442</u>	<u>( 527,124)</u>
Total comprehensive income for the year	<u><u>\$ 2,465,360</u></u>	<u><u>\$ 579,649</u></u>
Earnings per share	<u><u>\$ 2.30</u></u>	<u><u>\$ 1.69</u></u>

South China Insurance Co., Ltd.  
Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

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

	2023	2022
Operating revenue	\$ 10,592,964	\$ 9,635,220
Operating costs	7,630,925	7,350,447
Operating expenses	<u>1,949,734</u>	<u>( 1,748,109)</u>
Net operating income	1,012,305	536,664
Non-operating revenue and expenses	<u>1,529</u>	<u>2,913</u>
Net profit before income tax	1,013,834	539,577
Income tax expenses	<u>( 97,768)</u>	<u>( 81,867)</u>
Net profit for the year	916,066	457,710
Other comprehensive income (loss)	<u>657,724</u>	<u>( 996,539)</u>
Total comprehensive income (loss) for the year	<u>\$ 1,573,790</u>	<u>\$( 538,829)</u>
Earnings per share	<u>\$ 4.58</u>	<u>\$ 2.29</u>

Hua Nan Investment Trust Corp.  
Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

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

	2023	2022
Operating revenue	\$ 120,713	\$ 98,980
Operating expenses	<u>( 142,030)</u>	<u>( 129,079)</u>
Operating loss	( 21,317)	( 30,099)
Non-operating revenue and expenses	<u>14,287</u>	<u>32,603</u>
Net profit before income tax	( 7,030)	2,504
Income tax expenses	<u>( 2,680)</u>	<u>( 5,775)</u>
Net profit for the period	( 9,710)	( 3,271)
Other comprehensive income	<u>5,420</u>	<u>6,298</u>
Total comprehensive income for the year	<u>\$( 4,290)</u>	<u>\$ 3,027</u>
Earnings per share	<u>\$( 0.31)</u>	<u>\$( 0.11)</u>

Hua Nan Venture Capital Co., Ltd.  
Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

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

	2023	2022
Operating revenue	\$ 252,746	\$ 244,564
Operating costs	( 138,461)	( 172,547)
Operating expenses	( 22,134)	( 22,366)
Operating income	92,151	49,651
Non-operating revenue and expenses	( 14,497)	2,363
Net profit before income tax	77,654	52,014
Income tax expense	40	( 4,685)
Net profit for the period	77,694	47,329
Other comprehensive income	( 5)	24
Total comprehensive income for the year	<u>\$ 77,689</u>	<u>\$ 47,353</u>
Earnings per share	<u>\$ 0.39</u>	<u>\$ 0.24</u>

Hua Nan Assets Management Co., Ltd.  
Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022

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

	2023	2022
Operating revenue	\$ 271,772	\$ 356,635
Operating expenses	( 162,976)	( 177,358)
Operating income	108,796	179,277
Non-operating revenue and expenses	( 44,106)	( 36,252)
Net profit before income tax	64,690	143,025
Income tax expense	( 37,665)	2,860
Net profit for the year	27,035	145,885
Other comprehensive loss	( 341)	( 81)
Total comprehensive income for the year	<u>\$ 26,694</u>	<u>\$ 145,804</u>
Earnings per share	<u>\$ 0.27</u>	<u>\$ 1.46</u>

## 59. 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 Corp.

Unit: %

Items		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Before income tax	8.70	7.37
	After income tax	8.81	7.38
Return on equity	Before income tax	10.87	8.98
	After income tax	11.01	8.98
Profit margin		98.40	96.75

#### 2) Hua Nan Financial Holdings Corp. and its subsidiaries

Unit: %

Items		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Before income tax	0.70	0.59
	After income tax	0.58	0.49
Return on equity	Before income tax	13.34	10.89
	After income tax	11.01	8.98
Profit margin		36.35	32.25

#### 3) Hua Nan Commercial Bank, Ltd.

Unit: %

Items		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Before income tax	0.67	0.58
	After income tax	0.55	0.48
Return on equity	Before income tax	11.35	9.71
	After income tax	9.30	8.10
Profit margin		38.69	35.94

#### 4) Hua Nan Securities Co., Ltd.

Unit: %

Items		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Before income tax	3.16	2.44
	After income tax	2.68	1.97
Return on equity	Before income tax	14.37	12.08
	After income tax	12.19	9.79
Profit margin		28.20	26.24

#### 5) South China Insurance Co., Ltd.

Unit: %

Items		For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Return on total assets	Before income tax	3.95	2.25
	After income tax	3.56	1.91
Return on equity	Before income tax	15.19	8.48
	After income tax	13.73	7.20
Profit margin		8.65	4.75

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, 2023				
			Overdue Amounts (Note 1)	Total Loans	Overdue Ratio (Note 2)	Allowance For Impairment Loss	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 1,904,990	\$ 641,705,961	0.30%	\$ 8,303,214	435.87%
	Unsecured		477,623	776,847,695	0.06%	9,721,940	2,035.48%
Consumer banking	Mortgage (Note 4)		509,696	696,570,823	0.07%	8,797,639	1,726.06%
	Cash card		-	5,343	-	4,006	-
	Small amount of credit loans (Note 5)		176,379	20,525,145	0.86%	279,288	158.35%
	Others (Note 6)	Secured	315,486	116,423,257	0.27%	1,486,326	471.12%
		Unsecured	26,035	20,239,696	0.13%	269,167	1,033.87%
	Total			3,410,209	2,272,317,920	0.15%	28,861,580
			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			6,654	10,381,020	0.06%	41,221	619.49%
Receivable factoring-without recourse (Notes 7 and 8)			-	361,152	-	8,623	-

Items			December 31, 2022				
			Overdue Amounts (Note 1)	Total Loans	Overdue Ratio (Note 2)	Allowance For Impairment Loss	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 745,508	\$ 600,726,019	0.12%	\$ 7,756,497	1,040.43%
	Unsecured		1,300,051	653,581,545	0.20%	9,452,918	727.12%
Consumer banking	Mortgage (Note 4)		211,528	648,426,336	0.03%	8,343,703	3,944.49%
	Cash card		-	7,753	-	5,961	-
	Small amount of credit loans (Note 5)		209,799	21,548,057	0.97%	291,622	139.00%
	Others (Note 6)	Secured	290,796	123,979,862	0.23%	1,605,297	552.04%
		Unsecured	27,567	16,511,136	0.17%	217,221	787.97%
	Total			2,785,249	2,064,780,708	0.13%	27,673,219
			Overdue Amounts	Receivables Balance	Overdue Ratio	Allowance Amounts	Coverage Ratio
Credit card			3,120	9,666,073	0.03%	45,104	1,445.64%
Receivable factoring-without recourse (Notes 7 and 8)			-	838,835	-	8,624	-

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, 2023		December 31, 2022	
	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)	\$ 1,396	\$ 1,306	\$ 2,124	\$ 2,096
Amount that are exempted from being reported according to the law of consumer liquidate (Note 2)	72,966	113,029	75,821	116,469
Total	\$ 74,362	\$ 114,335	\$ 77,945	\$ 118,565

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, 2023		
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	\$ 39,499,818	17.27
2	B Group of retail sale in general merchandise stores	30,771,313	13.46
3	C Group of real estate development	17,456,898	7.63
4	D Group of wholesaling computers personnel equipment and software	16,315,849	7.13
5	E Group of financial leasing	14,937,670	6.53
6	F Group of real estate sale and rental	14,540,000	6.36
7	G Group of railway transportation	14,427,477	6.31
8	H Group of unclassified other financial service	12,528,949	5.48
9	I Group of aviation transportation	11,365,507	4.97
10	J Group of financial leasing	11,177,514	4.89

Year	December 31, 2022		
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	\$ 32,935,374	16.27
2	B Group of retail sale in general merchandise stores	16,088,312	7.64
3	C Group of railway transportation	15,189,509	7.22
4	D Group of wholesaling computers personnel equipment and software	14,932,213	7.09
5	E Group of real estate sale and rental	14,580,000	6.93
6	F Group of real estate development	13,938,896	6.62
7	G Group of automobile manufacturing	13,782,584	6.55
8	H Group of unclassified other financial service	13,166,201	6.26
9	I Group of aviation transportation	12,534,913	5.96
10	J Group of financial leasing	12,169,567	5.78

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 Group 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, 2023						
	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	\$ 3,077,928,987	\$ 390,089,160	\$ 394,009,270	\$ 224,197,689	\$ 232,248,816	\$ 262,953,870	\$ 1,574,430,182
Main capital outflow on maturity	4,031,192,900	102,380,315	203,667,025	437,058,135	517,839,607	743,871,126	2,026,376,692
Gap	\$( 953,263,913)	\$ 287,708,845	\$ 190,342,245	\$( 212,860,446)	\$( 285,590,791)	\$( 480,917,256)	\$( 451,946,510)

	December 31, 2022						
	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	\$ 2,936,937,292	\$ 396,672,063	\$ 355,180,518	\$ 270,884,167	\$ 222,377,578	\$ 253,457,850	\$ 1,438,365,116
Main capital outflow on maturity	3,830,223,470	106,779,114	221,552,912	397,362,491	358,103,876	662,981,779	2,083,443,298
Gap	\$ (893,286,178)	\$ 289,892,949	\$ 133,627,606	\$( 126,478,324)	\$( 135,726,298)	\$( 409,523,929)	\$( 645,078,182)

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, 2023					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 38,574,676	\$ 12,525,570	\$ 4,935,820	\$ 5,759,005	\$ 2,546,516	\$ 12,807,765
Main capital outflow on maturity	42,873,365	20,423,528	7,171,492	3,682,701	5,201,623	6,394,021
Gap	\$ (4,298,689)	\$ (7,897,958)	\$ (2,235,672)	\$ 2,076,304	\$ (2,655,107)	\$ 6,413,744

	December 31, 2022					
	Total	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 32,417,506	\$ 11,856,144	\$ 5,467,948	\$ 1,702,668	\$ 2,078,324	\$ 11,312,422
Main capital outflow on maturity	36,342,481	13,582,958	6,628,363	3,453,027	4,796,846	7,881,287
Gap	\$( 3,924,975)	\$( 1,726,814)	\$( 1,160,415)	\$( 1,750,359)	\$( 2,718,522)	\$ 3,431,135

## f. Interest rate sensitivity information

Hua Nan Commercial Bank, Ltd.

## Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2023

(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	\$ 2,336,322,266	\$ 54,765,574	\$ 170,721,598	\$ 299,750,731	\$ 2,861,560,169
Interest-sensitive liabilities	2,226,609,630	233,622,210	185,251,818	103,872,828	2,749,356,486
Interest-sensitive gap	109,712,636	( 178,856,636)	( 14,530,220)	195,877,903	112,203,683
Net assets					200,248,133
Ratio of interest-sensitive assets to liabilities (%)					104.08%
Ratio of interest-sensitive gap to net assets (%)					56.03%

## December 31, 2022

(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	\$ 2,225,804,065	\$ 67,456,660	\$ 163,012,128	\$ 285,680,465	\$ 2,741,953,318
Interest-sensitive liabilities	2,317,240,954	103,089,075	105,482,746	110,492,809	2,636,305,584
Interest-sensitive gap	( 91,436,889)	( 35,632,415)	57,529,382	175,187,656	105,647,734
Net assets					181,065,764
Ratio of interest-sensitive assets to liabilities (%)					104.01%
Ratio of interest-sensitive gap to net assets (%)					58.35%

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, 2023

(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	\$ 24,682,448	\$ 5,169,275	\$ 1,859,863	\$ 5,682,132	\$ 37,393,718
Interest-sensitive liabilities	31,071,907	2,284,340	2,689,304	9,060	36,054,611
Interest-sensitive gap	( 6,389,459)	2,884,935	( 829,441)	5,673,072	1,339,107
Net assets					1,051,220
Ratio of interest-sensitive assets to liabilities (%)					103.71%
Ratio of interest-sensitive gap to net assets (%)					127.39%

## December 31, 2022

(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	\$ 23,470,890	\$ 1,477,456	\$ 1,334,340	\$ 5,235,387	\$ 31,518,073
Interest-sensitive liabilities	25,603,287	2,246,365	2,717,115	8,717	30,575,484
Interest-sensitive gap	( 2,132,397)	( 768,909)	( 1,382,775)	5,226,670	942,589
Net assets					839,180
Ratio of interest-sensitive assets to liabilities (%)					103.08%
Ratio of interest-sensitive gap to net assets (%)					112.32%

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 sensitive 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).

**60. 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 1.
- 3) Disposal of individual real estate over NT\$300 million or 10% of the issued capital: None.
- 4) Allowance for service fee to related parties over NT\$5 million: Table 2.
- 5) Receivables from related parties over NT\$300 million or 10% of the issued capital: Table 3.
- 6) Sale of nonperforming loans by subsidiaries: Table 4.
- 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 5 (Note).
- 2) Endorsement/guarantee provided: Table 6 (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 7 (Note).
- 5) Information on subsidiaries derivative instruments transactions: Notes 50 and 51.

Note: Subsidiaries belong in finance, insurance and securities industries are exempted from disclosures.

## c. The related information and proportionate share in investees: Table 8.

## d. Information on investment in Mainland China: Table 9.

## e. Business relationships and significant transactions between the Group: Table 10.

## f. The Company's shares held by subsidiaries: None.

## g. Information of major shareholders: Table 11.

**61. DEPARTMENT INFORMATION**

The Group's 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 Group 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

	For the Year Ended December 31, 2023		
	Bank	Other Operating Departments	Total
Net interest income	\$ 27,648,343	\$ 219,605	\$ 27,867,948
Net non-interest income, net	24,177,337	7,422,162	31,599,499
Total net income	51,825,680	7,641,767	59,467,447
(Allowance for) reversal doubtful accounts, commitments and guarantees	( 2,232,221)	( 61,913)	( 2,294,134)
Change in provisions for insurance liabilities, net	-	( 187,812)	( 187,812)
Operating expenses	( 25,120,530)	( 5,669,666)	( 30,790,196)
Net profit before income tax	24,472,929	1,722,376	26,195,305
Income tax expenses	( 4,421,460)	( 155,425)	( 4,576,885)
Net profit for the year	<u>\$ 20,051,469</u>	<u>\$ 1,566,951</u>	<u>\$ 21,618,420</u>

	For the Year Ended December 31, 2022		
	Bank	Other Operating Departments	Total
Net interest income	\$ 32,555,453	\$ 622,238	\$ 33,177,691
Net non-interest income, net	13,982,376	6,506,685	20,489,061
Total net income	46,537,829	7,128,923	53,666,752
(Allowance for) reversal doubtful accounts, commitments and guarantees	( 3,337,499)	25,731	( 3,311,768)
Change in provisions for insurance liabilities, net	-	( 1,095,681)	( 1,095,681)
Operating expenses	( 23,157,423)	( 5,108,889)	( 28,266,312)
Net profit before income tax	20,042,907	950,084	20,992,991
Income tax expenses	( 3,315,853)	( 368,667)	( 3,684,520)
Net profit for the year	<u>\$ 16,727,054</u>	<u>\$ 581,417</u>	<u>\$ 17,308,471</u>

## 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	
	2023	2022
Taiwan	\$ 49,690,536	\$ 49,008,903
Others	9,776,911	4,657,849
	<u>\$ 59,467,447</u>	<u>\$ 53,666,752</u>

## c. Information about major customers: No other single customers contributed 10% or more to the Group's revenue for both 2023 and 2022.

TABLE 1

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES  
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, 2023

(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.	Hua Nan Bank Information Building, Tucheng District, New Taipei City (Civil Engineering)	August 1, 2018	\$ 640,000	Paid \$617,879 same as contract	BES Engineering Co.	-	-	-	-	\$ -	Not applicable	Operating activities	-
	Hua Nan Bank Information Building, Tucheng District, New Taipei City (Mechanical and Electrical Engineering)	October 15, 2019	559,800	Paid \$545,199 same as contract	BES Engineering Co.	-	-	-	-	-	Not applicable	Operating activities	-
	Land: No. 61-1, Economic and Trade Section, Nangang District, Taipei City Building: 10 on the 2nd floor, No. 3 Park Street, Nangang District, Taipei City, 6 parking spaces on the 1st basement floor, and 2 parking spaces on the 3rd basement floor	April 27, 2023	320,886	Paid in one lump sum	Ministry of Economic Affairs	-	-	-	-	-	Determined by the Ministry of Economic Affairs	Operating activities	-

TABLE 2

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES  
ALLOWANCE FOR SERVICE FEE TO RELATED PARTIES OVER NT\$5 MILLION  
FOR THE YEAR ENDED DECEMBER 31, 2023

(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	\$ 9,476	-	-

TABLE 3

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Company Name	Transaction Opponent	Relationship	Receivable Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd.	Subsidiaries	\$ 2,468,450 (Note)	-	\$ -	-	\$ -	\$ -

Note: The amounts of linked tax receivables from related parties had been eliminated in the consolidated financial statements.

TABLE 4

## HUA NAN FINANCIAL HOLDINGS CO., LTD.

## SALE OF NONPERFORMING LOANS

DECEMBER 31, 2023

(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
November 9, 2023	X-INVESTMENT LLC	Nonguaranteed corporate banking (loan syndication)	\$ -	\$ 889	\$ 847	None	Neither an interested party nor a related party
			-	453	453		
			-	166	163		

Note: The book value is the balance of the original debt rights plus the fair value evaluation adjustment.

