



CHAIRMAN

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I Letter to the Shareholders

I. The Group's Business Results for 2022

(I) Domestic and International Finance Environment in 2022

In 2022, affected by unfavorable factors such as the Russian-Ukrainian war, inflation, interest rate hike cycle, and China's zero-zero policy, the international political and economic situation was turbulent, and the global economy declined rapidly, which led to a double decline in stocks and bonds in the financial market. It is rare for the US dollar to dominate. The key international institutions (IMF, World Bank, OCED, among others) released the 2022 global economic growth rate to be between 2.9%~3.4%. It is about 2 percentage points lower than that in 2021. Especially European and American countries are suffering from high inflation and high interest rates, which will affect global trade demand and increase manufacturers' inventories.

Based on the statistics of the Directorate General of Budget, Accounting and Statistics, Executive Yuan on February 22, 2023, it expected that the full-year economic growth rate of Taiwan in 2022 would be 2.45% percentage points higher than 6.53% in 2021. The main reason is that in the first half of 2022, the continuous expansion of emerging technology applications and the strong demand for digital transformation of enterprises drove export growth. In the second half of the year, as inflation worsened in various countries, the central banks of various countries switched to monetary tightening policies and raised interest rates sharply. The global economy is in doubt of recession; however, private consumption has gradually returned to normal as the epidemic control has been loosened, and the crowds of people shopping, traveling and having dinners have returned. Coupled with the improvement of employment and wages, the adverse impact on exports in the second half of the year has been mitigated.

In terms of the financial industry, the pre-tax net profit of the entire financial industry in my country was approximately NT\$479.8 billion(the unit is identical here after), a decrease of NT\$455.7 billion or 49% from 2021, mainly due to the impact of inflation, the sharp increase in interest rates by central banks of various countries, the Ukrainian war and China's epidemic zero policy, the global stock and bond double drop and the huge loss of the epidemic prevention insurance policy. Among them, the pre-tax net profit of the banking industry was NT\$432.1 billion or an increase of 12%, mainly due to the large increase in net interest margin due to interest rate hikes and loan growth; the pre-tax net profit of the securities and futures industry was NT\$66.3 billion or a decrease of 52%, mainly due to the impact of Taiwan stocks Volume shrank and prices fell, Taiwan stock trading volume fell by 36%,



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resulting in a 37% drop in brokerage income, which was caused by losses in self-operated business; the pre-tax net loss of the insurance industry was NT\$18.6 billion, a decrease of NT\$429.7 billion from the relative net profit in 2021, mainly It is caused by the double decline of stocks and bonds, resulting in poor investment returns, coupled with the widening interest rate gap between Taiwan and the United States, the sharp increase in hedging costs, and the huge claims of epidemic prevention insurance.

(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 2022, the Company had 100% ownership control over all its six subsidiaries.

(III) Business Plan and Results of Business Strategies

In 2022, the Group was impacted by the aforesaid evolutions of the domestic and international financial situations and the following measures were taken as responses: (I) Comply with the domestic and foreign central bank's interest rate hike cycle, adjust the lending structure, focus on capital utilization efficiency, and increase deposit spreads. (II) Taking a comprehensive look at the development trend of the epidemic situation at home and abroad, strictly control the risk appetite of epidemic prevention insurance to avoid catastrophic losses. (III) Obtained the entrustment case of NT\$ 10 billion for the new and old system labor pension fund of the Bureau of Labor Funds. (IV) Promoting one-stop services for the elderly in the metropolitan area, and completing the metropolitan renovation project for the Hua Nan Dingpu Science and Technology Building in Tucheng. (V) In response to changes in the financial situation at home and abroad, use defensive and prudent strategies to mitigate market shocks. (VI) Emphasized environment, social and corporate management (ESG) and the green energy development, as the fulfillment of CSR.

In 2022, the Company's net profit after tax was NT\$17.308 billion, EPS was NT\$ 1.27 and ROE was 8.98%, respectively. The profit reached new record highs. The net profit after tax of the subsidiary Hua Nan Commercial Bank was NT\$ 16.727 billion, the increase in profit was mainly due to the increase in net interest income due to interest rate hikes. the overdue loan rate was 0.13%. The coverage rate of bad debts was 993.56% and the asset quality was still excellent. The net profit after tax of Hua Nan Securities was NT\$1.107 billion; the decrease in profit was mainly due to the double decline in stocks and bonds and the 36% year-on-year decrease in trading volume and the market share of



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the brokerage was 3.02%, ranked 8th among the peers. The net profit after tax of South China Insurance was NT\$458 million, the profit decrease was mainly due to major claims and investment income reduction, but the risk control of the epidemic prevention insurance policy was appropriate, and no major financial losses were caused. The income of the insurance policy premium was NT\$12.169 billion with an annual growth of 9.98% and market share was 5.52%, ranking 7th among the peers.

