



CHAIRMAN

Chang, Yun-peng

I ♦ Letter to the Shareholders

I. The Group's Business Results for 2020

(I) Domestic and International Finance Environment in 2020

In 2020, all countries of the world adopted the measure of city closure or border control in succession with the COVID-19 ravaged all over the world ad, which seriously frustrated the economic growth and trade of various countries. As shown by the data released by the main international agency in 2020, the growth rate of global economy was -3.5%~-4.2%, the first negative number after the Financial Tsunami. Only the financial market saw the bond market YTM (yield to maturity) declined and stock market had a V-shaped reversal with the dramatic interest reduction of global central banks and expansion of monetary easing market rescue. Industry showed a K-shaped recovery, The remote-distance application, stay-at-home economy and medical industry were benefited, while sightseeing tour, financial industry and service industry were frustrated deeply.

According to estimates of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan on February 20, 2021, the annual economic growth rate was approximately 3.11% in 2020, with a 0.15% growth compared with the number 2.96% of 2019. The above is mainly ascribed to Taiwan's painstaking efforts in epidemic prevention and control and economic revival plan which recovers the domestic demands. The increase of the export business is mainly ascribed to the application of emerging science and technology, commercial chances of overseas countries and the high export volume of electronic parts, communication and audio-visual products. The export volume scaled to a new height. The economy was booming, making Taiwan one of the few regions and countries with booming economic situations.

As for finance, the banks in Taiwan faced the lower difference of deposit and withdrawal interests, decline of profits from overseas market and the increase of bad debts due to the interest reduction of main countries and the bailout measures with moderately easy monetary policies, which made the net profits reduced by 13.3% compared with that in 2019. Thanks to the preferential capital policies and the prevailing of Taiwan stocks, the securities and insurance industry remained active and even increased by 22.8%. They had an profit increase by 51.56% and 30.7% compared with those in 2019.



VICE CHAIRMAN

Ming Chen

(II) Changes to the Company Organizational

Since its inception on December 19, 2001, Hua Nan Financial Holdings Co., Ltd. (hereinafter “the Company” or “HNFHC”) has operated financial services across various professional fields of banking, securities, insurance, investment trusts, asset management, and venture capital. As of the end of 2020, the Company had 100% ownership control over all its six subsidiaries.

(III) Business Plan and Results of Business Strategies

Due to the influence of the domestic and overseas financial status, the Group's traditional banking business was affected, which resulted in adverse influences such as the lower difference of deposit and withdrawal interests, decline of profits from overseas market and the increase of bad debts. With the warrant loss of NT\$ 4.617 billion of the subsidiary Hua Nan Securities as well as the influence above, the Group had faced the decline of profits dramatically. Therefore the Group took the following measures in order to respond to the situations above: 1. Launch bailout and revival loans by coordinating with the government, intensify the loan amount of small and medium-sized enterprises and housing loan, and expand client base and business volume besides supporting the financial demands of both individuals and enterprises. 2. Launch contact-free digital financial transactions and prevent both clients and employees from being affected by COVID-19. 3. Maintain a steady financial structure and asset quality. 4. Intensify the income of formality fees and financial operations. 5. Urge Hua Nan Securities to carry out financial and business improvement plan. In 2020, the Company's net profit after tax was NT\$ 8.653 billion, EPS was NT\$ 0.67 and ROE was 4.58% respectively. The net profit after tax of the subsidiary Hua Nan Commercial Bank was NT\$ 12.461 billion, the annual increase rate of the deposit and loan balance was 13.6% and 6.8% respectively and the scale of NT\$ current deposit ranked the 3rd in the industry. The balance of loans for small and medium-sized enterprises ranked the 4th while the balance of housing loan was listed in the top 5 again. The business was vigorous and the overdue loan rate was 0.15%. The coverage rate of bad debt was 794.77% and the asset quality was still excellent. The net profit after tax of Hua Nan Securities was NT\$ 3.632 billion and was NT\$ 987 million once the warranty business loss was excluded. The brokerage formality fee income and performance were increased by nearly 60% this year when the underwriting formality fee income was also increased by 1.5 times. The business performance was excellent. The net profit after tax of South China Insurance was NT\$ 482 million and the income of insurance policy premium was NT\$ 10.124 billion with an annual growth of 11.6% and market occupancy of 5.40%, ranking the 7th among the peer in the same industry.