TABLE 5

## HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES

## FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2023

(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		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limit (Note)
													Item	Value		
1	Hua Nan International Leasing Corporation Ltd.	Flagship Square Enterprise	Other receivables	No	\$ 198,505	\$ 101,450	\$ 101,450	1-10	Short-term financing	\$ -	Operating use	\$ -	Real estate	\$ 112,082	\$ 219,025	\$ 1,460,167
		Xi Quan Co., Ltd.	Other receivables	No	39,825	8,267	8,267	1-10	Short-term financing	-	Operating use	-	Real estate	82,471	219,025	1,460,167
		Megaful Co., Ltd.	Other receivables	No	97,260	97,260	97,260	1-10	Short-term financing	-	Operating use	-	Real estate	61,123	219,025	1,460,167
		Hsin Chuan Construction Co., Ltd.	Other receivables	No	100,000	58,671	58,671	1-10	Short-term financing	-	Operating use	-	Stock	57,528	219,025	1,460,167
		I-Hwa Industrial Co., Ltd.	Other receivables	No	13,590	-	-	1-10	Short-term financing	-	Operating use	-	Real estate	134,298	219,025	1,460,167
		Yu Ding Investments Co., Ltd.	Other receivables	No	100,000	100,000	100,000	1-10	Short-term financing	-	Operating use	-	-	-	219,025	1,460,167
		LeadsunFox Greenery Investments Co., Ltd.	Other receivables	No	100,347	-	-	1-10	Short-term financing	-	Operating use	-	-	-	219,025	1,460,167
		Xiang Xing Trading Ltd.	Other receivables	No	50,000	43,594	43,594	1-10	Short-term financing	-	Operating use	-	Stock	15,000	219,025	1,460,167
		Fu Bao Yi Hao Energy Co., Ltd.	Other receivables	No	100,000	100,000	100,000	1-10	Short-term financing	-	Operating use	-	-	-	219,025	1,460,167
2	Hua Nan Assets Management Co., Ltd.	KINGLAND PROPERTY CORPORATION, LTD.	Other receivables	No	80,000	80,000	-	4-10	Business dealings	-	Operating use	-	-	-	165,761	3,315,225

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 \$1,137,100 as of December 31, 2023.

TABLE 6

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Counterparty		Limits on Individual Endorsement/ Guarantee Amounts (Note)	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)
		Name	Nature of Relationship							
1	Hua Nan International Leasing Corporation Ltd.	Hua Nan International Leasing Corporation Ltd.	Subsidiary	\$ 7,300,837	\$ -	\$ -	\$ -	\$ -	-	\$ 13,141,506

Note: 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 7

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
MARKETABLE SECURITIES HELD BY INVESTEES  
DECEMBER 31, 2023

(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, 2023				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
Hua Nan Investment Trust Corp.	<u>Stocks</u>							
	Taiwan Futures Exchange	Investee company evaluated by fair value method	FVTOCI - equity instruments	1,909,785	\$ 89,111	0.35	\$ 89,111	Note 2
	FundRich Securities Co., Ltd.	Investee company evaluated by fair value method	FVTOCI - equity instruments	171,428	2,304	0.29	2,304	Note 2
Hua Nan Venture Capital Co., Ltd.	<u>Stocks</u>							
	Formosa Advanced Technologies Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	141,000	5,499	0.10	5,499	Note 2
	Pyxis Oncology	-	Financial assets mandatorily classified as at FVTPL	29,046	1,604	0.07	1,604	Note 2
	Msscrops Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	897,500	126,996	1.92	126,996	Note 2
	Prenetics Global Limited	-	Financial assets mandatorily classified as at FVTPL	37,334	6,768	0.30	6,768	Note 2
	AGON-Tech Corp.	-	Financial assets mandatorily classified as at FVTPL	429,584	400	4.17	400	Note 2
	Applied Wireless Identification Group Inc.	-	Financial assets mandatorily classified as at FVTPL	450,682	4,511	0.95	4,511	Note 2
	ProbeLeader Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	513,000	12,728	1.73	12,728	Note 2
	Ultra-PAK Industries Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,164,887	25,953	3.18	25,953	Note 2
	Chin-Shi Electronic Materials Ltd.	-	Financial assets mandatorily classified as at FVTPL	2,772,000	45,488	8.87	45,488	Note 2
	StemCyte International, Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,500,000	61,350	0.93	61,350	Note 2
	Voltafield Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	1,445,111	7,331	4.01	7,331	Note 2
	OTO Photonics Inc.	-	Financial assets mandatorily classified as at FVTPL	1,578,000	20,419	5.27	20,419	Note 2
	Wellhead Biological Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	900,000	-	2.50	-	Note 2
	United Biopharma Holdings Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	867,251	-	0.46	-	Note 2



Holding Company Name	Type and Name of Marketable Security	Relationship with Holding Company	Accounts Recorded	December 31, 2023				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
Hua Nan Venture Capital Co., Ltd.	Minima technology Corp.	-	Financial assets mandatorily classified as at FVTPL	2,548,309	52,849	6.47	52,849	Note 2
	Sunny Pharmetech Inc.	-	Financial assets mandatorily classified as at FVTPL	151,080	5,205	0.10	5,205	Note 2
	Apollo Medical Optics Inc.	-	Financial assets mandatorily classified as at FVTPL	1,666,667	7,293	3.48	7,293	Note 2
	SFI Electronics Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	2,730,000	53,004	6.20	53,004	Note 2
	Innopharmax Inc.	-	Financial assets mandatorily classified as at FVTPL	646,000	11,240	0.68	11,240	Note 2
	LI LING FILM CO., LTD.	-	Financial assets mandatorily classified as at FVTPL	833,000	835	1.39	835	Note 2
	SmartDisplayer Technology Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	600,000	7,636	2.41	7,636	Note 2
	TMV Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	836,929	9,958	2.17	9,958	Note 2
	Clearmind Biomedical Inc.	-	Financial assets mandatorily classified as at FVTPL	834,285	37,046	5.16	37,046	Note 2
	Groundhog Technologies Inc.	-	Financial assets mandatorily classified as at FVTPL	1,022,000	112,870	3.35	112,870	Note 2
	ADAT Technology Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,502,121	9,434	9.17	9,434	Note 2
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,500,000	52,500	5.17	52,500	Note 2
	Winking Entertainment Ltd.	-	Financial assets mandatorily classified as at FVTPL	5,413,143	26,176	1.94	26,176	Note 2
	Ina Energy Corporation	-	Financial assets mandatorily classified as at FVTPL	2,000,000	36,030	1.00	36,030	Note 2
	Lianyou Metals Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	553,800	19,520	2.05	19,520	Note 2
	ACEPODIA Inc.	-	Financial assets mandatorily classified as at FVTPL	1,094,900	25,570	0.20	25,570	Note 2
	Taiwan Speciality Chemicals Corporation	-	Financial assets mandatorily classified as at FVTPL	188,346	4,115	0.14	4,115	Note 2
	Walrus Pump Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	1,000,000	31,081	2.83	31,081	Note 2
	Taiwan Pressplay Inc.	-	Financial assets mandatorily classified as at FVTPL	605,612	30,647	5.10	30,647	Note 2
	WIN COAT CO.	-	Financial assets mandatorily classified as at FVTPL	1,000,000	28,000	2.77	28,000	Note 2
	Tera Xtal Technology Corp.	-	Financial assets mandatorily classified as at FVTPL	1,276,250	-	0.67	-	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
	Essence Technology Solution, Inc.	-	Financial assets mandatorily classified as at FVTPL	85,357	-	3.16	-	Note 2
	Crystal Applied Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	547,662	-	0.51	-	Note 2
	Groundhog Technologies	-	Financial assets mandatorily classified as at FVTPL	1,666,667	-	-	-	Note 2
	Rheonix, Inc.	-	Financial assets mandatorily classified as at FVTPL	1,031,177	-	2.04	-	Note 2
	Dong-Wang Nano Industrial Co., Ltd.	-	Financial assets mandatorily classified as at FVTPL	107,556	-	1.08	-	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	1,833,333	-	1.47	-	Note 2
	eTurbotouch Technology Inc.	-	Financial assets mandatorily classified as at FVTPL	999,600	-	3.33	-	Note 2
	Altea Therapeutics Corporation	-	Financial assets mandatorily classified as at FVTPL	344,827	-	1.07	-	Note 2
	Digital Economy Limited Partnership	-	Financial assets mandatorily classified as at FVTPL	-	45,735	11.95	45,735	Note 2
	Taiwania Capital Buffalo II Bioventures, LP	-	Financial assets mandatorily classified as at FVTPL	-	68,442	1.53	68,442	Note 2
	Forward Asset Management Ltd.	-	Financial assets mandatorily classified as at FVTPL	-	1,303	8.00	1,303	Note 2
	Outstanding Capital Limited Partnership	-	Financial assets mandatorily classified as at FVTPL	-	8,480	4.86	8,480	Note 2

Holding Company Name	Type and Name of Marketable Security	Relationship with Holding Company	Accounts Recorded	December 31, 2023				Note
				Shares (Units)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Equity	
Hua Nan Venture Capital Co., Ltd.	Fuyao Biomedical Ventures Limited Partnership	-	Financial assets mandatorily classified as at FVTPL	-	67,341	11.02	67,341	Note 2
	Fertasia International Development Corporation	-	Investments accounted for using equity method	8,820,800	99,741	29.80	99,741	Note 2
	Chia-Ta International Development Co., Ltd.	-	Investments accounted for using equity method	8,758,134	90,631	25.56	90,631	Note 2
	Zhi Kang Venture Capital Investment Company Ltd.	-	Investments accounted for using equity method	9,800,000	83,785	29.10	83,785	Note 2
Hua Nan Futures Co., Ltd.	<u>Stocks</u>							
	Taiwan Futures Exchange	-	FVTOCI - equity instrument	7,843,791	365,991	1.44	365,991	Note 2
Hua Nan Asset Management Corp.	<u>Stocks</u>							
	Taiwan Urban Regeneration & Financial Services Co., Ltd.	-	FVTOCI - equity instrument	2,500,000	8,823	5	8,823	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	8,903	100	8,903	Note 1

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, 2023. Market value of the listed stocks was based on the closing price as of December 31, 2023. Market value of the unlisted stocks was based on valuation techniques.

TABLE 8

HUA NAN FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES  
INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023

(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	\$ 228,686,318	\$ 20,054,844	9,793,800,000	-	9,793,800,000	100.00	Note 1
	Hua Nan Securities Co., Ltd.	Taipei	Security	100.00	13,205,415	1,506,115	654,774,346	-	654,774,346	100.00	Note 1
	South China Insurance Co., Ltd.	Taipei	Insurance	100.00	7,461,416	916,175	200,138,625	-	200,138,625	100.00	Note 1
	Hua Nan Investment Trust Corp.	Taipei	Securities issuance and investment	100.00	375,883	( 9,710)	30,839,927	-	30,839,927	100.00	Note 1
	Hua Nan Venture Capital Co., Ltd.	Taipei	Venture capital investments	100.00	1,841,102	77,694	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	203,848	27,018	100,000,000	-	100,000,000	100.00	Note 1
	Taiwan Depository and Clearing Corp.	Taipei	Securities depository and clearing service	0.25	78,518	-	4,330,033	-	4,330,033	0.66	
	Non-financial industry										
	Taipei Financial Center Corp.	Taipei	Real estate development, sales and rental	2.90	1,275,751	-	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	8,823	-	10,000,000	-	10,000,000	20.00		

Note 1: Current recognition of investment gains or losses for the year ended December 31, 2023 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 has been eliminated during the merger process.

TABLE 9

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
 INFORMATION ON INVESTMENT IN MAINLAND CHINA  
 DECEMBER 31, 2023

(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, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Investee's Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
Hua Nan Commercial Bank Shenzhen Branch (Including Boan Branch)	Deposits, loans, and 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)	\$ 180,044 (CNY 41,034)	100	\$ 180,044 (CNY 41,034)	\$ 6,190,433 (CNY 1,430,322)	\$ -
Hua Nan Commercial Bank Shanghai Branch	Deposits, loans, and 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)	128,204 (CNY 29,219)	100	128,204 (CNY 29,219)	2,728,914 (CNY 630,525)	-
Hua Nan Commercial Bank Fuzhou Branch	Deposits, loans, and 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)	94,193 (CNY 21,468)	100	94,193 (CNY 21,468)	2,785,691 (CNY 643,644)	-
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)	24,868	100	24,468	1,023,628	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 10,683,672 (US\$ 268,190) (CNY 500,000)	\$ 10,683,672 (US\$ 268,190) (CNY 500,000)	\$ 137,209,376

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 10

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE COMPANY AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

(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, 2023						
0	Hua Nan Financial Holdings Co., Ltd.	Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Cash and cash equivalents	\$ 376,130	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Receivables	2,468,456	Note 4	0.06%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Right-of-use assets	216,655	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Lease liabilities	218,856	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	a	Receivables	238,021	Note 4	0.01%
		Hua Nan Investment Trust Corp.	a	Receivables	105,440	Note 4	-
1	Hua Nan Commercial Bank, Ltd. and subsidiaries	Hua Nan Financial Holdings Co., Ltd.	b	Payables	2,468,456	Note 4	0.06%
		Hua Nan Financial Holdings Co., Ltd.	b	Deposits and remittances	376,130	Note 4	0.01%
		Hua Nan Securities Co., Ltd. and subsidiaries	c	Deposits and remittances	503,706	Note 4	0.01%
		South China Insurance Co., Ltd.	c	Deposits and remittances	772,488	Note 4	0.02%
		Hua Nan Venture Capital Co., Ltd.	c	Deposits and remittances	452,727	Note 4	0.01%
2	Hua Nan Securities Co., Ltd. and subsidiaries	Hua Nan Financial Holdings Co., Ltd.	b	Payables	238,021	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other assets	460,639	Note 4	0.01%
3	South China Insurance Co., Ltd.	Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Cash and cash equivalents	692,460	Note 4	0.02%
4	Hua Nan Venture Capital Corp.	Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Other financial assets	284,593	Note 4	0.01%
		Hua Nan Commercial Bank, Ltd. and subsidiaries	c	Cash and cash equivalents	168,134	Note 4	-
5	Hua Nan Investment Trust Corp.	Hua Nan Financial Holdings Co., Ltd.	b	Payables	105,440	Note 4	-

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 11

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
 INFORMATION OF MAJOR SHAREHOLDERS  
 DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Thousands Shares	Percentage of Ownership (%)
Bank of Taiwan Co., Ltd. (BOT)	2,896,525,649	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 trustor 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 12

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
 CONSOLIDATED ENTITIES  
 DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Main Business and Products	Percentage of Ownership (%)		Note
			December 31, 2023	December 31, 2022	
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 13

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
 BUSINESSES OPERATED IN THE FOREIGN COUNTRIES OR REGIONS WITHOUT COMPETENT AUTHORITIES GOVERNING  
 SECURITIES BUSINESSES  
 DECEMBER 31, 2023

(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 14	-	Hua Nan Securities Co., Ltd.	\$ -	Holding company business	-	Tables 15 and 16

TABLE 14

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, 2023

(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\$ 290	100	US\$ 290	Eliminated upon consolidation

TABLE 15

HUA NAN HOLDINGS CORPORATION  
 BALANCE SHEETS  
 DECEMBER 31, 2023 AND 2022

(In U.S. Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 1,071,593	78	\$ 1,028,261	56
Other receivables	20,223	1	710	-
Total current assets	1,091,816	79	1,028,971	56
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	289,952	21	815,703	44
TOTAL	\$ 1,381,768	100	\$ 1,844,674	100
LIABILITIES AND EQUITY				
LIABILITIES				
Other payables	\$ 1,927	-	\$ 2,017	-
EQUITY				
Share capital	100,000	7	100,000	6
Unappropriated earnings	1,828,075	132	2,486,461	135
Net loss for the year	( 460,220)	( 33)	( 658,386)	( 36)
Exchange differences on translating the financial statements of foreign operations	( 88,014)	( 6)	( 85,418)	( 5)
Total equity	1,379,841	100	1,842,657	100
TOTAL	\$ 1,381,768	100	\$ 1,844,674	100

TABLE 16

HUA NAN HOLDINGS CORPORATION  
STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In U.S. Dollars)

	2023		2022	
	Amount	%	Amount	%
REVENUE				
Interest revenue	\$ 69,719	15	\$ 15,554	2
Share of loss of subsidiaries and associates	( 523,155)	( 115)	( 669,500)	( 102)
Total revenue	( 453,436)	( 100)	( 653,946)	( 100)
EXPENSES				
Operating expenses	6,784	1	( 4,391)	-
NON-OPERATING INCOME				
Foreign exchange (loss) gain	-	-	( 49)	-
NET LOSS FOR THE YEAR	( 460,220)	( 101)	( 658,386)	( 100)
OTHER COMPREHENSIVE LOSS				
Exchange differences on translating the financial statements of foreign operations	( 2,596)	( 1)	( 4,397)	( 1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$( 462,816)	( 102)	\$( 662,783)	( 101)

TABLE 17

HUA NAN FINANCIAL HOLDINGS CO., LTD.  
DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT  
DECEMBER 31, 2023

(In Millions of New Taiwan Dollars, %)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
1. With the same person		
Central Bank of the Republic of China (Taiwan)	\$ 435,169,700	209.41
National Treasury Agency	99,304,043	47.79
Federal Government of the United States	99,052,465	47.66
Taiwan Power Company	64,505,990	31.04
CPC Corporation, Taiwan	30,844,065	14.84
Hotai Finance Co., Ltd.	19,625,686	9.44
Taiwan High Speed Rail Corp.	16,206,775	7.80
Grand Industrial Limited Company of Baofeng	14,540,000	7.00
Tainan City Government	13,700,000	6.59
Fubon Financial Holding Co., Ltd.	12,947,214	6.23
Taiwan Semiconductor Manufacturing Co., Ltd.	11,535,824	5.55
Cathay Financial Holdings Co., Ltd.	10,621,175	5.11
Kaohsiung City Government	9,716,639	4.68
China Airlines Corp.	9,015,833	4.34
Highwealth Construction corp.	8,373,089	4.03
Far Eastern Department Stores Co., Ltd.	8,099,923	3.90
Chunghwa Telecom Company, Ltd.	7,957,355	3.83
Nan Ya Plastics Corporation	7,877,417	3.79
First Financial Holdings Co., Ltd.	7,769,668	3.74
Chailease Finance Co., Ltd.	7,575,691	3.65
Government National Mortgage Association	7,483,538	3.60
Kookmin Bank Seoul	7,329,388	3.53
AU Options Corp.	7,022,485	3.38
Walsin Lihwa Corporation	6,799,622	3.27
Cathy Real Estate Development Co., Ltd.	6,750,000	3.25
Synnex Technology International Corporation	6,662,341	3.21
Reliance Industries Limited	6,601,575	3.18
Hsinchu City Government	6,257,340	3.01
Macquarie Group Limited	6,021,977	2.90
Powerchip Semiconductor Manufacturing Corporation	6,002,578	2.89



Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
Taiwan Water Corporation	5,697,048	2.74
Huaku Development Co., Ltd.	5,629,539	2.71
Korea Development Bank	5,523,889	2.66
Nanzong Construction Developments, Co., Ltd.	5,430,467	2.61
IBF Securities Co., Ltd.	5,297,472	2.55
BPCE	5,267,946	2.54
Export-Import Bank of Korea	5,200,264	2.50
San Miguel Corporation	5,158,437	2.48
Credit Mutuel - CIC Banques	5,069,345	2.44
New Taipei City Government	5,000,000	2.41
Canadian Imperial Bank of Commerce	4,903,174	2.36
Wan Pao Development Co., Ltd	4,845,000	2.33
Yulon Finance Corporation.	4,833,908	2.33
Uni-President	4,808,703	2.31
Nankang Rubber Tire Corp., Ltd.	4,781,059	2.30
Quanta Computer	4,771,354	2.30
HERAN Tech Co., Ltd.	4,746,440	2.28
Societe Generale	4,735,296	2.28
National Australia Bank Limited	4,707,808	2.27
Pao Hung Construction Co., Ltd.	4,650,000	2.24
Bank Of Montreal	4,640,473	2.23
Shen Mao Technology Inc.	4,621,090	2.22
Win Semiconductors Corp.	4,537,900	2.18
Commonwealth Bank of Australia	4,520,949	2.18
Finance & Trading Co., Ltd.	4,498,577	2.16
Formosa Heavy Industries Corporation	4,455,530	2.14
First Abu Dhabi Bank Pjsc	4,416,231	2.13
Jpmorgan Chase Bank N.A.	4,374,609	2.11
Pan German Motors Ltd.	4,350,010	2.09
Lien Hwa Industrial Corp	4,298,798	2.07
Taiwan Stock Exchange	4,291,831	2.07
Barclays Bank	4,279,358	2.06
Westpac Banking Corporation	4,275,495	2.06
Bnp-Paribas Sa (Formerly Banqu)	4,248,241	2.04
Taiwan Mobile Co., Ltd.	4,209,547	2.03
Yfy Inc.	4,122,746	1.98
Chang Hwa Commercial Bank, Ltd.	4,122,553	1.98
Federal Corporation	4,116,002	1.98
Winbond Electronics Corp.	4,078,276	1.96
Crédit Agricole Cib	4,041,900	1.94
Woori Bank	4,041,578	1.94
Adata Technology Co., Ltd.	3,977,405	1.91
HDFC Bank Limited	3,960,944	1.91
HSBC Bank (Taiwan) Limited	3,925,192	1.89
Mayfull Corporation	3,916,500	1.88
CTBC Financial Holding Co., Ltd.	3,876,729	1.87
Shinkong Synthetic Fibers Corporation	3,845,825	1.85
Formosa Plastics Corporation	3,843,695	1.85
Banco Santander S.A.	3,835,189	1.85
Innolux Corporation	3,809,415	1.83
Formosa Ha Tinh Steel Corporation.	3,808,457	1.83
China Petrochemical Development Corporation	3,776,242	1.82
Shinshin Credit Corporation	3,749,309	1.80
Qisda Corporation	3,720,947	1.79
Yeashin Inter. Development Co., Ltd. with same affiliate	3,646,843	1.75
Sumitomo Trust And Banking Com	3,645,926	1.75
Gloria Material Technology Corp.	3,569,633	1.72
Formosa Ha Tinh (Cayman) Limited	3,531,075	1.70
Chinese Television System Corporation	3,500,000	1.68
Capital Securities Corp.	3,469,700	1.67
Yageo Corporation	3,392,013	1.63
Inventec	3,379,536	1.63
Royal Bank Of Canada	3,332,979	1.60
Formosa Chemicals And Fibre Corporation	3,320,501	1.60
Tong Hwei Enterprise Co., Ltd.	3,293,911	1.59
Hsing-Shu Construction Co., Ltd.	3,220,250	1.55

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
Achem Technology Corporation	3,200,000	1.54
Wistron Corporation	3,172,981	1.53
Commonwealth Of Australia	3,138,372	1.51
Farglory Land Development Co., Ltd.	3,115,112	1.50
Evergreen Marine Corporation	3,089,155	1.49
Standard Chartered Bank	3,070,104	1.48
Kao Ming Container Terminal Corp.	3,058,395	1.47
Taiwan Cement Corporation	3,039,930	1.46
Lien Jade Construction Co., Ltd.	3,036,430	1.46
Chuan-Hung Construction Co., Ltd	3,033,480	1.46
Wan Hai Lines Limited	3,000,000	1.44
2. With the same related person		
Mr. Miao with same related parties	27,845,719	13.40
Mr. Tsai with same related parties	21,459,467	10.33
Mr. Shi with same related parties	16,211,313	7.80
Mr. Tsai with same related parties	11,343,175	5.46
Mr. Lin with same related parties	9,897,463	4.76
Mr. Wang with same related parties	9,759,452	4.70
Mr. Zhang with same related parties	8,871,963	4.27
Mr. Huang with same related parties	7,189,775	3.46
Mr. Du with same related parties	7,050,010	3.39
Mr. Tsai with same related parties	6,918,000	3.33
Mr. Pan with same related parties	6,801,663	3.27
Mr. Zhang with same related parties	6,377,750	3.07
Mr. Liao with same related parties	5,689,036	2.74
Mr. Ye with same related parties	5,687,482	2.74
Mr. Liu with same related parties	4,854,062	2.34
Mr. Chen with same related parties	4,630,203	2.23
Mr. Huang with same related parties	4,368,862	2.10
Mr. Ke with same related parties	4,231,987	2.04
Mr. Lan with same related parties	4,079,125	1.96
Mr. Zhang with same related parties	3,500,578	1.68
Mr. Cho with same related parties	3,439,395	1.66
Mr. Wu with same related parties	3,371,363	1.62
Mr. Chen with same related parties	3,354,800	1.61
Mr. Hsu with same related parties	3,273,663	1.58
Mr. Zhang with same related parties	3,270,833	1.57
Mr. Wu with same related parties	3,145,789	1.51
3. With the same affiliate		
Hotai Finance Co., Ltd. With Same Affiliate	22,956,596	11.05
Chailease Holding Company Limited With Same Affiliate	20,217,236	9.73
Fubon Financial Holding Co., Ltd With Same Affiliate	19,054,900	9.17
Yulon General Motors Ltd. With Same Affiliate	14,870,364	7.16
Nankang Rubber Tire Corp., Ltd. With Same Affiliate	13,450,673	6.47
AUO Corporation Same Affiliate	12,665,067	6.09
Far Eastern New Century Corporation Same Affiliate	11,946,398	5.75
Taiwan Semiconductor Manufacturing Company Limited Same Affiliate	11,761,892	5.66
Walsin Lihwa Corporation With Same Affiliate	11,165,661	5.37
Cathay Financial Holdings Co., Ltd. With Same Affiliate	10,984,616	5.29
Nan Ya Plastics Corporation With Same Affiliate	10,686,320	5.14
Cathy Real Estate Development Co., Ltd. With Same Affiliate	10,179,370	4.90
YFY Inc. With Same Affiliate	9,908,876	4.77
China Airlines Corp. With Same Affiliate	9,865,209	4.75
Macquarie Group Ltd With Same Affiliate	9,863,330	4.75
Highwealth Construction Corp. With Same Affiliate	9,457,006	4.55
Lin Yuan Investment Co, Ltd. With Same Affiliate	9,303,500	4.48
First Financial Holding Co., Ltd. With Same Affiliate	8,611,682	4.14
Far Eastern Department Stores Co., Ltd With Same Affiliate	8,299,923	3.99
China Development Financial Holding Corporation With Same Affiliate	8,289,677	3.99
Yuanta Financial Holding Co., Ltd. With Same Affiliate	8,174,223	3.93
San Miguel Corporation With Same Affiliate	8,014,673	3.86
Kb Kookmin Bank With Same Affiliate	7,886,316	3.79
Synnex Technology International Corp. With Same Affiliate	7,369,391	3.55
Formosa Ha Tinh (Cayman) Limited With Same Affiliate	7,339,532	3.53

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of HNFH's Equity (%)
Jpmorgan Chase & Co. With Same Affiliate	7,264,265	3.50
Formosa Chemicals And Fibre Corporation With Same Affiliate	7,251,278	3.49
Uni-President With Same Affiliate	7,249,915	3.49
Taiwan Cement Corporation With Same Affiliate	7,246,862	3.49
WPG Holdings With Same Affiliate	7,152,091	3.44
Pan German Motors Ltd. With Same Affiliate	7,050,010	3.39
Asia Cement Corporation With Same Affiliate	6,836,156	3.29
Yeashin Inter. Development Co., Ltd. With Same Affiliate	6,778,825	3.26
Shinkong-Synthetic Fibers Corporation with same affiliate	6,375,651	3.07
IBF Financial Holdings Co., Ltd. with same affiliate	6,374,831	3.07
with same affiliate	6,168,108	2.97
CTBC Financial Holding Co., Ltd. with same affiliate	5,873,559	2.83
Infinite Finance CO., LTD. with same affiliate	5,867,370	2.82
HSBC Holdings PLC with same affiliate	5,858,607	2.82
Huaku Development Co., Ltd. with same affiliate	5,789,265	2.79
Formosa Heavy Industries Corporation with same affiliate	5,455,530	2.63
Yang Ming Marine Transport Corporation with same affiliate	5,432,285	2.61
Fong Yi Construction Co., Ltd.	5,367,472	2.58
Shinhan Bank Co., Ltd. with same affiliate	5,333,565	2.57
Cheng Loong Corporation With Same Affiliate	5,259,115	2.53
HUI-HUNG Investment Co, Ltd. With Same Affiliate	5,153,938	2.48
The Goldman Sachs Group, Inc. With Same Affiliate	5,045,946	2.43
Chow Tai Fook Enterprises Limited With Same Affiliate	5,011,354	2.41
Lien Hwa Industrial Corp. With Same Affiliate	4,995,769	2.40
Longchen Paper & Packaging Co., Ltd. With Same Affiliate	4,980,723	2.40
Win Semiconductors Corporation with same affiliate	4,971,864	2.39
Quanta Computer with same affiliate	4,926,107	2.37
Tong Hwei Enterprise Co., Ltd. with same affiliate	4,804,062	2.31
HERAN Co., Ltd. With Same Affiliate	4,792,114	2.31
Linde LienHwa Industrial Gases Co., Ltd with same affiliate	4,755,557	2.29
Chiao Thai Hsing Enterprise Co., Ltd	4,730,000	2.28
Hon Yuany Motors Ltd. with same affiliate	4,530,078	2.18
Formosa Plastics Corporation with same affiliate	4,502,145	2.17
China Steel Corporation with same affiliate	4,299,320	2.07
Continental Holdings Corporation with same affiliate	4,289,607	2.06
Taiwan Mobile Co., Ltd. with same affiliate	4,265,537	2.05
Adata Technology Co., Ltd. with same affiliate	4,007,405	1.93
Tatung Company with same affiliate	3,910,310	1.88
Yem Chio Co., Ltd. With Same Affiliate	3,763,628	1.81
UBS AG with same affiliate	3,736,841	1.80
Farglory Land Development Co., Ltd. With Same Affiliate	3,640,563	1.75
Inventec Corporation	3,629,536	1.75
Gloria Material Technology Corp.	3,604,633	1.73
CTCI Group	3,558,046	1.71
U-MING MARINE	3,539,150	1.70
China Times Inc. with same affiliate	3,468,293	1.67
Starlux Airlines	3,433,751	1.65
Eva Airways Corp. With Same Affiliate	3,351,586	1.61
Ardentec Corporation With Same Affiliate	3,328,919	1.60
Chung Hsin Electric & Machinery Manufacturing Corporation With Same Affiliate	3,319,305	1.60
Ocean Plastics Co., Ltd. with same affiliate with same affiliate	3,280,343	1.58
Wisdom Marine Lines Co., Limited with same affiliate	3,278,595	1.58
Standard Chartered Bank with same affiliate	3,266,111	1.57
Wistron Corporation with same affiliate	3,174,701	1.53
Qatar National Bank (Q.P.S.C) with same affiliate	3,078,827	1.48
Jaie Haour Industry Corporation With Same Affiliate	3,073,978	1.48
Yieh United Steel Corporation With Same Affiliate	3,045,162	1.47
Lien Jade Construction Co., Ltd. With Same Affiliate	3,041,430	1.46

**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

Unit: In Thousands of New Taiwan Dollars

Item	Year	2023	2022	Difference	
				Amount	Ratio
Cash and cash equivalents		39,596,420	57,466,418	( 17,869,998)	-31%
Due from the central bank and other banks		245,757,463	238,125,369	7,632,094	3%
Financial assets at fair value through profit or loss		118,793,903	92,345,662	26,448,241	29%
Financial assets at fair value through other comprehensive income		379,784,939	358,704,522	21,080,417	6%
Investments in debt instruments measured at amortized cost, net		686,891,136	716,234,166	( 29,343,030)	-4%
Securities purchased under agreements to resell		2,481,443	1,999,158	482,285	24%
Receivables, net		67,252,591	47,020,578	20,232,013	43%
Current tax assets		398,393	169,667	228,726	135%
Discounts and loans, net		2,243,451,690	2,037,419,759	206,031,931	10%
Reinsurance contracts assets, net		6,917,297	6,404,284	513,013	8%
Investments accounted for using equity method, net		351,351	359,584	( 8,233)	-2%
Other financial assets, net		19,050,712	17,573,908	1,476,804	8%
Investment properties, net		14,863,175	12,627,100	2,236,075	18%
Property and equipment, net		31,978,737	32,718,699	( 739,962)	-2%
Right-of-use assets, net		2,268,659	2,021,323	247,336	12%
Intangible assets, net		919,111	968,134	( 49,023)	-5%
Deferred tax assets		3,850,295	4,018,272	( 167,977)	-4%
Other assets, net		4,594,464	3,985,125	609,339	15%
Total assets		3,869,201,779	3,630,161,728	239,040,051	7%
Deposits from the central bank and banks		190,550,622	182,391,496	8,159,126	4%
Financial liabilities at fair value through profit or loss		8,651,418	6,233,545	2,417,873	39%
Securities sold under agreements to repurchase		109,103,919	53,361,205	55,742,714	104%
Commercial paper payable, net		36,316,177	19,879,471	16,436,706	83%
Payables		48,200,920	37,923,753	10,277,167	27%
Current income tax liabilities		3,640,732	3,599,175	41,557	1%
Deposits and remittances		3,065,364,627	2,943,462,133	121,902,494	4%
Bonds payable		80,586,915	86,584,626	( 5,997,711)	-7%
Other borrowings		3,412,328	1,856,000	1,556,328	84%
Lease liabilities		23,659,550	23,891,682	(232,132)	-1%
Other financial liabilities		76,978,878	64,876,567	12,102,311	19%
Provisions		2,325,107	2,075,114	249,993	12%
Deferred income tax liabilities		6,139,717	6,126,380	13,337	0%
Other liabilities		6,458,533	13,073,475	( 6,614,942)	-51%
Total liabilities		3,661,389,443	3,445,334,622	216,054,821	6%
Share capital		136,427,459	136,427,459	0	0%
Capital reserve		17,761,804	17,758,986	2,818	0%
Retained earnings		63,895,129	48,876,041	15,019,088	31%

Item	Year	2023	2022	Difference	
				Amount	Ratio
Other equity interest		( 10,274,310)	( 18,237,555)	7,963,245	-
Equity attributable to owner of the parent		207,810,082	184,824,931	22,985,151	12%
Non-controlling interest		2,254	2,175	79	4%
Total equity		207,812,336	184,827,106	22,985,230	12%
Total liabilities and equity		3,869,201,779	3,630,161,728	239,040,051	7%

Analysis of changes in increase/decrease ratio:

1. The decrease in cash and cash equivalents was mainly due to the decrease in cash on hand compared to the previous year.
2. The increase in financial assets at fair value through profit or loss was mainly due to the increase in investments in bills compared with the previous year.
3. The increase in liabilities for repurchase coupons and bonds this year compared to the previous year is mainly due to the increase in liabilities for government bonds compared with the previous year.
4. The increase in accounts receivable was mainly due to the increase in accounts receivable and securities financing receivables compared with the previous year.
5. The increase in current income tax assets was mainly due to the increase in other items of current income tax assets compared with the previous year.
6. The increase in financial liabilities measured at fair value through profit or loss in the current year compared with the previous year was mainly due to the increase in foreign exchange of financial liabilities held for trading compared with the previous year.
7. The increase in liabilities for repurchase coupons and bonds this year compared to the previous year is mainly due to the increase in liabilities for repurchase coupons and bonds compared with the previous year.
8. The increase in commercial paper payable was mainly due to the increase in commercial paper payable compared with the previous year.
9. The increase in accounts payable was mainly due to the increase in accounts payable compared with the previous year.
10. The increase in other borrowings was mainly due to the increase in short-term credit borrowings as compared with the previous year.
11. The decrease in other liabilities was mainly due to the decrease in deposits of guarantee deposits compared with the previous year.
12. The increase in retained earnings was mainly due to the increase in special reserve as compared with the previous 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: In Thousands of New Taiwan Dollars

Item	Year	2023	2022	Difference	
				Amount	Ratio(%)
Net interest		27,867,948	33,177,691	( 5,309,743)	-16%
Net revenue other than interest		31,599,499	20,489,061	11,110,438	54%
Total net revenue		59,467,447	53,666,752	5,800,695	11%
Allowance for doubtful accounts and guarantees		( 2,294,134)	( 3,311,768)	1,017,634	-
Change in provisions for insurance liabilities, net		( 187,812)	( 1,095,681)	907,869	-
Operating expenses		( 30,790,196)	( 28,266,312)	( 2,523,884)	-
Net income before tax		26,195,305	20,992,991	5,202,314	25%
Income tax benefits(expenses)		( 4,576,885)	( 3,684,520)	( 892,365)	-
Net profit after tax for the year		21,618,420	17,308,471	4,309,949	25%
Other comprehensive income(loss)		9,413,303	( 22,896,652)	32,309,955	-
Total comprehensive income for the year		31,031,723	( 5,588,181)	36,619,904	-

Analysis of changes in increase/decrease ratio:

1. The increase in net revenue other than interest over the prior year was primarily due to the relatively higher benefit from the exchange gain compared to the exchange loss in the prior year.
2. The increase in income before and after taxes compared to the prior year was primarily due to an increase in net revenue other than interest compared to the prior year.