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

The main achievements in 2022 are explained below:

1. Strengthened the Management

- (1) Capital adequacy ratio: The Group's capital adequacy ratio at the end of 2022 was 126.61%. HNCB's capital adequacy ratio was 14.64%, with a Tier 1 capital adequacy ratio of 12.63%, which conforms to the legal capital standard.
- (2) Corporate governance: The Company was included in 6%~20% bracket in the (9th) Corporate Governance Evaluation formed by the Taiwan Stock Exchange in 2022. The Company was also selected for inclusion in the "FTSE4Good Emerging Index", "Taiwan Sustainability Index", "Corporate Governance 100 Index Constituent Stocks", "Taiwan HC100 Index", and "Taiwan RAFI EMP 99 Index" respectively.
- (3) The international investment rating institutions rated the Company's promotion of ESG and the outcomes are as follows: From the evolutions of the rating in the past two years, it is seen that the Company has a robust growth for promotion of ESG.

Assessed Institution	Evaluation Period	
	January 2023	July 2022
Sustainalytics ESG Risk Score (100-0, 0 is the best)	23.08	23.01
MSCI ESG Rating (AAA-CCC, AAA is the best)	AA	A
FTSE Russell ESG Rating (0-5, 5 is the best)	3	3

- (4) 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. Plan and complete the group market risk value system improvement project to support the LIBOR conversion operation and maintain the normal operation of the system.
 - C. Respond to climate change and respond to international sustainable initiatives, sign support for the "Task Force on Climate-related Financial Disclosures (TCFD), and gradually establish climate risk-related management mechanisms.
 - D. In response to financial market turmoil, strengthen the management measures of the group's non-trading book market risk and capital adequacy ratio, such as adding a loss management mechanism for non-trading book positions, and strengthening the monitoring of changes in the group's capital adequacy ratio.
- (5) Legal compliance:
 - A. The Group convened meetings and forums for Legal Compliance Committee at regular intervals:
To effectively advance the Group's compliance operations, the Group's Legal Compliance Committee effectively supervises all companies to pay attention to changes in the domestic and foreign regulatory environment and give a timely response.
 - B. Implementing key compliance matters of the Group:
To ensure and implement the Group's key regulations and the applicable universal regulations, the Company has prepared the provisions concerning standard compliance and the group-level files in order to control legal compliance risks effectively. For instance, the Group's measures for assessing the money laundry risk are used to control the Group's money laundry and terrorism financing risks effectively. The Company is also committed to protecting personal data. In addition to the establishment of group policies, the Company also uses personal data protection meetings and international certifications to ensure the effectiveness of personal data protection management.
 - C. Establishment of the Legal Compliance System Optimization of the Group:
The Group intensified real-time and regular online reporting and manages the legal compliance and effectiveness of the Group's business activities by optimizing the data submission system. In addition, the anti-money laundering information sharing platform of the Group is used for comparison, review, confirmation, transmission, and usage of the Group's AML information to effectively offset the Group's money laundering and terrorism financing risks effectively.
 - D. Ensure the integrity of the Group's compliance:
For the key laws and regulations applicable to the overall Group, the companies in the Group are supervised to analyze and report on the effects of each amendment drafts from the competent authority and the companies in the Group are urged to schedule the regulation inventory, to ensure the operations and management regulations of them to cope with the related laws and regulations and be updated timely and thus it is ensured that the companies in the Group to respond the changes in laws and regulations timely and comply with such effectively.
2. Strengthened Cross-Selling
 - (1) Group cross-selling benefits: The achievement rate of the Group's cross-selling business operations as the amount of contribution to income was 103% in 2022.
 - (2) Build financial ecological circle by cyber-physical integration: The financial eco-system is built by the integration of online and offline: to respond to the trend of digital finance, by linking the online and offline channel services, the business connection among the intra-group clients is completed and by the continuous promotion of joint-marketing business, the synergies of cross-sector marketing of the Group are exerted.
 - (3) Strengthen the Group's Cross-Selling Businesses: The three emphases, including "one-stop shopping service to clients by integrating the Group's resources," "sharing the promotion experience, explaining and analyzing target clients by the product companies" and "establishing the rapid supporting windows and service process of the product companies," integrate the channel resources, to enhance the joint marketing volume, to develop positively.
3. Promoted Digital Finance
 - (1) Develop FinTech Patents: As of the end of 2022, the Group obtained 261 FinTech patents in mobile platforms, big data, artificial intelligence, security and control mechanisms, and biometrics.
 - (2) Create Smart Financial Products:
Each subsidiary of Hua Nan Group actively offers the smart financial products meeting clients' demands. Of which, HNCB has launched the App specifically for the SnY digital account and allowed the minorities to open accounts online, AI smart customer service, AI smart wealth management, the first conversational AI mobile banking, financial blockchain information system, withdrawal, transfer and mobile payment and long-distance insurance; Hua Nan Securities provides AI smart stock selection; South China Insurance builds AI smart quotation system and other services, among which AI smart stock selection and AI smart quotation system have obtained patents in 2022, using technological means to make financial services become more precise and more efficient.
 - (3) Boost the application of big data business: Established a group-level digital financial promotion team, trained dozens of data analysts, produced forecasting models through machine learning algorithms and applied them in marketing business promotion, and assisted subsidiaries in launching a total of 6 projects in 2022.