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

The main achievements in 2020 are explained below:


 A portrait of Lo, Pao-chu, the President, smiling and standing in front of a large painting of a traditional Chinese landscape. She is wearing a dark pinstriped blazer over a white collared shirt with a small floral brooch.

PRESIDENT

Lo, Pao-chu

1. Strengthened the Management

- (1) Asset quality: As of the end of 2020, the non-performing loan and loan loss coverage ratios of the subsidiary HNCB were 0.15% and 794.77%, respectively, which are superior to industry averages.
- (2) Capital adequacy ratio: The Group's capital adequacy ratio at the end of 2020 was 116.44%. HNCB's capital adequacy ratio was 13.67%, with a Tier 1 capital adequacy ratio of 11.35%, which conforms to the legal capital standard.
- (3) Corporate governance: The Company was included in 6%~20% bracket in the (7th) Corporate Governance Evaluation formed by the Taiwan Stock Exchange in 2020. The Company was also selected for inclusion in the "FTSE4Good Emerging Index", "Taiwan Sustainability Index", "Corporate Governance 100 Index Constituent Stocks", "Taiwan HC100 Index", and "Taiwan RAFI EMP 99 Index" respectively.
- (4) Legal compliance:
 - A. The Group convened meetings and forums for Legal Compliance Committee at regular intervals:
To effectively advance the Group's compliance operations, the Group's Legal Compliance Committee effectively supervises all companies to pay attention to changes in the domestic and foreign regulatory environment and give a timely response.
 - B. Implementing key compliance matters of the Group:
To ensure and implement the Group's key regulations and the applicable universal regulations, the Company has prepared the provisions concerning standard compliance and the group-level files in order to control legal compliance risks effectively. For instance, the Group's measures for assessing the money-laundering risk are used to control the Group's money laundry and terrorism financing risks effectively. The Company is also committed to protecting personal data. In addition to the establishment of group policies, the Company also uses personal data protection meetings and international certifications to ensure the effectiveness of personal data protection management.
 - C. Establishment of the Legal Compliance System Optimization of the Group:
The Group intensified real-time and regular online reporting and manages the legal compliance and effectiveness of the Group's business activities by optimizing the data submission system. In addition, the anti-money laundering information sharing platform of the Group is used for comparison, review, confirmation, transmission, and usage of the Group's AML information to effectively offset the Group's money laundering and terrorism financing risks effectively.

D. Enhancement of the overseas branch units' internal control systems:

In recent years the Group's banking and securities subsidiaries held meetings for legal compliance of overseas branch units in order to ensure the implementation effectiveness of their internal control measures. Besides intensifying contacts and sharing the regulation specifications and trends of different countries, the meeting could also intensify the awareness of management architecture and legal compliance in order to reduce relevant legal compliance risks effectively. For instance, the New York Agency of Hua Nan Commercial Bank was subjected to the Cease and Desist Order by the US competent authority due to the problems about anti-money laundering. Upon the bank's efforts in making improvement and intensifying the anti-money laundering prevention work, Federal Reserve Board stopped the order above. Besides, the branches in the US have enhanced their management dramatically due to their efforts in such aspects as risk management, operation control, legal compliance, asset quality and information technology, and finally were praised by the overseas competent authorities.

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 155% in 2020.
- (2) Build financial ecological circle by cyber-physical integration: To comply with the trend of digital finance, the Group integrated the physical outlets and digital financial trading platform and connected online and offline services to boost the marketing business continuously and exert the Group's interdisciplinary marketing performance.
- (3) Strengthen the Group's Cross-Selling Businesses: The Group shall implement "simple product explanation", "intensified training for subsidiary's reception personnel" and "establishment of logistics support system with fast response" to integrate channel resources and improve the positive development of cross-selling business volume.