### III. Cash Flow

#### (I) Cashflow analysis for past two years

Unit: %

	2023	2022	Increase / Decrease Ratio (%)
Cash flow ratio	Note	14.79%	-
Cash flow adequacy ratio	116.64%	140.71%	-24.07%
Cash flow satisfaction ratio	Note	4332.12%	-

Note: 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.

#### (II) Cash liquidity analysis for the next year

Unit: In Thousands of New Taiwan Dollars

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
39,596,420	26,025,172	( 46,324,541)	19,297,051	-	-

### 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

The Company's net income after tax was NT\$21,618 million and earnings per share (EPS) was NT\$1.58 in 2023. The major subsidiaries are described as follows:

1. Hua Nan Commercial Bank's net income after tax was NT\$20,051 million, mainly due to higher net interest income and higher exchange gain from investment.
2. The net income of Hua Nan Securities was NT\$1,506 million, mainly due to the steady growth of the brokerage, underwriting service and self-operating businesses.
3. The net income of South China Insurance was NT\$916 million was mainly due to the growth of the insurance industry and the increase in income from capital utilization.

#### (III) Investment plan for the next year

In the future, overseas layout will continue to be based on the main planning directions of government policies, trends of Taiwanese enterprises, and local economic development. As the New Southbound region has a demographic dividend and a high economic growth rate, it is currently a hotspot for Taiwanese enterprises to set up factories overseas; and the U.S. is the world's largest consumer market, which has advantages that many advanced countries do not have, whether in terms of the economy, demographics, politics, business, or international relations. Hua Nan Commercial Bank will continue to prioritize New Southbound region and the U.S., where the political and economic situation is relatively stable or where there are opportunities for business development, and will actively evaluate the feasibility of setting up business bases in these regions in order to expand the scale of services and bases.

## 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:

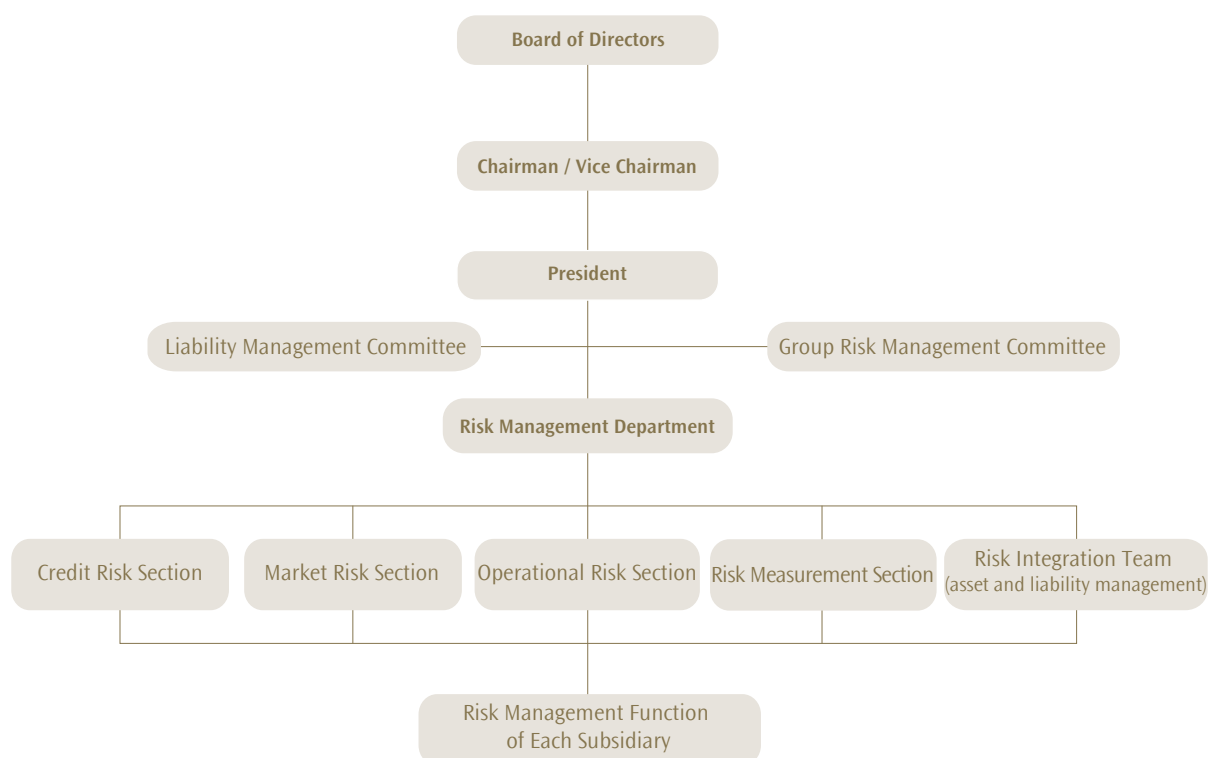
#### 1. Hua Nan Financial Holdings

##### (1) The risk management organization structure of the Group

The Company's key meetings with risk management functions include the Board of Directors, the Asset and Liability Management Committee and the Risk Management Committee. The Board of Directors is responsible for approving the Group's risk management guidelines and the Group's various risk policies and determining the Group's risk appetite. The Asset and Liability Management Committee is responsible for issues related to interest rate risk, liquidity risk, exchange rate risk, investment portfolio management and risk capital management of the Group's bank book (non-trading book). The Risk Management Committee is an important meeting for the implementation of the Group's risk management, dealing with issues related to market risk, credit risk, operational risk, climate risk or other risks.

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 a cross 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.



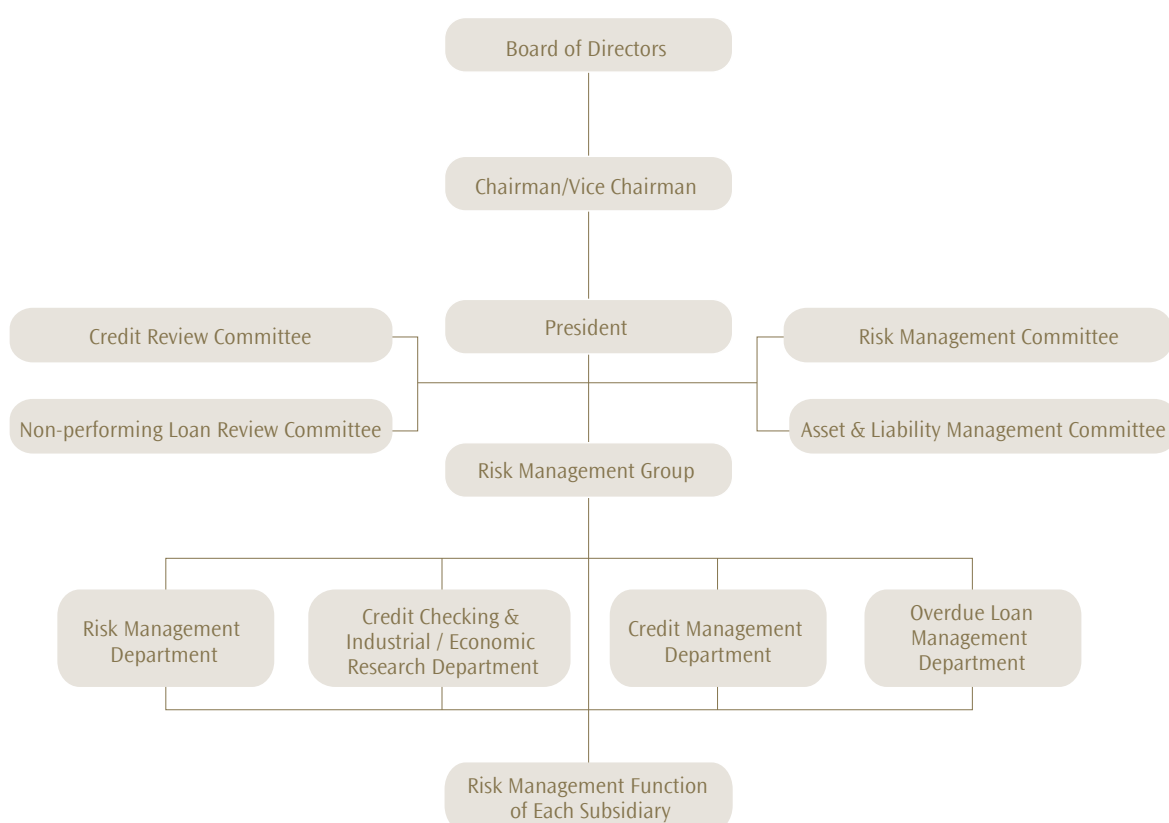
## 2. Hua Nan Commercial Bank

### (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, climate 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 (HNSC)

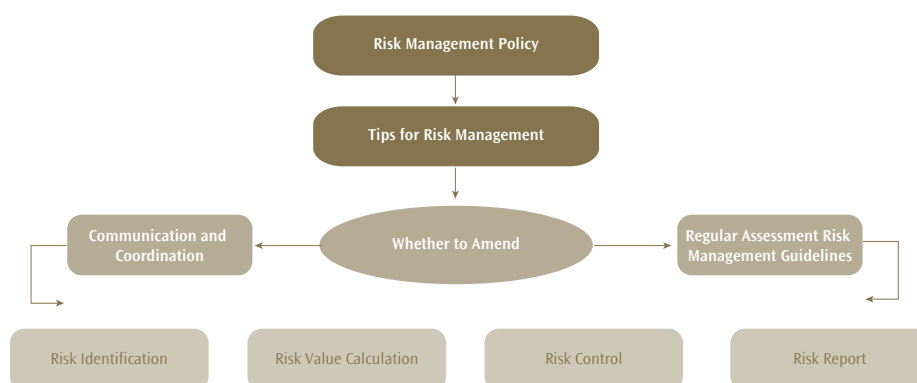
#### (1) Risk Management Strategy and Process

##### 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 HNSC's risk management policy and precautions of risk management for all departments as HNSC'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 organizational structure of risk management of HNSC consists of the Board of Directors, the Risk Management Committee and the Risk Management Department. The Board of Directors has established the Risk Management Committee to ensure the effective implementation and efficiency of risk management. According to the Risk Management organization structure of HNSC (see 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 market risk management policies.
- b. Determination and management of transaction market risk limit for dealers.
- c. Management validation of the market risk measurement 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 credit risk 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 liquidity risk of positions held.
- b. Set up controlled stocks according to the TCRI level and daily average trading volume of the target.
- c. Monitor over all position limit.
- d. Fund liquidity gap analysis.

E. Legal Risks

- a. All contracts shall be submitted to the Compliance Department for Comments.
- b. The Legal Compliance Department assists all departments in reviewing the account opening and contracts that require company seal.
- c. The Legal Compliance Department has established relevant standards for handling and recovering customer default cases, allowing relevant personnel to fully understand their rights and obligations.
- d. The Legal Compliance Department provides related documents for the Company's lawsuit and updates the latest progress.

F. Other Risk

Hua Nan Financial Holdings has established a notification management system to ensure that notifiable events are reported to Hu Nan Financial Holdings immediately.

To support Hua Nan Financial Holdings' efforts to promote corporate sustainability development, HNSC has established an ESG group, with the President as the convener, to plan ESG issues in conjunction with its core business. HNSC has established a climate risk management policy and has incorporated climate change risk into its risk management process to address the transformational and physical risks of climate change on its finances, strategies, operations, products and reputation.

## 4. South China Insurance (SCIC)

## (1) Risk management organization structure:

## 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 &amp; 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	<ol style="list-style-type: none"> <li>(1) The approval of all risk management and asset &amp; liability management policy.</li> <li>(2) The approval of risk appetite and risk limit.</li> <li>(3) The review of all material risk management reports.</li> <li>(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.</li> </ol>
Risk Management Committee	<ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(4) Assists in the review of risk limit development related operations.</li> <li>(5) 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.</li> <li>(6) Coordinates cross-department interaction and communication of risk management functions.</li> <li>(7) The study of stress test.</li> <li>(8) 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.</li> <li>(9) Assists and monitors the establishment of sound risk management culture and ensures risk management personnel can execute risk management operation in an independent manner.</li> <li>(10) Takes charge of the Company's overall risk management, which means monitoring the implementation of department risk management mechanisms.</li> </ol>
Risk management Asset and Liability Management Meeting	<ol style="list-style-type: none"> <li>(1) The study of various risk management and asset &amp; liability management related affairs.</li> <li>(2) The study of various risk management and asset &amp; liability management related mechanism.</li> <li>(3) The study of respective limit on various types of insurance and financial products.</li> <li>(4) The study of new insurance or financial product plan.</li> <li>(5) The study of establishment and planning of significant risk management system.</li> <li>(6) The handling of various risk management and asset &amp; liability management related issues.</li> <li>(7) Other risk management and asset &amp; liability management related affairs assigned or authorized by Risk Management Committee.</li> </ol>
Risk Management Department	<ol style="list-style-type: none"> <li>(1) The establishment or modification of various risk management policy and asset &amp; liability management policy.</li> <li>(2) The establishment or modification of various risk management and asset &amp; liability management precautions.</li> <li>(3) The stipulation, amendment, and control of various risk and asset &amp; liability limits.</li> <li>(4) The evaluation of establishing various risk management and asset &amp; liability management system.</li> <li>(5) The planning and execution of various risk management and asset &amp; liability management mechanisms.</li> <li>(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.</li> <li>(7) The handling of various risk management and asset &amp; liability management issues.</li> </ol>

## (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, climate 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, HNIT 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 HNIT'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:

HNVC's chief risk officer is the Vice President. The management department or other related departments of HNVC 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:

HNVC 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 (HNAMC)

##### (1) The risk management organization structure of HNAMC:

The 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) HNAMC's Risk Management Policy:

It 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:

General disclosure: Subsidiaries are required to disclose a description of their risk management objectives and policies for each individual risk area (including credit risk, market risk, operational risk and other risks), including the following:

- Strategy and process.
- Related risk management system organization and structure.
- The scope and characters of risk report and evaluation system.
- The risk hedge and risk offset policy. Strategy and process for monitoring the continuous effectiveness of hedge and offset tools.

#### 1. Hua Nan Financial Holdings

##### (1) Credit Risks

##### A. Important control mechanisms

Each subsidiary shall establish relevant regulations and management mechanisms in accordance with the Group's credit risk management policies and precautions for each business. This means that risk factors shall be taken into consideration, credit risk limits shall be set, and the credit portfolio shall be evaluated on a regular basis. The Group also establishes risk indicators and early warning mechanisms, and strengthens the action management mechanism. When the total amount of risk exposure reaches a certain percentage of the quantitative limits, the Group must alert the management and decide on follow-up response measures.

In order to improve the current risk control mechanism, the Company assisted Hua Nan Commercial Bank (HNCB), a subsidiary of the Company, in establishing an internal credit rating model and independently verifying it. The model has been applied to basic functions such as case review, early warning mechanism, limit setting and review of risk profiles. In the future, HNCB will use the three main parameters of default rate, default loss ratio and default risk exposure to structure various quantitative management indicators to achieve advanced functions such as capital calculation, lending pricing and credit asset portfolio management.

## B. The risk management report

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.

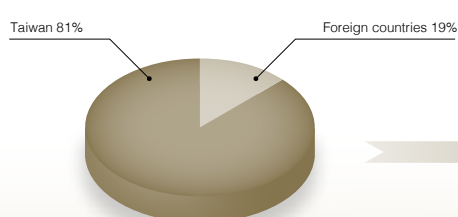
### a. Credit exposure limit

The Group's total credit risk exposure at the end of 2023 was approximately NT\$3.74 trillion, with credit business accounting for 65%, bond notes business accounting for 30%, and other business accounting for 5%. This represents an increase of approximately NT\$230.3 billion from the end of 2022, mainly due to an increase of approximately NT\$227.8 billion in credit business and an increase of approximately NT\$1.25 billion in bond and notes business.

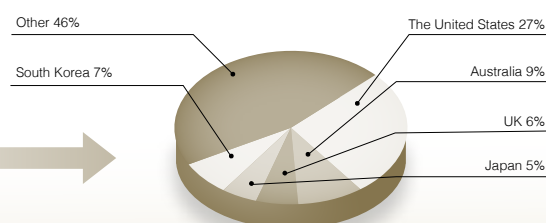
### b. Concentration risk management

By country, 81% of the Company's credit risk exposure came from Taiwan and 19% from overseas. The top five foreign subsidiaries were the United States, Australia, South Korea, UK, and, Japan, which together accounted for 54% of the Company's foreign exposures, while the remaining countries accounted for less than 5%.