4. Corporate Social Responsibility

(1) Promote charitable activities:

- A. The 2022 annual public welfare activities include "Hua Nan is so good, never old" activities for the elderly, "President and high school students face-to-face forum", "Influence Forum", "International Forum on Transforming Energy and Green Economy", "Sponsoring Gymnast Zhuang Jialong, Ye Zheng and Coach Lin Yuxin", "South China Financial Holding Cup National Little League and Youth League Championship", "World Cup Little League Championship", "National Community Student Baseball Competition", "MLB CUP Taiwan", "Ministry of Finance's 2022 Years Unified Invoice Cup and National Judges' New System Road Running Activities", "China Golf Association National Training Team Funding", "South China Financial Holdings Taiwan Youth Football League" and "South China Brave Football League" Dream Project" and so on.
- B. The Company has always supported sports activities and received the "Sports Activists Awards" of the Sports Administration of the Ministry of Education in 2022. It was the Company's 11 consecutive times award and the sixth consecutive award for Gold Sponsorship, Long Term Sponsorship, and Promotional Bronze Awards.
- C. The flames of war between Russia and Ukraine continued to rage, and the Ukrainian people suffered serious threats to their lives and properties due to the war. In order to fulfill its corporate social responsibility, the Group donated NT\$4 million to assist in the relief of Ukrainian war refugees.

(2) Promotion of responsible finance:

- A. In 2022, a total of 55 projects were undertaken for the elderly business, with an approved credit amount of NT\$30.025 billion, 29 cases in progress, and a pre-approved loan (including land financing) of 16.488 billion yuan.
- B. Cooperating with the government to promote the Green Finance Action Plan 3.0, the credit balance for green energy technology industry, new agriculture, circular economy industry and renewable energy industry was NT\$380.8 billion as of the end of December 2022
- C. The subsidiary, HNCB issued the PGO credit card on July 1, 2020, to offer incentives to the cardholders to ride the electronic scooters. As of end of December 2022, 12,082 cards were issued.
- D. The subsidiary, HNCB issued the green bonds for NT\$1 billion on July 28, 2021 again. Total balance of the investment in the green bonds was NT\$13.97 billion, NT\$800 million for the SR bonds and NT\$500 million for the sustainable development bonds.

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

In 2022, the Company and its subsidiaries generated consolidated net income after tax of NT\$17.308 billion with an after-tax EPS of NT\$1.27. The consolidated return on assets (ROA) was 0.49% and the consolidated ROE was 8.98%. Profitability of subsidiaries was as follows:

1. Hua Nan Commercial Bank

In 2022, the net income after tax was NT\$16.727 billion with an after-tax EPS of NT\$1.71. The ROA was 0.48% and the ROE 8.1%

2. Hua Nan Securities

In 2022, the net income after tax was NT\$1.107 billion, with an after-tax EPS of NT\$1.69. The ROA was 1.97% and the ROE 9.79%.