3. Promoted Digital Finance

- (1) Develop FinTech Patents: As of the end of 2020, the Group obtained 147 FinTech patents in mobile platforms, big data, artificial intelligence, security and control mechanisms, and biometrics.
- (2) Create Smart Financial Products: The Group created the services such as special App for SnY digital account, AI smart customer service, AI smart financing, first AI dialogue mobile banking, financial certification blockchains, facial recognition fund withdrawal, fund transfer, and mobile payment. We use technologies to make financial services more efficient.
- (3) Boost the application of big data business: The Group established a level digital financial promotion team and cultivated more than ten data analysts. It established models via machine learning algorithms and applied them to the business. In 2020, it launched a total of 28 themed analysis outputs and 15 files concerning scenario marketing activities which were increased double times compared with that in 2019.

4. Corporate Social Responsibility

- (1) Promote charitable activities:
 - A. The Group's goals for public welfare include caring for disadvantaged groups, popularizing knowledge and education, supporting sports activities, and nurturing cultural and creative industries. The Group sponsored or hosted many charitable activities in 2020, including the "Excellent Hua Nan Care for the Elderly" activity, "President Tsai Ing-Wen and High School Students Face-to-Face Forum", "Unified Invoice Cup for Road Running (Taipei)", "Hua Nan Jinkong Cup Youth Championship", "Hua Nan Jinkong Cup Youth Baseball Championship", sponsorship for the training fees for the gymnasts Li, Chih-Kai, Huang, Ke-Chiang, and coach Lin, Yu-Hsin, training and league expenses of the national sports delegation of Chinese Taipei Football Association and the training expenses of the national delegation of Golf Association of R.O.C.
 - B. The Company has always supported sports activities and received the "Sports Activists Awards" of the Sports Administration of the Ministry of Education in 2020. It was the Company's ninth such award and the third consecutive award for Gold Sponsorship, Long Term Sponsorship, and Promotional Bronze Awards.
- (2) Implementation of green finance:
 - A. The subsidiary, HNCB, extended loans of NT\$ 106 billion for green energy technology companies as of the end of 2020, which was an increase of NT\$10.2 billion or 10.65% from NT\$ 95.8 billion as of the end of 2019.
 - B. The subsidiary HNCB issued NT\$1 billion green bond and invested NT\$11.35 billion green bond at face value as of the end of 2020.
 - C. The subsidiary HNCB invested one green science and technology industry and invested NT\$ 1.185 billion for the common stocks of Taiwan Power Company as of the end of 2020.
 - D. The subsidiary Hua Nan Venture Capital invested approximately NT\$ 290 million in energy conservation in 2020 which accounted for 18% of its overall investment portfolio.
 - E. South China Insurance continuously focuses on the impact of climate change on the harvest of agricultural products and responds to the Council of Agriculture's initiatives for developing insurance policies for various agricultural products with property insurance companies. South China Insurance launched the "papaya insurance" and "lychee insurance" in hopes of using insurance products to help farmers mitigate the impact brought forth by climate change and establish a safety net for agriculture in Taiwan.

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

In 2020, the Company and its subsidiaries generated consolidated net income after tax of NT\$ 8.653 billion with an after-tax EPS of NT\$0.67. The consolidated return on assets (ROA) was 0.30% and the consolidated ROE was 4.58%. Profitability of subsidiaries was as follows:

1. Hua Nan Commercial Bank

In 2020, the net income after tax was NT\$12.461 billion with an after-tax EPS of NT\$1.45. The ROA was 0.44% and the ROE 6.24%.

2. Hua Nan Securities

In 2020, the net income after tax was NT\$-3.632 billion, with an after-tax EPS of NT\$-5.57. The ROA was -8.25% and the ROE -33.44%.

3. South China Insurance

In 2020, net profit after tax was NT\$ 482 million with an after-tax EPS of NT\$ 2.41, the return on assets was 2.27%, and the return on equity was 8.01%.

4. Hua Nan Investment Trust

In 2020, the net income after tax was NT\$ -136 million with an after-tax EPS of NT\$ -4.40. The ROA was -15.33% and the ROE -30.48%.

5. Hua Nan Venture Capital

In 2020, the net income after tax was NT\$ 122 million with an after-tax EPS of NT\$ 0.61. The ROA was 7.38% and the ROE 7.47%.

6. Hua Nan Assets Management Company

In 2020, net profit was NT\$ 23 million providing the net profit of NT\$ 0.23 per share, the return on assets was 0.56%, and the return on equity was 2.07%.