Local and Foreign exposure



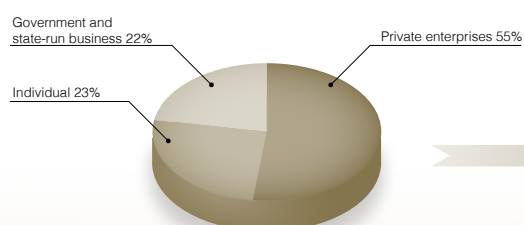
Foreign exposure



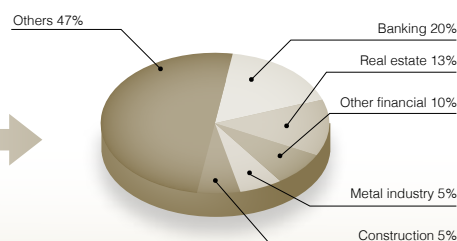
If divided by sector, 55% of the Company's credit exposure amount comes from private enterprises, 23% from individuals, and 22% from government and state-run businesses.

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

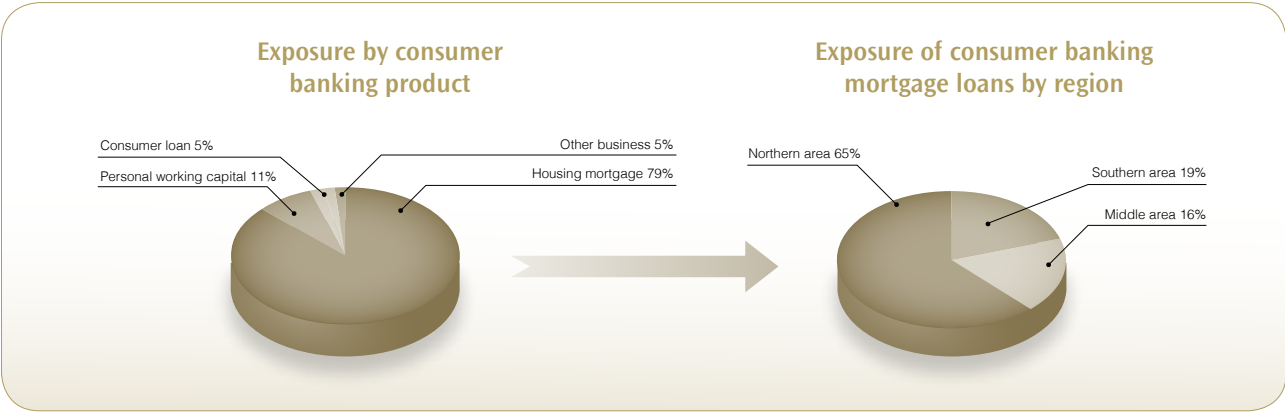
Exposure by segments



Exposure by corporate financial industry

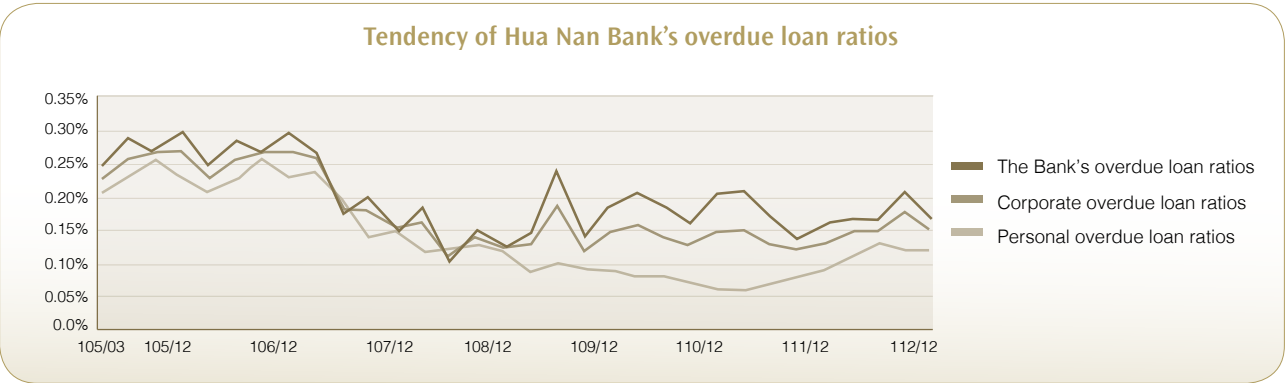


On the consumer front, mortgage loans make up the majority at 79%. They are distantly followed by personal revolving funds at 11%, consumer loans at 5%, and other retail finance products (credit cards, car loans, sole proprietorship or partnership revolving funds, cash cards, and personal securities financing) at approximately 5%. In reference to the exposure ratio of housing mortgages according to region, the northern region takes the highest ratio of 65%, distantly followed by the southern region at 19%.



C. Credit asset quality

The quality of Hua Nan Commercial Bank's credit facilities can be assessed by analyzing the changes in the overdue loan ratio. Hua Nan Commercial Bank's overdue ratio has remained low in recent years, with the bank's overdue ratio at 0.15% at the end of 2023.



(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. The risk management report

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 uses Value at Risk (VaR) as a tool to measure market risk in the trading book. VaR is used to compute the maximum possible loss occurring over a certain period of time (e.g. within one day 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. The function is mainly used for risk measurement and limit control of financial instruments. For example, if a subsidiary has a 1-day VaR of NT\$30 million at 99% confidence level, it means that for 100 business days, the loss is expected to exceed NT\$30 million on 1 day, and for the remaining 99 days, the loss is expected to be less than NT\$30 million per day.

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).

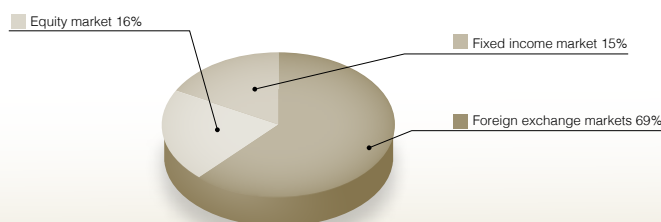
b. The trend of changes in the VaR of the Group's 2023 trading book position

In 2023, the Group's trading book position risk ranged from a low of \$50.66 million to a high of \$238.39 million, with an average risk of \$168.39 million. The Group's trading book position at risk at the end of 2023 was \$107.16 million, an increase of \$57.02 million from \$50.14 million at the end of 2022.

c. Summary of the VaR of the Group's trading book position at the end of 2023

The VaR of the Group's trading book positions at the end of 2023 (NT\$107.16 million) took up 0.05% of the Group's net value at the end of 2023, which was within the Group's tolerable range. If classified by risk factors, the foreign exchange products accounted for the largest share (69%), followed by equity products (16%), and fixed-income products (15%).

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. The risk management report

Based on Hua Nan Commercial Bank's asset and liability structure on December 31, 2023, 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 12.4% 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 12.4%.

Change in the market interest rate for the next 12 months	Change in the net interest income for the next 12 months (compared with the situation where the interest rate remains unchanged)
Gradually rise by 100 basis points	+12.4%
Gradually decline by 100 basis points	-12.4%

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 5.7% 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 6.3%.

Change in the market interest rate for the next 12 months	Change in economic value of shareholders' equity (compared with the situation where the interest rate remains unchanged)
Gradually rise by 100 basis points	-5.7%
Gradually decline by 100 basis points	+6.3%

#### 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, and funding source diversification analysis. 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.

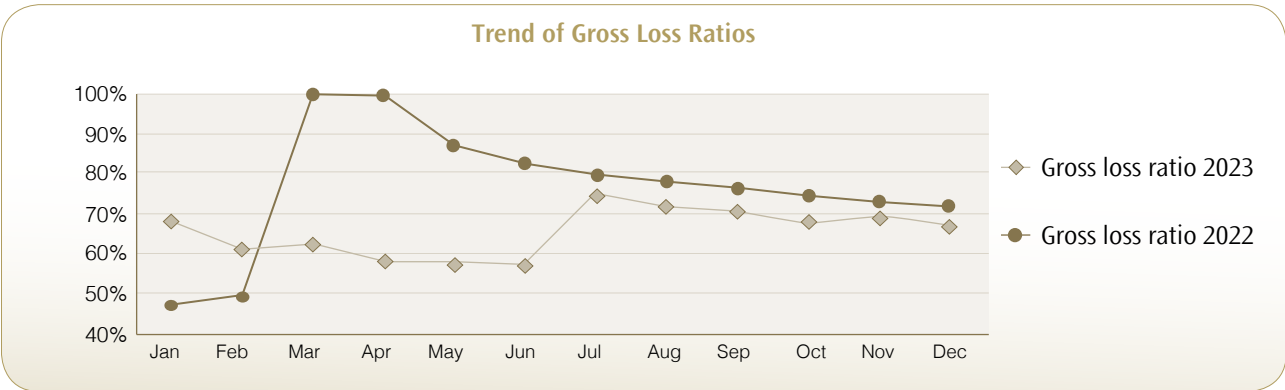
Limit management: To maintain the insurance risk within the tolerable range and avoid excess impact on the Group's capital, the Company has set up early-warning values for insurance risk management indicators for reviewing the gross loss ratio and net loss ratio. When the indicator reaches the early-warning 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

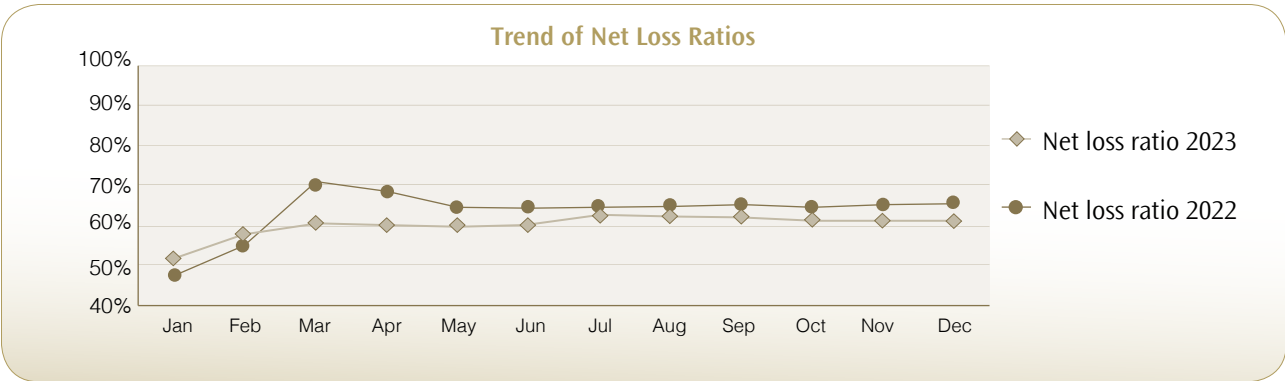
The gross loss ratio is the ratio of written operating expense to written premium which is mainly used to review the quality of underwriting businesses. The decrease in gross loss ratio in 2023 compared to 2022 was primarily due to a higher number of large claims in the prior year.



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 the net claim amount to net premium earned and it is mainly used to review the reinsurance strategy. The decrease in the net loss ratio in 2023 compared to 2022 was primarily due to a higher number of large claims in the prior year.



(5) Operational Risks: The calculation of the indicators in the above chart does not cover compulsory auto insurance, nuclear insurance and policy-oriented earthquake insurance.

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)

The business and management departments of the companies in the Group's use a systematic approach to self-identify and assess operational risks in their existing businesses and develop action plans to

strengthen risk control.

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)

It is an integrated database that provides a systematic collection of operational risk loss information within the Group, so that each management can analyze and manage their operational risks.

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. The risk management report

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.

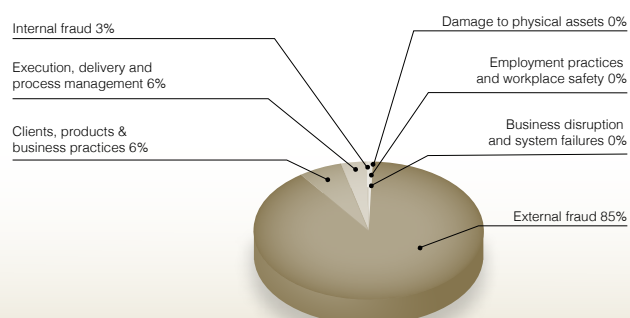
b. The ratios of the Basel event categories and business categories classified according to the internal operational loss data collected by the Group areas follows:

(6) Climate Risks

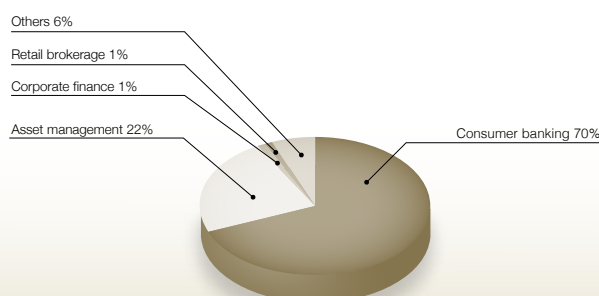
A. Important control mechanisms

All subsidiaries engaged in related businesses affected by climate risks should formulate relevant norms and management mechanisms in accordance with the group's climate risk management policies, and

**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**



adopt differentiated management measures for industries with high climate risks. And regularly conduct scenario analysis or stress testing of entity risk and transformation risk to assess possible changes and losses of asset portfolios under climate scenarios. At the same time, set the limit for the group's high climate risk industries. When the risk of exposure reaches a certain percentage of the limit, the management must be warned and follow-up measures should be determined.

In order to make the current mechanism more complete, the company has conducted TCFD third-party verification in 2023 to strengthen the Group's climate risk management and ensure sustainable operations.

## B. The risk management report

Based on the carbon inventory of the Group's investment and financing subsidiaries conducted at the end of 2023, the financial carbon emissions of Hua Nan Commercial Bank's investment and financing subsidiaries accounted for the largest share of the Group's total carbon emissions, accounting for 90%.

The company will continue to monitor the changes in the group's high climate risk exposure, conduct scenario analysis or stress testing in a timely manner, and report to the group risk management committee and the board of directors.

## 2. Hua Nan Commercial Bank

### (1) 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 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 &amp; 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 &amp; Liability Management Committee: It is the advisor unit that monitors the execution of risk management mechanism. Its major responsibilities are studying risk management related rules, regulations, and risk limit, discussing risk related issues, periodically inspecting risk exposure and reviewing responsive actions on risks.</p> <p>(III) Risk Management Department and capital management unit: The Risk Management Department prepares liquidity risk management related regulations and periodic risk reports. The capital deployment unit maintains appropriate short-term liquidity positions based on daily operating liquidity requirements.</p>
3. Scope and characteristics of liquidity risk report and evaluation system	<p>(I) Risk assessment is conducted through normal operation basis and stress test. The main tools include setting management indicators such as liquidity ratio and cash flow gap, analyzing changes in the dispersion of capital sources, and stress testing. In addition, the capital emergency response specification is set for liquidity crisis management to follow.</p> <p>(II) Periodically prepare risk report to disclose major risk information and risk limit compliance status and submit the report to Asset &amp; 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, regulations, 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 on all 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 a risk-value system to calculate daily the risk exposure of each financial transaction market and implement a bank-wide financial transaction-related market risk limit control mechanism. Also establish "Equity capital and risk asset capital provision system for the bank." Periodically calculate market risk weighted risk asset and statutory capital. Use the relevant information as a reference 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) When the amount of risk exposure or loss exceeds the approved limit, the business unit should prepare countermeasures and submit a business action report, and the risk management unit will track the implementation status.</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, quarterly report to Risk Management Committee and Board of Directors regarding operational risk related information.</p>
3. Scope and characteristics of operational risk report and evaluation system	<p>(I) The Bank establishes the "Operational Risk Loss Database" for reporting by each unit to measure the operational risk losses incurred by the Bank. The information collected includes the name and description of the incident, the occurrence unit, the responsible unit, the region of occurrence, the type of incident, the business category affected by the incident, the date of occurrence, the date of discovery, the end date, the follow-up plan, the amount of loss, the content of loss, the amount of loss recovery, the recovery method, and the insurance content.</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. The operational risk hedge or risk offset policy, and strategy and process for monitoring the effectiveness of risk hedge and 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 counter measures 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>

## E. Climate Risks

Disclosure Items	Description
1. Climate risk management strategy and process	<p>(I) To strengthen the management of the Bank's climate risk and to ensure the Bank's sustainable operation, the Bank has established the "Hua Nan Commercial Bank Climate Risk Management Policy".</p> <p>(II) The Bank has stipulated related rules for risk identification, assessment, monitoring, and reporting process flow and established risk limit monitoring mechanisms to periodic report risk information to Risk Management Committee and Board of Directors.</p>
2. Climate risk management organization and structure	<p>(I) Board of Directors: It is the highest decision-making unit for climate risk in the Bank and is responsible for approving climate risk management policies, climate risk limits and reviewing climate risk reports to oversee the implementation of the climate risk system.</p> <p>(II) Risk Management Committee: Discussing climate risk management policies and related considerations, climate risk limits, climate key indicators and targets, and climate risk reports.</p> <p>(III) The first line of defense is responsible for identifying, evaluating and managing climate risks and opportunities in its area of responsibility; the second line of defense, the Risk Management Department, prepares climate risk management policies and limits, reports to the Board of Directors and the Risk Management Committee on a quarterly basis on climate risk management, and assists in the implementation and promotion of climate risk management; the Law Compliance Department shall supervise the operation and management regulations of each unit in accordance with external legal amendments; the third line of defense is responsible for checking and evaluating the effectiveness of climate risk control in the first and second lines of defense and providing timely recommendations.</p>

**(2) Quantifying risk exposure information**
**A. Credit Risks**
**Statistics on Risk Exposure Allocation after Risk Offset through Credit Risk Standard Approach**