3. South China Insurance

In 2022, net profit after tax was NT\$ 458 million with an after-tax EPS of NT\$ 2.29, the return on assets was 1.91%, and the return on equity was 7.2%.

4. Hua Nan Investment Trust

In 2022, the net income after tax was NT\$ -3 million with an after-tax EPS of NT\$ -0.11. The ROA was -0.38% and the ROE -0.86 %.

5. Hua Nan Venture Capital

In 2022, the net income after tax was NT\$47 million with an after-tax EPS of NT\$0.24. The ROA was 2.71% and the ROE 2.72%.

6. Hua Nan Assets Management Company

In 2022, net profit was NT\$1.46 million providing the net profit of NT\$1.46 per share, the return on assets was 2.89%, and the return on equity was 11.12%.

(V) Research and Development

1. Hua Nan Financial Holdings

Since 2022, various subsidiaries of the group have successively carried out digital transformation projects, and will adopt the perspective of "customer-oriented, virtual and real integration, innovation empowerment, and transformation of all employees" to improve customer experience and create a "feeling financial" life. Establish the "digitized finance promotion team" and "big data analysis team" at the Group level, to interchange the big data and AI technologies among the subsidiaries at the Group level and apply such at the core of each subsidiary. It is sought to understand and expect the potential client needs and enhance the risk control, assist the development of existing and potential clients and provide the well-rounded digital financial services via big data and AI.

2. Hua Nan Commercial Bank

- (1) The Bank actively develops and optimizes the new financial products and digital finance applications to promote the business development and cope with the trend of digitized financial development, such as: Adding the "Jkos Payment" and "Quanying+ PAY " cooperative account link (Account Link) service, providing customers with the bank's account binding on the e-payment platform, expanding the application field of mobile payment; launching the "New Generation of Mobile Banking APP (Hua Nan Bank +)" to increase the number of mobile customers and activity rate; building the Bank The "Personalized Data Self-Utilization (MyData) Platform" provides customers with direct access to the required information when applying for related financial services online; the establishment of an "Optical Character Recognition (OCR) Platform" provides real-time identification of customer ID images to save customers Online application time and improved operation efficiency; newly added "other bank account verification mechanism" to implement online signing of credit loan contracts; issue SnY credit cards, SnY debit debit cards and super diamond cash reward cards to capture customers who love online shopping; Combining mobile insurance with remote digital technology, a zero-contact transaction model of "distance insurance" is established. Continue to optimize the functions of the online service system, such as: "Credit card online application for limit adjustment", "Online application for cash advance password service", "Mobile phone number transfer service 2.0", "SnY Digital Account", "Corporate Online Banking" and "Online Investment Platform" and other systems.
- (2) "SnY Digital Account", "Corporate Online Banking" and "Online Investment Platform" and other systems. For the positioning of fintech patents, as of the end of 2022, the Bank has proposed and obtained 286 patent applications (162 invention patents, 123 new type patents, and one design patent); there were also 247 patents approved (129 invention patents, 117 new type patents, and one design patent).
- (3) The Bank always encouraged the employees to actively engage in R&D. In 2022, there were 340 individual R&D proposals by the employees and 37 of them were accepted.