(V) Research and Development

1. Hua Nan Financial Holdings

Establish group-level “digital financial production team” and “big data analysis team” and provide amicable intimate financial services in accordance with the idea of customer oriented. Implement exchange regarding the cross-subsidiary big data and AI technology and yield at the height of group and apply them in main businesses of various subsidiaries. Try to understand and forecast customer requirements and intensify risk control through big data and AI and assist in developing existing potential customers and provide comprehensive digital financial services.

2. Hua Nan Commercial Bank

In terms of research and development, the Bank encourages employees to actively participate in research and development work. Of the 347 R&D cases submitted by employees in 2020, 56 were accepted for implementation.

3. Hua Nan Securities

- (1) Keep optimizing the mobile trading platform and provide the best service experience, including the services such as GOODGOD e-counter, TDCC e-bankbook, bidirectional loan, regular quota and South China Relax Loan, and provide comprehensive online mobile financial service.

- (2) In response to the policy of opening up of competent authority and the investment trend, optimize the Company's electronic services, so as to meet investor's demand and lower operation cost.

- (3) Establish accurate customer image through the big data system environment and analysis tools that Financial Holding develops; assist salespersons in understanding customers and enhance service quality to achieve the precision marketing.

- (4) By importing intelligent customer service and stock selection strategies and combining the patented stock selection logic, keep intensifying social media advertising (Google, Facebook and LINE) and brand operation, strengthen the effect of keyword advertising and supplement with operation of current affairs topics, so as to generalize the Company's electronic services.

- (5) The Company formally implemented the continuous trading from Mar. 23, 2020. The Company have upgraded the trading host and business personnel's computers in succession, and will optimize the efficiency of electronic order placing software and expand the function of program trading continuously and gradually, so as to meet the order placing condition by which customer could place order meeting own demand alone.

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

- (7) Combined the professional knowledge of the Overseas Commodity Unit, Financial Commodity Unit, and Futures Self-Operation Unit and committed to the financial commodity arbitrage R&D endeavors and developed the spreads, arbitrage, and hedging computer trading programs for a variety of new financial derivatives. Use technical judgments such as artificial intelligence graphs to master long-short operational directions and grasp the perfect trading times to maximize profits.

- (8) Promote relevant business of Offshore Securities Units (OSUs) and increase our niche.
- (9) Improve and strengthen information security: Keep expanding Fortinet network equipment and VPN dual-factory certification and strengthen information security. replaced the IT personnel VPN connection system. Designated budget for system upgrade and plan replacement schedule.
- (10) Make the following relevant information system planning:
 - A. In conjunction with the planning of the blueprint of Financial Holdings and the Company on Bank 3.0 digital financial environment, build a complete digital financial environment and gradually work towards the following goals:
 - a. Establish a digital trading environment.
 - b. Establish AI interactive customer service center.
 - c. Make good use of the digital marketing system.
 - d. Deepen the social media engagement and marketing.
 - e. Master FinTech development trends and plan for related technologies and services.
 - f. Make good use of the financial holding's big- data project platform to provide digital marketing services.
 - g. Use business intelligence analysis platform for real-time performance management.
 - B. Overseas re-commissioned web trading platform design and planning: Build multiple-country trading platform and increase overseas tradable market. The goal is to provide 18 overseas stock markets and broaden product and service provided to legal persons.
- (11) 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

In response to the severe influence of COVID-19 on global economy and business channels and customer demand for diversification, South China Insurance keeps focusing on R&D of new products and innovative portfolios for new marketing projects. In 2020, the Company developed 170 new products totally, with 135 being marketed. Besides understanding the market demand, we can provide professional service for integrity protection better. Under the trend of technology, South China Insurance cultivated more digital technology talents and offered complete education and training, which was the powerful foundation of employees' career planning. In the selection activity held by "Modern Insurance Education Foundation", it won the "Insurance Company Which Graduates Yearn for" of "Insurance Dragon and Phoenix Award" and the "Most Recommendable Award" and "Best After-sales Service Award" of "Insurance Dragon and Phoenix Award". In addition, South China Insurance also took active part in the simulation drill of residential earthquake insurance claim settlement mechanism and won the second prize and the third prize of disaster loss assessment. It was widely recognized by all sectors of society in virtue of the excellent performance.