December 31, 2023

Unit: In Thousands of New Taiwan Dollars

Type of Exposure	Risk Exposure Amount after Risk Mitigation	Percentage	Weighted Credit Risk Asset	Percentage
Sovereign country (A)	825,185,287	22.21%	2,561,385	0.13%
Non-central government public department (B)	123,672,336	3.33%	33,337,346	1.76%
Banks (including multilateral development banks) (C)	396,030,762	10.66%	149,489,109	7.88%
Corporations (including securities and insurance companies) (D)	704,300,743	18.96%	642,968,766	33.88%
Retail debentures (E)	153,883,402	4.14%	65,481,997	3.45%
Real estate in housing (F)	1,417,673,426	38.16%	897,656,780	47.30%
Equity securities investment (G)	40,781,764	1.10%	44,425,490	2.34%
Equity securities investment by funds and venture capital businesses (H)	288,976	0.01%	3,612,198	0.19%
Other assets (I)	52,781,665	1.42%	58,069,568	3.06%
Total (J)	3,714,598,363	100.00%	1,897,602,640	100.00%

**B. Liquidity Risks**
**a. Structure Analysis on Maturity Date in NTD**

December 31, 2023

Unit: In Thousands of New Taiwan Dollars

	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 1 year
Major fund inflow upon maturity	3,077,928,987	390,089,160	394,009,270	224,197,689	232,248,816	262,953,870	1,574,430,182
Major fund outflow upon maturity	4,031,192,900	102,380,315	203,667,025	437,058,135	517,839,607	743,871,126	2,026,376,692
Maturity gap	-953,263,913	287,708,845	190,342,245	-212,860,446	-285,590,791	-480,917,256	-451,946,510

**b. Structure Analysis on Maturity Date in USD**

December 31, 2023

Unit: In Thousands of United State Dollars

	Total	Amount in each Maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year
Major fund inflow upon maturity	38,574,676	12,525,570	4,935,820	5,759,005	2,546,516	12,807,765
Major fund outflow upon maturity	42,873,365	20,423,528	7,171,492	3,682,701	5,201,623	6,394,021
Maturity gap	-4,298,689	-7,897,958	-2,235,672	2,076,304	-2,655,107	6,413,744

**C. Market Risks**
**Market Risk Asset**

December 31, 2023

Unit: In Thousands of New Taiwan Dollars

Type of Risk	Risk Asset
Interest risk	29,357,560
Equity securities risk	1,372,558
Foreign exchange risk	8,397,708
Commodities risk	0
Option applied by simple method	0
Total	39,127,826

### 3. Hua Nan Securities

#### (1) The scope and characters of risk report and evaluation system

##### A. Risk Report

After the close of the trading day, the Information Department uploads the position information to HNSC's database, and the Group's system schedules to automatically retrieve the information from the Company's database for risk value and profit/loss calculations, and deposits the results of the calculations into the Group's database, and the Risk Management Department prepares daily risk control reports for the president and all levels of supervisors to master the risk information of the entire Company, all business units, and each trader's position.

##### B. Scope for risk evaluation

The risks involved in Hua Nan Securities' on and off balance sheet operations are included in the management scope. Risk management reports are prepared in accordance with the Company's regulations and approved by the hierarchical level of responsibility, and capital adequacy ratios are disclosed regularly in accordance with the regulations.

##### a. Market Risks

To effectively manage market risk, Hua Nan Securities uses the Risk Metrics Market Risk System built by the Group to calculate part of the risk value, and the Risk Management Department measures and controls the market risk exposure and trading profit and loss of the entire company and each business division on a daily basis to effectively implement the market risk management mechanism of Hua Nan Securities.

##### b. Credit Risks

According to the provisions of the "Hua Nan Securities Credit Risk Management Policy", in terms of counterparty credit management, the business unit is based on the external credit rating management of the counterparty, regularly reviews the credit status of the counterparty, and continuously monitors the company's credit risk arising from transactions; And credit equivalent control shall be exercised over derivative financial product positions. The credit risk arising from the brokerage financing business and unrestricted funds lending business is managed by granting credit limits to customers based on their financial status, regularly reviewing their credit status, and continuously monitoring the Company's default risk arising from customers. The credit risk of customers and the credit risk of marketable securities entrusted to the Company are effectively controlled, and the audit office will check the performance of each brokerage business unit.

##### 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 HNSC'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.

## f. Other Risk

In accordance with the management guidelines for notifiable events, the Company shall notify Hua Nan Financial Holdings when a notifiable event occurs.

In line with Hua Nan Financial Holdings' efforts to promote sustainable Corporate development, HNSC's climate risk management policy has been established. Each department of HNSC's three lines of defense shall establish climate risk management mechanisms and indicators in accordance with the policy and continue to promote low-carbon business practices in order to achieve sustainable Corporate development.

- (2) The risk hedge and risk offset policy. Strategy and process for monitoring the continuous effectiveness of hedge and offset tools.

The business units of Hua Nan Securities are divided into trading parts and non-trading parts, and the trading parts are controlled according to the risk management regulations of each business department. When the loss of trading parts reaches the loss limit, each business department shall immediately stop the loss or take necessary actions. In addition, the hedging positions established by HNSC to hedge risks should be appropriately adjusted according to market fluctuations, and the profit and loss of the hedging positions should be evaluated regularly to ensure that the hedging positions can effectively hedge the relevant risks.

- (3) Risk management approach, and quantifying exposure information

## A. Risk management approach

The risk management methods involved in each business of Hua Nan Securities are as follows:

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	<ol style="list-style-type: none"> <li>(1) Estimation of the risk value and trading gains and losses of the overall position of the company and the position held by the business department (investment portfolio)</li> <li>(2) Setup VaR limit</li> <li>(3) Intraday position and trading profit and loss monitoring mechanism</li> <li>(4) Company-wide and business unit risk limit utilization rates</li> <li>(5) Review of product proposals</li> </ol>
Credit Risks	Avoid the risk of loss caused by default of trading counterparty.	<ol style="list-style-type: none"> <li>(1) Margin trading and unrestricted fund lending business shall be granted credit limits based on customer credit and credit evaluation results</li> <li>(2) External credit ratings are used to manage issuer risk and counterparty credit equivalence.</li> <li>(3) Credit equivalence is used to manage counterparty credit risk in derivative financial instruments</li> </ol>
Operational Risks	Avoid the risk of loss caused by internal operation, personnel, system and mistakes, or external incidents.	<ol style="list-style-type: none"> <li>(1) Establish standard operating procedure and internal control for all operations</li> <li>(2) Implement five major management tools for operational risks <ol style="list-style-type: none"> <li>a. Risk Self-Assessment (RSA)</li> <li>b. Operational Risk Assessment Process (ORAP)</li> <li>c. Key Operational Risk Control (KORC)</li> <li>d. Key Risk Indicator (KRI)</li> <li>e. Corporate Loss Database (CLD)</li> </ol> </li> <li>(3) Operational risk awareness training</li> <li>(4) Inspection and modification of operating procedures</li> </ol>
Liquidity Risks	Prevent stop trading due to insufficient market liquidity on held positions	<ol style="list-style-type: none"> <li>(1) Control over position liquidity risk of positions held.</li> <li>(2) Set up controlled stocks according to the TCRI level and daily average trading volume of the target.</li> <li>(3) Monitor over all position limit.</li> <li>(4) Fund liquidity gap analysis.</li> </ol>
Legal Risks	Unfavorable rights and obligations to the Company due to the signing of contracts	All contracts shall be submitted to the Compliance Department for Comments, and the Compliance Department has established relevant standards for handling and recovering customer default cases, allowing relevant personnel to fully understand their rights and obligations.
Other Risk	Establish appropriate procedures for other risk issues	<ol style="list-style-type: none"> <li>(1) The management points of notifiable events are established and a notification management system has been set up.</li> <li>(2) All three lines of defense execute climate risk management in accordance with the climate risk management policy.</li> </ol>

## C. Quantifying risk exposure information

## a. Market Risks

Hua Nan Securities regularly discloses related market risk information in financial statements. The highest, lowest, and average VaR for market risk in 2023 are NT\$120,993 thousand, NT\$39,702 thousand, and NT\$77,314 thousand, respectively, all of which were controlled in accordance with the regulations and in compliance with the Company's limits.

Unit: In Thousands of New Taiwan Dollars

2023				2022		
VaR for the entire Company	Average	Highest	Lowest	Average	Highest	Lowest
	\$ 77,314	\$ 120,993	\$ 39,702	\$ 37,662	\$ 72,386	\$ 26,546

## b. Credit Risks

The securities credit risk related information for Hua Nan Securities at the end of 2023 were: Overall exposure for margin trading was NT\$16,988,035 thousand. Average TCRI level is 4.938. Possibility for default was 0.163%. For unrestricted-use capital loan, outstanding loan balance was NT\$2,245,830 thousand. The average TCRI level for collaterals was 4.307. Expected default rate was 0.114%. 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.

## 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 2023 is as below.

Unit: In Thousands of New Taiwan Dollars

Risk Items	Equivalent Risk Amount
Market Risks	1,467,305
Credit Risks	1,464,239
Operational Risks	875,639
Operating risks	3,807,183

## e. Calculation of statutory capital adequacy ratio

Hua Nan Securities adopts the capital adequacy ratio as an overall operational risk management measure to examine whether the company's capital can cover all possible losses from operations. Hua Nan Securities' full-year capital adequacy for 2023 was 371% at the highest and 270% at the lowest, with an average value of 319%, which all complied with legal requirement.

Unit: %

2023				2022		
Overall Company Capital Adequacy Ratio	Average	Highest	Lowest	Average	Highest	Lowest
	319%	371%	270%	392%	426%	338%

## 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:

- (a) Implement the limit control and market risk evaluation according to market risk management policy to achieve the objective of controlling market risk.
- (b) Establish market risk control mechanism to ensure market risk exposure is controlled within tolerable range and achieve target profit.
- (c) Establish internal management system on risk adjusted return on capital (RAROC).

## b. Process:

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:

- (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:

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:

- (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:

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:

- (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:

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 and liability management

## a. Strategy:

- (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:

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.

## F. Climate Risks

## a. Strategy:

Leverage our capital to promote climate risks and opportunities for our clients and continue to promote low carbon operation.

## b. Process:

The management process focuses on identifying and evaluating the impact of climate risks when handling climate risk-related business, and taking timely management measures for high climate risks.

## (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 Approach

Monitoring Procedure	Approach
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) 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, 2023 is within tolerable range.

Unit: In Millions of New Taiwan Dollars

Risk Exposure Amount	2023.12.31
Highest daily VaR	0.073
Lowest daily VaR	0.008
Average daily VaR	0.017

## B. Operational Risks

## a. Management Approach

Monitoring Procedure	Approach
Identify risks	(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. (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. approve and accept the residual risk at the appropriate approval level. Study necessary risk offset plan; approve and accept the residual risk at the appropriate approval level.
Evaluate risks	The operational risk loss events that have occurred are recorded in the operational risk loss database through an integrated reporting system. The main purpose is to collect the company's internal operational risk loss information for the reference of reviewing the existing control and as the main source of loss information analysis and reporting.
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	(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. (b) Utilize operational risk loss database management report as a reference to review existing control and analysis for future loss. (c) Effectively control operational risk related action plan and the execution through action plan tracking report to reduce related operational risk. (d) Quarterly operational risk management report in South China Insurance Board of Directors meeting/ Risk Management Committee/Risk Management and Asset & Liability Management Meeting.

## b. Risk exposure

As of December 31, 2023, every indicator of South China Insurance is in compliance. 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 Approach

Monitoring Procedure	Approach
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	(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. (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. (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".
Control risks	(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. (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.
Monitor and report	(a) Quarterly abnormal bond tracking report. (b) Quarterly credit risk management report in South China Insurance Board of Directors meeting/ Risk Management Committee/Risk Management and Asset & Liability Management Meeting.

## b. Risk exposure

The credit risk exposure of South China Insurance as of December 31, 2023 is within tolerable range.

Unit: In Millions of New Taiwan Dollars

Risk Exposure Amount	2023.12.31
Loans	107
Issuer	7,660
Trading counterparty	304
Sales representative	372
Reinsurer	6,917
Total	15,360

## D. Insurance Risks

## a. Management Approach

Monitoring Procedure	Approach
Identify risks	Consider the characteristics 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

Insurance risk exposure by the South China Insurance as of December 31, 2023 is within tolerable range.

Risk Exposure Amount	2023.12.31
Gross combined ratio	96.0%
Net combined ratio	93.5%
Unearned premium reserve provision rate	50.9%
Indemnity reserve provision rate	45.0%
Indemnity reserve tracking rate	0.71%
Self-retained business rate	140.8%

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 and liability management

## a. Management Approach

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) 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 &amp; 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 &amp; 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 &amp; liability management report to South China Insurance Risk Management and Asset &amp; Liability Management meeting.</p> <p>(f) Quarterly asset &amp; 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 &amp; Asset and Liability Management Meeting.</p>

## b. Risk exposure

The asset and liability risk of South China Insurance as of December 31, 2023 is within tolerable range.

Unit: In Millions of New Taiwan Dollars

Risk Exposure Amount	2023.12.31
Liquidity assets with highest liquidity risk to liabilities ratio	61.6%
Current assets to liabilities ratio	82.8%
Assets to liabilities ratio	137.8%
Financial assets liquidity ratio	80.8%
Cash flow gap within one month	+8,396
Unfavorable foreign exchange fluctuation to equity ratio	2.68%
Capital Adequacy Ratio	446.05%

## F. Climate Risks

## a. Management Approach

Monitoring Procedure	Approach
Identify risks	Evaluate the potential financial impacts of climate entities and transition risk types on investment portfolios in order to identify relevant climate risks and opportunities.
Evaluate risks	Evaluate risk through management indicators.
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) The post-trading risk tracking: Manage by limit. In order to manage the high weather risk within a tolerable range so as to avoid excessive impact on the Group and South China Insurance's capital, a high weather risk limit is in place.</p>
Monitor and report	<p>(a) Monthly insurance risk management report to South China Insurance Risk Management and Asset &amp; Liability Management Meeting.</p> <p>(b) Quarterly insurance risk management report to South China Insurance Board of Directors/Risk Management Committee.</p> <p>(c) Annual climate risk disclosure process.</p>

## b. Risk exposure

Risk Exposure Amount	2023.12.31
Percentage of risk exposure for investment of high-climate risk industries in total investment risk exposure	6.24%

## 5. Hua Nan Investment Trust

## (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 of volatility.

## B. Market risk management:

a. Self-owned fund market risk management: The management of the HNIT'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 HNIT 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 Product Review Committee of HNIT 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. Self-owned fund credit risk management: The management of HNIT's self-owned fund follows “Hua Nan Financial Holding Group Corporate Financial Risk Management Policy”.
    - b. Credit risk management of trust fund
      - (a) HNIT 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. HNIT 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 shareholders' equity which is caused by any of the Group members' inability to repay the due to debt. It is also present when any Group member can only obtain the 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) The risk management report

A. All of HNIT '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. HNIT's Risk Management Department periodically reports to HNIT'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'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 HNVC'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

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: The related operational risk management conduct according to "Hua Nan Financial Holding Group Operational Risk Management Policy". In order to avoid the legal risk of damaging the shareholders' rights and interests if the contracts signed with others are not legally sound or the legal documents are not complete, HNAMC should not enter into any legal contracts with others, except for the standard contracts, until they have been reviewed in advance by legal officers or appointed lawyers. Both parties should confirm the legality and authorization status of the other party before signing the contract. The risk of compliance with laws and regulations is based on the "Key Points for Implementation of the Compliance System of Hua Nan Assets Management Co., Ltd.", which provides for education and training as well as verification of compliance with laws and regulations to ensure that all operations comply with the laws and regulations.

(2) Credit risk management: Credit risk refers to the default loss risks caused by the trading counterparty's failure to fulfill contract obligations due to deteriorated financial conditions or other reasons. Credit risk management shall include credit risk assessment before undertaking business and credit risk monitoring after undertaking business, and credit risk limits shall be set for control purposes

(3) Asset and liability management:

A. Liquidity risk management: Normal operating capital deployment operations are carried out in accordance with the "HNAMC Borrowing Management Guidelines", and capital sources are appropriately diversified to avoid over-concentration; in addition, to prevent sudden liquidity crises from affecting normal operations, I have established the "HNAMC Liquidity Risk Management Precautions" and "HNAMC Liquidity Emergency Response Guidelines" in response.

B. Capital adequacy management: In order to comply with the business strategy, consider capital planning and balance the relationship between risk control and business development, so as to achieve the management goal of maximizing shareholders' value, HNVC has set a capital adequacy warning level. If the capital adequacy ratio falls below the warning level or is expected to fall below the warning level in the future, the Company should propose relevant response measures.

In addition to the above-mentioned risk controls, HNAMC has established an investment review committee to review and evaluate investment cases before making any investment, and actively handles the decommissioning of related assets or asset improvements after purchase to reduce capital cost pressure and enhance asset value to increase the Company's earnings.

**(III) Impact of changes of important domestic and foreign policies and laws on the Company's finances and business, and the countermeasures:**

1. In accordance with Jin-Guan-Zheng-Shen-Zi Order No. 11202736691 dated November 17, 2023, regarding the "Interpretation Order on the Scope of Short-Term Capital Utilization of Article 39 of the Financial Holding Company Act," after evaluation, to be line with order, the Company decides to amend the Guidelines on Short-Term Capital Utilization of South China Financial Holding Company, Ltd.
2. In accordance with Jin-Guan-Zheng-Shen-Zi Order No. 1120385509 dated December 4, 2023, which amends certain provisions of the "Regulations Governing the Public Acquisition of Securities of Publicly Issued Corporations" and amends Articles 7, 8, and 9 of the "Regulations Governing Information to be Published in Public Tender Offer Prospectuses," after reviewing the key points and special notes of the Company's equity investment management, which specify the investment method, investment scope, and investment limit, there's no need to be adjusted to comply with the relevant provisions of the Company's internal business regulations. In the future, if there is a public acquisition of marketable securities of a public company in accordance with Article 43-1 of the Securities and Exchange Act, it will be handled in accordance with the relevant laws and regulations and internal rules.