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

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

In consideration of the influence of 2020 epidemic situation on economy and the constant development of fintech, it, besides strengthening and consolidating the existing business, it strived for new channels or business resources more actively, so as to respond to the market condition and maintain business growth. It also introduced emerging technology, utilized digital platform appropriately at sales and management levels, intensified internal information management mechanism and increased trans-industry cooperation or commodity service innovation. All those were in favor of business competition and business scale expansion.

5. Hua Nan Investment Trust (HNIT)

At the end of 2020, the overall investment trust fund size was approximately NT\$ 4.52 trillion, which reflects an increase of approximately NT\$ 518,6 million or a 13% increase from the end of 2019. The company's public fund raising scale was approximately NT\$ 48.536 billion at the end of 2020, which decreased by approximately NT\$ 12.35 billion compared to that of 2019. The Company ranked in 25th place in the market, which remains unchanged compared to that of 2019.

The company fund performance was excellent in 2020. Four were listed to the top 1/4 of performance ranking of current year at the same type and eight were listed to the top 1/2 of the ranking. The company was also selected for the next round of the research award f 2021 Smart Taiwan Fund Awards by means of excellent research performance.

6. Hua Nan Venture Capital

We manage to master the industrial development trends by participating in industry seminars and the relevant training courses. Strengthened the investment case assessment and enhanced the professionalism of post-investment management. We also assisted in investment business operations, financial planning, established strategic alliances and partnerships to ensure smooth market listing and profitability.

7. Hua Nan Assets Management Company

To respond government urban updating policy and accelerate owned assets activation, Hua Nan Assets Management Company (HNAMC) initially finished the self-operated urban updating project for financial institutions with public shares, which was the first nationwide case that industrial park obtained urban updating application under the jurisdiction of Industrial Development Bureau, MOEA. The beam-raising ceremony of construction project was held in November 2020 and the use license is expected to be obtained in October 2021. Upon the completion, the project will improve construction safety and overall city appearance of local construction area, promote land reasonable utilization and extend the industry function of industrial area. It is a successful case for promoting industrial environment upgrading and the three-dimensional construction and prosperity of industrial park area.

According to the disclosure of Banking Bureau, Financial Supervisory Commission on May 24, 2019 with regard to modifying the "Operating Principles of Financial Holdings for (Bank) for Assets Management Companies of (Bank) Shift in Investment", HNAMC, to loosen the restriction of assets management companies participating in urban updating and dangerous and old house renovation project, formally offered the registered capital business of dangerous and old house renovation project in 2020. It successfully integrated the lands in Wanhua District, Taipei, acted as contact of dangerous and old house renovation project and created a precedent that assets management company engages in dangerous and old house renovation project.

In addition, the company also actively established "South China Team for Urban Updating and Dangerous and Old House Renovation Project" together with Hua Nan Bank, and based on the bank's professional abilities in financing and credit and the assets management company's practical experience in urban updating and dangerous and old house renovation, promoted the urban updating and dangerous and old house renovation business jointly; provided one- package services duly for users from opinion integration, planning design and credit financing to investment, construction, delivery and household loan. All those improved people's residence safety and quality and make more contributions to public interests.

II. 2021 Group Business Plan, Future Development Strategies, and Impact of the External Competitive Environment and Overall Business Environment

Looking forward to 2021, with the wide application of vaccines, the global economy will get rid of the epidemic haze and move towards recovery in the second half of the year. In addition, with the low impact of the base period in 2020, major institutions estimate that the global economic growth in 2021 will be between 4% and 5.5%. Potential risks are uneven distribution of vaccines, unfavorable global recovery, widening gap between rich and poor and social differentiation, inflation caused by rising oil prices and other raw material prices, and doubts about financial asset bubbles.

Benefiting from proper control of epidemic situation, Taiwan grasped the opportunity of global supply chain restructuring. The high-tech industry is expected to develop with strong export kinetic energy, and the domestic consumption growth is also optimistic. In addition, the government has continued to carry out industrial transformation and upgrading and actively guided private capital to invest in physical construction. According to the estimation of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Republic of China, the economic development will grow by 4.64% in 2021, maintaining strong growth.

In response to the aforementioned political and economic situation, the Group's business strategy for 2021 focuses on the following parts:

- (I) Diversifying income sources: in view of the long-term low-profit environment of the financial industry, which is not conducive to the promotion of traditional banking business, after the core business bottoms out, the Group will stabilize the spread and asset quality, and strengthen the income from handling fees and financial transactions.
- (II) Increasing the profit proportion of other subsidiaries: to diversify and balance profits, the Group will strengthen the profit growth of Hua Nan Securities and South China Insurance. This year, the profit contribution of the two subsidiaries should be more than 10%.
- (III) Expanding marketing business: the Group adopts the "two-way strategy" to effectively and quickly accumulate customers, form alliances with different industries through the point exchange platform, establish an ecological circle of mutual benefit and mutual prosperity, and give full play to its comprehensive marketing effect, so as to become a long-term partner of customers.

- (IV) Developing digital finance: the Group will build a data-driven culture with big data as the core, and combine the digital financial application of "AI" and "API", and then implement cross-border cooperation and data sharing, so that customers can live an AI intelligent financial life.
- (V) Strengthening risk management: the Group will continue to deepen the application of various risk quantification model tools, strengthen the evaluation of financial products, and use the risk management information platform to inquire about credit risk information, so as to improve the efficiency of risk management and control.
- (VI) Improving information architecture and security: the Group will stabilize the information infrastructure, strengthen the information security protection mechanism, and improve the digital transformation information services to improve the quality of financial services.
- (VII) Carrying through ESG spirit: in addition to continuously strengthening corporate governance, fulfilling corporate social responsibility and striving for environmental sustainability, the Group has taken TCFD (Task Force on Climate-related Financial Disclosure) and SASB (Sustainable Accounting Standards Board) into consideration in operational decision-making in accordance with the Corporate Governance 3.0- Blueprint for Sustainable Development and Green Finance Action Plan 2.0 of the Financial supervision committee. It also has adhered to ESG spirit when undertaking business, gradually undertaken the responsibility of investment and financing, and continuously assisted industries of green energy technology and circular economy in sustainable operation.

There are still many variables, competitions and new challenges in the financial environment in 2021. The Group will set goals and flexibly adjust its operating policies in view of future opportunities and challenges, in the hope of effectively improving the efficiency of resource use, boosting the overall operating performance and balancing profit contribution to meet the expectations of shareholders, employees and customers. The Company is gradually developing towards the vision of "developing financial digital transformation, deepening the global layout, and growing into a high-quality financial institution with both profit and quality and sustainable operation".

III. Impact of the Legal Environment:

Financial industry is an industry under the high supervision of competent authority. In 2020, competent authority kept promoting the Corporate Governance 3.0- Blueprint for Sustainable Development and Capital Market Blueprint and intensifying the legal compliance of risk assessment mechanism; released and modified various provisions about difficulty resolving and revitalization to respond to the epidemic situation. Besides abiding by laws and regulations and coordinating to handle and keeping making full use of the functions of three defense lines for internal control, the Group concerned and responded to the change of regulatory environment comprehensively and tried to exert the functions of legal compliance, risk management, internal auditing and self-examination to create a close-knit safety net, effectively preventing any violation in our business expansion, and ensure that the Company's operations meet regulatory requirements.

IV. Credit Rating

Assessed Institution	Rating Agency	Long-term Credit Rating	Short-term Debt Rating	Future Outlook
Hua Nan Financial Holdings	Taiwan Ratings (2020/06)	twAA-	twA-1+	Stable
Hua Nan Commercial Bank	Taiwan Ratings (2021/04)	twAA+	twA-1+	Stable
	Moody's Ratings (2021/02)	A2	P-1	Stable
	Standard & Poor's Ratings (2021/04)	A-	A-2	Positive
Hua Nan Securities	Taiwan Ratings (2020/06)	twAA-	twA-1+	Stable
South China Insurance	Taiwan Ratings (2020/11)	twAA	-	Stable
	A.M.Best(2021/01)	A	a	Stable

Chairman

Chang, Yun-Peng

Vice Chairman

Ming Chao

President

Lo, Pao-chu