**(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

The Group implements the projects that are expected to be given priority to with the financial industry in the financial security action program issued by the Financial Regulatory Commission.

## (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. Continuously obtain the relevant certification of international information security management standards
- B. Handle information security governance maturity assessment
- C. Continuously strengthen the 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

During 2023 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 example, since 2007, the Company has been working with the Baseball Association of the Republic of China to launch the "One Ball, One Dream" public service campaign, which is rooted in grassroots baseball in Taiwan and has been sponsoring baseball tournaments and related activities for a long time. In addition, since 2012, the Company has joined hands with the Hongdao Senior Citizens Welfare Foundation to organize activities to honor the elderly. The Group's volunteer team visits the elderly living alone throughout Taiwan, donates civil welfare funds, and arranges volunteer medical and cutting services, thereby conveying care for 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 business vision of becoming a sustainable, high-quality financial institution and to enjoy the benefits of 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 risk and mitigation efforts: 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: 2023.12.31

Unit: In Thousands of New Taiwan 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	97,938,000	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 1308, Qiancheng Commercial Center, No. 5 Haicheng Road, Mabu Community, Xixiang Street, Baoan District, 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	Room 2102, 21/F., Bupa Centre, 141-143 Connaught Road West, Sai Ying Pun, Hong Kong	HKD 18,975	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: 2024.3.31

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 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 Jun-Zhi Huang Chih-Yang Lin Yi-Tuan Chen Chih-Yu Lin Teng-Cheng Chou Yuan-Lin Hsu Wei-Ling Yen Vivien, Chia-Ying Shen Shih-Fang Lo Tzu-Yu Chen Mei-Ling Liang 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	9,793,800,000	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 Yi-Fang Liao 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 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 Han-Chun 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 Fan Wang Yuan-Lin Hsu Po-Hsun Chen Bao-Juan Tsai Chien-Feng Lin Chao-Chi Yeh Jui-Chen Hsu Vacancy	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 Director Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Yao-Ching Li Amy, M.C. Chiou Yu-Kuen Chen Zi-Ang Chen Jeng-Feng Li Pi-E Huang	200,000,000	100%
Hua Nan Assets Management Co., Ltd.	Chairman Director Director Director Director Supervisor	Hua Nan Financial Holdings Co., Ltd. Representative: Tsung-Hsien Li Tien-Yu Chen Yu-Lin Chen Pao-Lin Wang 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 Director Supervisor	Hua Nan Commercial Bank Representative: Jing-Ping Jiang Shu-Zhen Song Ping-Hui Chang Yi-Hsin Huang Chi-Ming Huang Chun-Heng Tsao	150,000,000	100%
	President	Chih-Hsien Tsai	0	0%
Hua Nan International Leasing Corp.	Chairman Director Director Director Director Supervisor	Hua Nan International Leasing Co., Ltd. Representative: Jing-Ping Jiang Shu-Zhen Song Ping-Hui Chang Yi-Hsin 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 Chi-Tsun Lin Yu-Kun Chen	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: Chuan-Tsai Li Amy, M.C. Chiou Jen-Hsiang Hsu	43,413,000	99.80%
	Supervisor	Pi-Lien Shih	0	0%
	President	Hsiang-Huan Tseng	0	0%
Hua Nan Securities Holdings Corp.	Director	Hua Nan Securities Co., Ltd. Representative: Pi-Lien Shih	100,000	100.00%
Hua Nan Securities (Hong Kong) Limited	Acting Chairman and President Director and President	Hua Nan Securities Holdings Corp. Representative: Wei-Kang Chang Pi-Lien Shih	79,975,000	100.00%

**(VI) Operational Highlights of Subsidiaries****1. Operational Highlights**

Date: 2023.12.31

Unit: In Thousands of 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.	97,938,000	3,762,896,643	3,534,214,350	228,682,293	51,825,680	24,472,929	20,051,469	2.05
Hua Nan Securities Co., Ltd.	6,547,743	65,842,422	52,637,429	13,204,993	5,339,971	1,450,867	1,505,918	2.30
South China Insurance Co., Ltd.	2,001,386	27,016,630	19,555,346	7,461,284	10,592,964	1,012,305	916,066	4.58
Hua Nan Investment Trust Corp.	308,399	883,707	507,825	375,882	120,713	-21,317	-9,710	-0.31
Hua Nan Venture Capital Co., Ltd.	2,000,000	1,849,849	8,747	1,841,102	114,285	92,151	77,694	0.39
Hua Nan Assets Management Co., Ltd.	1,000,000	5,790,426	4,653,326	1,137,100	271,772	108,796	27,035	0.27
Hua Nan Securities Investment Management	37,200	53,286	12,498	40,788	30,960	-3,407	-2,258	-0.61
Hua Nan Futures Co., Ltd.	435,000	6,707,267	5,589,480	1,117,787	379,489	-14,094	62,977	1.45
Hua Nan Securities Holdings Corp.	3,158	42,427	59	42,368	-14,127	-14,338	-14,338	-143.38
Hua Nan Securities (Hong Kong) Limited	79,765	11,550	2,647	8,903	91	-16,299	-16,299	-0.86
Hua Nan International Leasing Co., Ltd.	1,500,000	2,505,522	1,063,907	1,441,615	65,091	1,005	23,078	0.15
Hua Nan International Leasing Corp.	879,840	1,060,215	36,587	1,023,628	48,797	27,488	24,868	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 HKD0.19 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 Commercial 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
		072	Fintech & Data Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87298764
		073	Channel & Operation Management Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291884
		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



# IX BASIC INFORMATION FOR DOMESTIC AND OVERSEAS OPERATING UNITS OF THE GROUP

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
		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
		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
		102	International Banking Department		11073	No. 123, Songren Rd., Xinyi Dist., Taipei City	02-23713111	02-87291710
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		103	Chengnei Branch		10045	No. 93, Bo'ai Rd., Zhongzheng Dist., Taipei City	02-23818780	02-23613028
5		104	Dadaocheng Branch	*	10344	No. 96, Sec. 2, Yanping N. Rd., Datong Dist., Taipei City	02-25556280	02-25591573
6		105	Jiancheng Branch	*	10355	No. 228, Nanjing W. Rd., Datong Dist., Taipei City	02-25563110	02-25584245
7		106	Zhongshan Branch	*	10442	No. 18, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City	02-25611121	02-25232072
8		107	Yuanshan Branch		10449	No. 112, Sec. 2, Zhongshan N. Rd., Taipei City	02-25619588	02-25418154
9		108	Chengdong Branch		10458	No. 146, Songjiang Rd., Zhongshan Dist., Taipei City	02-25512111	02-25362764
10		109	Ximen Branch		10846	No. 173, Xining S. Rd., Wanhua Dist., Taipei City	02-23149978	02-23832866
11		110	Nan Sung Shan Branch		11066	No. 293, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	02-27695957	02-27688428
12		111	Ren Ai Road Branch		10685	No. 25, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	02-27722090	02-27110276
13		112	Nanking East Road Branch		10488	No. 217, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-27155111	02-27129350
14		113	Xinsheng Branch		10059	No. 48, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	02-23934211	02-23211338
15		114	Datong Branch		10372	No. 276, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City	02-25917767	02-25912924
16		115	Sung Shan Branch		10566	No. 654, Sec. 4, Bade Rd., Songshan Dist., Taipei City	02-27652132	02-27614818
17		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
18	Taipei City	117	Taipei Nanmen Branch		10093	No. 11, Sec. 2, Roosevelt Rd., Zhongzheng Dist., Taipei City	02-23217111	02-23510410
19		118	Gongguan Branch		10089	No. 216, Sec. 3, Roosevelt Rd., Zhongzheng Dist., Taipei City	02-23622141	02-23623500
20		119	Xinyi Branch		10064	No. 183, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City	02-23943141	02-23937089
21		120	Zhongxiao East Road Branch	*	10686	No. 212, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City	02-27733577	02-27410336
22		121	Heping Branch		10664	No. 93, Sec. 2, Heping E. Rd., Da'an Dist., Taipei City	02-27002405	02-27099230
23		122	Shuangyuan Branch	*	10879	No. 127, Xizang Rd., Wanhua Dist., Taipei City	02-23071122	02-23055954
24		123	Shihlin Branch		11168	No. 246, Sec. 4, Chengde Rd., Shilin Dist., Taipei City	02-28819500	02-28827737
25		124	Tung-Taipei Branch		10553	No. 50, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City	02-25794141	02-25791395
26		125	Da An Branch	*	10695	No. 458, Guangfu S. Rd., Da'an Dist., Taipei City	02-27039851	02-27088441
27		126	Ming Shen Branch	*	10574	No. 54, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City	02-27155011	02-27121484
28		127	Fushing Branch		10544	No. 337, Fuxing N. Rd., Songshan Dist., Taipei City	02-27171781	02-27184582
29		128	Lung Chiang Branch		10483	No. 143 & 145, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City	02-25045341	02-25044487
30		129	Yongji Branch		11082	No. 800, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	02-27593111	02-27595757
31		130	Dunhua Branch		10683	No. 2, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-27557467	02-27066043
32		132	Dazhi Branch		10462	No. 56, Lequn 3rd Rd., Zhongshan Dist., Taipei City	02-85020818	02-85026101
33		133	Tun Ho Branch		10682	No. 107, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-27010900	02-27042811
34		134	Donghu Branch		11490	No. 456, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City	02-26315550	02-26328296
35		136	Dongxing Branch	*	10569	No. 239, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City	02-25289567	02-25288359
36		137	Pei Nankang Branch		11503	2F-10, No. 3, Park St., Nangang Dist., Taipei City	02-26558788	02-26558778
37		177	TanMei Branch	*	11470	1F., No.380, Sec.6, Nanjing E. Rd., Neihu Dist., Taipei City,	02-2931323	02-27931110
38		143	Nan Neihu Branch		11494	No. 130, Xing'ai Rd., Neihu Dist., Taipei City	02-27968288	02-27968299
39		145	Chang An Branch		10491	No. 205, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City	02-87722778	02-87722775
40		147	Huaisheng Branch		10654	No. 247, Sec. 3, Zhongxiao E. Rd., Da'an Dist., Taipei City	02-27727211	02-27318743
41		148	Zhonghua Road Branch		10065	No. 59, Sec. 2, Zhonghua Rd., Zhongzheng Dist., Taipei City	02-23822078	02-23318355
42		149	Hsin Wei Branch		10683	2F., No. 6, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City	02-27015123	02-23258122
43		152	Shihpai Branch		11271	No. 78, Sec. 1, Shipai Rd., Beitou Dist., Taipei City	02-28223822	02-28216268
44		153	Jui Hsiang Branch		10573	No. 145, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City	02-27641407	02-27619254
45		154	Taita Branch		10617	No. 1, Sec. 4, Roosevelt Rd., Da'an Dist., Taipei City	02-23631478	02-23639657
46		156	Shih Mao Branch	*	11052	No. 458, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City	02-27581392	02-27581389

# IX BASIC INFORMATION FOR DOMESTIC AND OVERSEAS OPERATING UNITS OF THE GROUP

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
47	Taipei City	157	Wanhua Branch		10849	No. 149, Kangding Rd., Wanhua Dist., Taipei City	02-23812922	02-23817634
48		158	Nan Kang Branch		11510	No. 52, Sec. 3, Nangang Rd., Nangang Dist., Taipei City	02-27885966	02-27885725
49		178	Beitou Branch		11268	No. 13, Sec. 2, Beitou Rd., Beitou Dist., Taipei City	02-28934166	02-28960184
50		179	Hsi Hu Branch	*	11493	No. 392, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	02-27977189	02-27979169
51		189	Tianmu Branch	*	11148	No. 109, Sec. 1, Zhongcheng Rd., Shilin Dist., Taipei City	02-28380777	02-28355410
52		190	Nei Hu Branch		11457	No. 157, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City	02-27961266	02-27935380
53		195	Wenshan Branch		11641	No. 52, Sec. 1, Muzha Rd., Wenshan Dist., Taipei City	02-22360288	02-22365655
54	New Taipei City	151	Pu Chien Branch	*	22069	No. 37, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City	02-29646911	02-29570930
55		159	Hua Jiang Branch	*	22041	No. 80, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City	02-22512581	02-22524900
56		160	Panchiao Branch		22063	No. 73, Zhongxiao Rd., Banqiao Dist., New Taipei City	02-29511101	02-29615496
57		161	Sanchong Branch		24147	No. 5-1, Sec. 2, Chongxin Rd., Sanchong Dist., New Taipei City	02-29824101	02-29713685
58		162	Pei Sanchong Branch		24146	No. 1, Longmen Rd., Sanchong Dist., New Taipei City	02-29880011	02-29717564
59		163	Xinzhuang Branch		24243	No. 100, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	02-29944761	02-29975920
60		164	Yong Ho Branch		23444	No. 147, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City	02-29214111	02-29275188
61		165	Chung Ho Branch	*	23558	No. 257, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City	02-22495555	02-22498520
62		166	Hsintien Branch		23143	No. 108, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City	02-29136661	02-29155547
63		167	Tamsui Branch	*	25158	No. 28, Zhongzheng Rd., Tamsui Dist., New Taipei City	02-26219680	02-26232275
64		168	Xizhi Branch	*	22166	No. 101, Zhongzheng Rd., Xizhi Dist., New Taipei City	02-26416411	02-26420866
65		169	Nan Yung Ho Branch		23455	No. 220, Zhongzheng Rd., Yonghe Dist., New Taipei City	02-89423288	02-89423289
66		170	Shi San Chung Branch		24153	No. 237, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City	02-28575211	02-28575228
67		171	Nan San Chung Branch		24141	No. 52, Sec. 1, New Taipei Blvd., Sanchong Dist., New Taipei City	02-29888001	02-29831367
68		172	Shuang Ho Branch	*	23574	No. 320, Zhonghe Rd., Zhonghe Dist., New Taipei City	02-29261771	02-29293971
69		173	Sintai Branch		24257	No. 708, Zhongzheng Rd., Xinzhuang Dist., New Taipei City	02-29071181	02-29071190
70		174	Erh Chung Branch	*	24158	No. 86 & 88, Sec. 1, Guangfu Rd., Sanchong Dist., New Taipei City	02-29991166	02-29991678
71		175	Bansin Branch		22065	No. 32, Quyun Rd., Banqiao Dist., New Taipei City	02-29631777	02-29631797
72		176	Wu Ku Branch		24857	No. 32, Wucyuan 1st Rd., Sinjhuang Dist., New Taipei City	02-22988788	02-22983600
73		180	Chi Sui Branch		23544	No. 562, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City	02-22220603	02-22214405
74		182	Fuhe Branch		23449	No. 158, Fuhe Rd., Yonghe Dist., New Taipei City	02-89280491	02-89266004
75		183	Nanshihjjiao Branch		23569	No. 342, Jingxin St., Zhonghe Dist., New Taipei City	02-29421722	02-29415816

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
76	New Taipei City	184	Pei Luzhou Branch		24765	No. 213, Changrong Rd., Luzhou Dist., New Taipei City	02-28470606	02-28471052
77		185	Luzhou Branch		24753	No. 161, Zhongshan 1st Rd., Luzhou Dist., New Taipei City	02-22886888	02-22830959
78		186	Tucheng Branch		23671	No. 268, Sec. 1, Zhongyang Rd., Tucheng Dist., New Taipei City	02-22672345	02-22694219
79		187	Pei Hsin Branch		23141	No. 129, Minquan Rd., Xindian Dist., New Taipei City	02-22180111	02-22188883
80		191	Shulin Branch		23844	No. 189, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City	02-26870656	02-26870659
81		192	Chang Shu Wan Branch		22146	No. 276, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City	02-26472611	02-26472656
82		193	Taishan Branch		24356	No. 210 & 212, Sec. 2, Mingzhi Rd., Taishan Dist., New Taipei City	02-22968388	02-22968343
83		194	Sanxia Branch		23741	No. 65, Heping St., Sanxia Dist., New Taipei City	02-26747711	02-26747171
84		196	Yingge Branch		23941	No. 101, Guoqing St., Yingge Dist., New Taipei City	02-26777711	02-26775511
85		197	North Hsin Chuang		24246	No. 211 & 213, Sec. 2, Zhonghua Rd., Xinzhuang Dist., New Taipei City	02-66371688	02-66371066
86		198	Pei Tucheng Branch		23657	No. 149, Yumin Rd., Tucheng Dist., New Taipei City	02-22635656	02-22635916
87		199	Linkou Station Front Branch		24448	No. 331, Sec. 1, Wenhua 3rd Rd., Linkou Dist., New Taipei City	02-26098399	02-26006811
88	Keelung City	200	Keelung Branch		20051	No. 305, Ren 1st Rd., Ren'ai Dist., Keelung City	02-24222192	02-24272114
89		201	Keelung Harbor Branch	*	20041	No. 46, Zhong 2nd Rd., Ren'ai Dist., Keelung City	02-24282121	02-24289665
90		211	Qidu Branch		20645	No. 81, Mingde 1st Rd., Qidu Dist., Keelung City	02-24567101	02-24562215
91	Yilan County	220	Luodong Branch		26550	No. 85, Gongzheng Rd., Luodong Township, Yilan County	03-9543611	03-9566050
92		221	Yilan Branch		26044	No. 140, Sec. 3, Zhongshan Rd., Yilan City, Yilan County	03-9354911	03-9326056
93	Taoyuan City	240	Taoyuan Branch		33042	No. 79, Nanhua St., Taoyuan Dist., Taoyuan City	03-3321121	03-3354999
94		241	Zhongli Branch	*	32045	No. 35, Minzu Rd., Zhongli Dist., Taoyuan City	03-4936999	03-4939853
95		242	Yangmei Branch		32641	No. 95, Dacheng Rd., Yangmei Dist., Taoyuan City	03-4755131	03-4752439
96		243	Lichang Branch		32042	No. 175, Zhongzheng Rd., Zhongli Dist., Taoyuan City	03-4253151	03-4252201
97		244	Pei Taoyuan Branch		33046	No. 94, Sec. 2, Daxing W. Rd., Taoyuan Dist., Taoyuan City	03-3011234	03-3025555
98		245	Nankan Branch		33859	No. 99, Sec. 1, Nankan Rd., Luzhu Dist., Taoyuan City	03-3521212	03-3526969
99		246	Pingzhen Branch		32443	No. 265, Sec. 2, Huannan Rd., Pingzhen Dist., Taoyuan City	03-4689688	03-4683368
100		247	Bade Branch		33446	No. 307, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City	03-3679911	03-3676367
101		248	Guishan Branch		33342	No. 1227, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City	03-3505822	03-3198195
102		249	Longtan Branch		32552	No. 8, Zhongzheng Rd., Longtan Dist., Taoyuan City	03-4090666	03-4090667
103		250	Daxi Branch		33542	No. 87, Cihu Rd., Daxi Dist., Taoyuan City	03-3878833	03-3879922
104		251	Neili Branch		32083	No. 260, Huanzhong E. Rd., Zhongli Dist., Taoyuan City	03-4626969	03-4629797

# IX BASIC INFORMATION FOR DOMESTIC AND OVERSEAS OPERATING UNITS OF THE GROUP

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
105	Taoyuan City	252	Linkou Branch		33375	No. 300, Fuxing 1st Rd., Guishan Dist., Taoyuan City	03-3183456	03-3182345
106		260	Guanyin Branch		32850	No. 780, Sec. 2, Zhongshan Rd., Guanyin Dist., Taoyuan City	03-4081731	03-2824612
107		262	Dayuan Branch		33756	No. 108, Zhongzheng E. Rd., Dayuan Dist., Taoyuan City	03-3867272	03-3857373
108		268	QingPu Branch		320016	1F & 2F, No. 79, Sec. 3, Linghang S. Rd., Zhongli Dist., Taoyuan City	03-2723999	03-2721010
109	Hsinchu City	300	Hsinchu Branch	*	30041	No. 131, Dongmen St., East Dist., Hsinchu City	03-5217111	03-5233445
110		302	Chu Ko Branch		30072	No. 172 & 176 & 178 & 180, Guanxin Rd., East Dist., Hsinchu City	03-6687888	03-6687066
111		351	Ta Chong Branch		30061	No. 118., Xida Rd., East Dist., Hsinchu City	03-5212191	03-5267348
112	Hsinchu County	301	Zhudong Branch		31041	No. 9, Chaoyang Rd., Zhudong Township, Hsinchu County	03-5969372	03-5969379
113		310	Xinfeng Branch		30442	No. 155-16, Sec. 1, Jianxing Rd., Xinfeng Township, Hsinchu County	03-5592130	03-5592237
114		313	Lioujia Branch		30264	No. 6, Ziqiang S. Rd., Zhubei City, Hsinchu County	03-6673289	03-6676025
115		323	Zhubei Branch		30251	No. 159, Xianzheng 9th Rd., Zhubei City, Hsinchu County	03-5542277	03-5542727
116	Miaoli County	320	Zhunan Branch		35051	No. 10, Bo'ai St., Zhunan Township, Miaoli County	037-472651	037-472374
117		321	Toufen Branch		35159	No. 922, Zhonghua Rd., Toufen City, Miaoli County	037-663577	037-673447
118		322	Miaoli Branch		36049	No. 686, Zhongzheng Rd., Miaoli City, Miaoli County	037-353711	037-353722
119	Taichung City	400	Fengyuan Branch	*	42043	No. 95, Xinyi St., Fengyuan Dist., Taichung City	04-25273180	04-25270214
120		401	Dongshi Branch		42352	No. 282, Sanmin St., Dongshi Dist., Taichung City	04-25871180	04-25875611
121		402	Qingshui Branch	*	43655	No. 241, Zhongshan Rd., Qingshui Dist., Taichung City	04-26237171	04-26227581
122		403	Xi Fengyuan Branch		42041	No. 225, Yuanhuan S. Rd., Fengyuan Dist., Taichung City	04-25275123	04-25270744
123		420	Taichung Branch	*	40041	No. 174, Minquan Rd., Central Dist., Taichung City	04-22261111	04-22275063
124		422	Nan Taichung Branch		40144	No. 53, Sec. 4, Fuxing Rd., East Dist., Taichung City	04-22294471	04-22283866
125		423	Pei Taichung Branch	*	40446	No. 338, Wuquan Rd., North Dist., Taichung City	04-22025131	04-22015755
126		424	Taichungkang Road Branch		40758	No. 689, Sec. 2, Taiwan Blvd., West Dist., Taichung City	04-23266555	04-23267241
127		425	Dali Branch		41265	No. 37, Dongrong Rd., Dali Dist., Taichung City	04-24835151	04-24835393
128		426	Shueinan Branch	*	40667	No. 81, Sec. 4, Wenxin Rd., Beitun Dist., Taichung City	04-22924456	04-22924121
129		427	Wu Chyuan Branch	*	40347	No. 270, Zhongming S. Rd., West Dist., Taichung City	04-23755981	04-23760420
130		429	Dajia Branch		43748	No. 6, Xinzheng Rd., Dajia Dist., Taichung City	04-26805111	04-26805122
131		430	Taiping Branch		41167	No. 58, Zhongxing E. Rd., Taiping Dist., Taichung City	04-22771919	04-22770707
132		431	Taichung-Science-Park Branch		40767	No. 16, Gongyequ 1st Rd., Xitun Dist., Taichung City	04-23591778	04-23594800
133		451	Shalu Branch		43353	No. 112, Shatian Rd., Shalu Dist., Taichung City	04-26629951	04-26622248

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
134	Nantou County	500	Caotun Branch		54263	No. 317, Sec. 2, Taiping Rd., Caotun Township, Nantou County	049-2323881	049-2367949
135		501	Nantou Branch	*	54062	No. 236, Fuxing Rd., Nantou City, Nantou County	049-2222701	049-2231593
136	Changhua County	520	Changhua Branch		50061	No. 152, Guangfu Rd., Changhua City, Changhua County	04-7242151	04-7223146
137		521	Hemei Branch		50861	No. 300, Sec. 5, Zhangmei Rd., Hemei Township, Changhua County	04-7556101	04-7552383
138		522	Yuanlin Branch	*	51041	No. 753, Sec. 1, Zhongshan Rd., Yuanlin City, Changhua County	04-8358161	04-8358044
139		523	Lukang Branch		50551	No. 279, Minquan Rd., Lukang Township, Changhua County	04-7745988	04-7745995
140		524	Xihu Branch		51442	No. 250, Xihuan Rd., Xihu Township, Changhua County	04-8821811	04-8821222
141		540	Douliu Branch		64046	No. 45, Datong Rd., Douliu City, Yunlin County	05-5339711	05-5326741
142	Yunlin County	541	Huwei Branch		63242	No. 50, Zhongzheng Rd., Huwei Township, Yunlin County	05-6334901	05-6334907
143		542	Xiluo Branch		64851	No. 239, Guangfu W. Rd., Xiluo Township, Yunlin County	05-5882868	05-5882875
144	Chiayi City	600	Chiayi Branch		60041	No. 320, Zhongshan Rd., West Dist., Chiayi City	05-2232050	05-2248860
145		601	Chianan Branch	*	60047	No. 469, Lanjing St., West Dist., Chiayi City	05-2236321	05-2230712
146	Chiayi County	602	Puzi Branch		61341	No. 2, Wenhua S. Rd., Puzi City, Chiayi County	05-3701133	05-3705111
147	Tainan City	620	Xinying Branch	*	73061	No. 109, Sec. 2, Xinjin Rd., Xinying Dist., Tainan City	06-6322295	06-6323276
148		621	Madou Branch	*	72149	No. 36, Zhongshan Rd., Madou Dist., Tainan City	06-5727241	06-5721647
149		622	Yongkang Branch		71049	No. 800, Zhonghua Rd., Yongkang Dist., Tainan City	06-2015531	06-2338644
150		640	Tainan Branch	*	70048	No. 154, Sec. 2, Yongfu Rd., West Central Dist., Tainan City	06-2222111	06-2252134
151		642	Tung Tainan Branch	*	70165	No. 90, Sec. 2, Linsen Rd., East Dist., Tainan City	06-2747027	06-2747175
152		643	Xi Tainan Branch	*	70054	No. 156, Kangle St., West Central Dist., Tainan City	06-2211622	06-2243620
153		644	Pei Tainan Branch	*	70443	No. 294, Chenggong Rd., North Dist., Tainan City	06-2221171	06-2221170
154		645	Nandu Branch		70143	No. 203, Sec. 1, Changrong Rd., East Dist., Tainan City	06-2360789	06-2756169
155		646	Annan Branch		70965	No. 467-1, Sec. 4, Anhe Rd., Annan Dist., Tainan City	06-3567272	06-3564122
156		647	Rende Branch	*	71742	No. 511, Zhongshan Rd., Rende Dist., Tainan City	06-2490651	06-2490621
157		648	Xinshi Branch		74447	No. 232-1, Zhongzheng Rd., Xinshi Dist., Tainan City	06-5893535	06-5895242
158		681	Jinhua Branch	*	70254	No. 172, Sec. 2, Jinhua Rd., South Dist., Tainan City	06-2911835	06-2632694
159	Kaohsiung City	700	Kaohsiung Branch	*	80344	No. 178, Wufu 4th Rd., Yancheng Dist., Kaohsiung City	07-5611241	07-5517832



# IX BASIC INFORMATION FOR DOMESTIC AND OVERSEAS OPERATING UNITS OF THE GROUP

Serial Number	Location	Unit Number	Name of the Unit	Safe Deposit Box	Postal Code	Address	Tel	Fax
160	Kaohsiung City	701	Tungling Branch	*	80284	No. 120, Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City	07-7130701	07-7130673
161		702	Xinxing Branch	*	80049	No. 117, Zhongshan 1st Rd., Xinxing Dist., Kaohsiung City	07-2864191	07-2867641
162		703	Kaohsiung Sanmin Branch		80143	No. 189, Qixian 2nd Rd., Qianjin Dist., Kaohsiung City	07-2859161	07-2859157
163		704	Lingya Branch		80245	No. 489, Zhongshan 2nd Rd., Lingya Dist., Kaohsiung City	07-3353141	07-3353149
164		705	Qianzhen Branch	*	80652	No. 33, Yixin 2nd Rd., Qianzhen Dist., Kaohsiung City	07-3358231	07-3358229
165		706	Kaohsiung Po Ai Branch	*	80759	No. 150, Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City	07-3113531	07-3117297
166		707	Nan Kaohsiung Branch	*	80655	No. 153, Sanduo 3rd Rd., Qianzhen Dist., Kaohsiung City	07-3368101	07-3319473
167		708	Tung Kaohsiung Branch	*	80055	No. 78, Liuhe 1st Rd., Xinxing Dist., Kaohsiung City	07-2385901	07-2369016
168		709	Dachang Branch		80765	No. 57, Dachang 2nd Rd., Sanmin Dist., Kaohsiung City	07-3806150	07-3805050
169		710	Pei Kaohsiung Branch		81367	No. 6, Bo'ai 3rd Rd., Zuoying Dist., Kaohsiung City	07-3464601	07-3459682
170		711	Nanzi Branch		81167	No. 336, Xingnan Rd., Nanzi Dist., Kaohsiung City	07-3513299	07-3512511
171		712	Zuoying Branch		81369	No. 166, Bo'ai 4th Rd., Zuoying Dist., Kaohsiung City	07-3438911	07-3431617
172		719	Gangshan Branch		82041	No. 331, Gangshan Rd., Gangshan Dist., Kaohsiung City	07-6211091	07-6215435
173		720	Fengshan Branch	*	83058	No. 145, Zhongshan Rd., Fengshan Dist., Kaohsiung City	07-7472121	07-7425282
174		721	Luzhu Branch		82141	No. 90-2, Dashe Rd., Luzhu Dist., Kaohsiung City	07-6072233	07-6072299
175		722	Renwu Branch		81451	No. 41, Zhongzheng Rd., Renwu Dist., Kaohsiung City	07-3711101	07-3712638
176		751	Lizunei Branch	*	80642	No. 132, Banchao Rd., Qianzhen Dist., Kaohsiung City	07-7112366	07-7611267
177		752	Wujia Branch		83085	No. 642, Wujia 2nd Rd., Fengshan Dist., Kaohsiung City	07-8414495	07-8110602
178		753	Guanghua Branch		80253	No. 148-19, Guanghua 1st Rd., Lingya Dist., Kaohsiung City	07-7161601	07-7161323
179		760	Xiaogang Branch		81249	No. 180, Erling Rd., Xiaogang Dist., Kaohsiung City	07-8013993	07-8062293
180		765	Kaohsiung Guilin Branch		81274	No. 44, Guiyang Rd., Xiaogang Dist., Kaohsiung City	07-7913916	07-7915898
181	Pingtung County	800	Pingtung Branch		90078	No. 36, Fuxing Rd., Pingtung City, Pingtung County	08-7323831	08-7325474
182		801	Neipu Branch		91248	No. 187, Guangji Rd., Neitian Village, Neipu Township, Pingtung County	08-7799911	08-7790944
183		802	Chaozhou Branch	*	92046	No. 71, Xinsheng Rd., Chaozhou Township, Pingtung County	08-7883001	08-7892002
184		813	Jiadong Branch		93142	No. 155, Jiachang Rd., Jiadong Township, Pingtung County	08-8662811	08-8664970
185	Hualien County	820	Hualien Branch	*	97048	No. 78, Zhongshan Rd., Hualien City, Hualien County	038-323181	038-355105
186	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

**HONG KONG BRANCH**

Address : Suite 5601-05, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Tel : 852-28240288 Fax : 852-28240090

**SINGAPORE BRANCH**

Address : 80 Robinson Road, #14-03, Singapore 068898

Tel : 65-63242566 Fax : 65-63242878

**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

**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

**HA NOI REPRESENTATIVE OFFICE**

Address : Suite 303, DMC Tower, 535 Kim Ma Street, Ba Dinh, Hanoi, Vietnam

Tel : 84-24-22203168 Fax : 84-24-22203169

**MACAU BRANCH**

Address : Avenida Doutor Mario Soares, Finance and IT Center of Macau, 17th Floor B, C, Macau

Tel : 853-28757136 Fax : 853-28755915

**SYDNEY BRANCH**

Address : Suite 603 Level 6, 60 Carrington Street, Sydney NSW 2000 Australia

Tel : 61-2-82960100 Fax : 61-2-82960188

**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

**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 : 350009

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

**MANILA BRANCH**

Address : Unit 2 & 3, 26F, N0.6789 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

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		Banqiao Branch Office	2F., No. 102, Zhongxiao 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 City	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	3F-2, No. 916, 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	Taichung City	Dajia Branch Office	2F., No. 159, Shuntian Rd., Dajia Dist., Taichung City	(04)2688-0737
23		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		Fengyuan Branch Office	No. 669, Yixin Rd., Fengyuan Dist., Taichung City	(04)2528-1000
26	Changhua County	Changhua Branch Office	5F, No. 156, Chenleng Rd., Changhua City, Changhua County	(04)722-9770
27	Yunlin County	Douliu Branch Office	4F, No. 7, Taiping Rd., Douliu City, Yunlin County	(05)533-0777
28		Huwei Branch Office	4F., No. 490, Sec. 1, Linsen Rd., Huwei Township, Yunlin County	(05)633-4888
29	Chiayi City	Chiayi Branch Office	3F, No. 469, Lanjing St., East Dist., Chiayi City	(05)222-6848
30	Chiayi County	Puzi Branch Office	2F, No. 2, Wenhua N. Rd., Puzi City, Chiayi County	(05)370-7688
31	Tainan City	Tainan Branch Office	1F & 2F, No. 612, Sec. 2, Fuqian Rd., Anping Dist., Tainan City	(06)295-9988
32		Madou Branch Office	4F & 5F, No. 36, Zhongshan Rd., Madou Dist., Tainan City	(06)572-0168
33	Kaohsiung City	Kaohsiung Branch Office	3F, No. 80 & 82, Wufu 3rd Rd., Kaohsiung City	(07)272-8688
34		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
35	Kaohsiung City	Xiaogang Branch Office	2F, No. 339, Hanmin Rd., Xiaogang Dist., Kaohsiung City	(07)806-8988
36		Nanzi Branch Office	B1, No. 201, Nanzi Rd., Nanzi Dist., Kaohsiung City	(07)354-2030
37		Gangshan Branch Office	B1 & 1F, No. 88, Minzu Rd., Gangshan Dist., Kaohsiung City	(07)625-5911
38		Fengshan Branch Office	4F, No. 138, Zhongshan Rd., Fengshan Dist., Kaohsiung City	(07)747-7600
39	Taitung City	Tungsheng Branch Office	2F, No. 347, Sec. 1, Zhonghua Rd., Taitung City, Taitung County	(089)332-339
40	Pingtung County	Chaozhou Branch Office	4F & 5F, No. 71, Xinsheng 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
2	Taichung Underwriting Office	2F., No. 270, Zhongming S. Rd., West Dist., Taichung City	(04)2371-0508

### 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	30242	3F., No. 193, Zhongzheng E. Rd., Zhubei City, Hsinchu County	(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	51005	4F., No. 498, Sec. 2, Yuandong 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
Zhuqian District Agency	30041	No. 161, Zhongyang Rd., Hsinchu City	(03)533-1862	(03)533-1873

Unit	Postal Code	Address	Tel	Fax
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
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, Zhanglu 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	5F, No. 109, 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)733-0688	(08)733-6066
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: Room 405, 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  
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Website: <https://www.hnfhc.com.tw>