3. Hua Nan Securities

- (1) Cultivating the mobilization of services: the mobile trading platform is continuously optimized, to provide the best service experience, including the "e-counter so easy," "two-way loan," "periodical fund purchase with fixed amount" and "Hua Nan easy loan" services, for the well-rounded online mobile wealth management services.
- (2) Creating the smart wealth management services: deepening the smart trading platform (cloud order placing/thunder order placing), smart equity selection (Hua Nan So Precise App) and smart client services. More smart trading and services are developed and launched.
- (3) Coping with the new systems of the competent authorities: to cope with the relaxed policies by the competent authorities and investment trends, the digitized services are continuously optimized, to meet the investors' demands and lower the operating costs.
- (4) Scenario marketing: via the big data system environment and analytical tools built by the financial holding group, the precise profiles of clients are established, to help the sales to understand the clients, and enhance the service quality, for precise marketing.
- (5) Integration of online and offline: enhancing the integrated marketing power of the business units and virtual channels, and cultivating the internet advertisement at the same time, with the proper products and services to promote the Company's products or services, for expanding the visibility of Company's products or services.
- (6) Implement the open policy of the competent authority: In line with the open policy of the competent authority and investment trends, continue to optimize the company's electronic services to meet the needs of investors and reduce operating costs.
- (7) Continuously improve and strengthen the construction of information security protection operations, reduce operational risks, improve the company's ability to continue operating, and provide investors with a safer and more stable investment environment.
- (8) In response to the financial technology development blueprint of the Financial Supervisory Commission, including financial information sharing, open securities, financial identity recognition, etc., continue to develop relevant financial applications and cross-industry and cross-domain integration to provide investors with new and diversified financial services.
- (9) Cooperate with Financial Holdings and the company's digital financial environment Bank 3.0 planning blueprint to create a complete digital financial environment and gradually build 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.
- (10) Strengthen innovative services for investing in U.S. stocks. In addition to providing "U.S. stock trend scanning" investment strategy information, it also provides more diversified products and services, such as U.S. stock information station and 3S stock selection wizard, so that investors can easily grasp investment opportunities in overseas markets.
- (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 the third year since the epidemic lasted, the world has entered the post-coronavirus era where the virus coexists. Coupled with negative factors such as the Ukrainian-Russian War, inflation, and interest rate hikes, supplemented by the diversified needs of consumers and business channels, South China Property & Casualty Insurance continues to focus on the innovative portfolio of R&D and marketing projects for new products. In 2022, a total of 106 new products were developed, and 99 special products were on sale. In addition to grasping market demand, it can also provide policyholders with complete professional services. Facing the era of digitization of network services, South China Property & Casualty Insurance Co., Ltd. "forward-looking mindset and active actions" Embracing digital technology, innovating products and services, and constantly striving for excellence, won the "Insurance Dragon and Phoenix Award" in the "Insurance Quality Award," namely "Best Recommendation" and "Best After-Service" and "Best Image Award". In addition, the 24th "Insurance Faith, Hope and Love Award" won the "Best Insurance Professional Award", "Best Social Responsibility Award", "Best Professional Consultant Award - Chen Yong song senior manager", and "Best Communications Office Award - The Chiayi Service Center was selected as one of the four top picks; and in the "2022 Year Insurance Industry Fair Hospitality Principle Evaluation", the property insurance company ranked in the top 25%, with outstanding achievements, and its outstanding performance has been recognized by all walks of life. Integrity, precision, and transparency are the DNA of the core values of our risk management culture. We have also employed audit, legal compliance and discipline, as also risk management unit collaborative platform to promote specific risk management mechanisms to enhance corporate governance and risk management.

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

The outperformance and the excellence awards were widely recognized by the public. In the post-pandemic era 2022, the balance between the economy and the pandemic have been approaching; however, the problems like the inflation pressure, the disrupted supply chains and the tight global energies still lingered. Plus the emerging awareness of carbon-reduction and zero-emission, South China Insurance, when faced with these multiple dimensional issues, will continue to develop the green financial products to respond to the social expectations to the enterprises; the personal information security will be enhanced, to provide the more complete safeguard as a response to the trends of digital transformation.

5. Hua Nan Investment Trust (HNIT)

As of the end of 2022, the overall public placed funds in the investment trust sector was about NT\$4.86 trillion, decrease by NT\$100 billion year on year about 2%. The Company's publicly placed funds as of the end of 2022 was NT\$38 billion or down by NT\$2.39 billion year on year and ranked 26th in the market.

The fund performance in 2022, however, was outstanding. Among the ten funds, seven of them ranked in the first half among the same type of funds in terms of the performance of the year; two of them were in the top one-fourth.

6. Hua Nan Venture Capital

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

In order to respond to the government's urban renewal policy and accelerate the activation of its own assets, Hua Nan Asset Management Company (HNAMC) is located in Peibei Section, Tucheng District, New Taipei City. Affirmed, awarded as "New Taipei City Industrial Zone Urban Renewal Demonstration Base" has become a local landmark building. In addition, based on public interests and people's living safety, Huanan Gold Asset Management also actively participates in urban renewal or critical elderly cases as the implementer of urban renewal or the reconstruction of dangerous old buildings and builds and injects funds (hereinafter referred to as critical elderly reconstruction), including in Taipei City Wanhua District Huajiang Section Dangerous Elderly Reconstruction Project and New Taipei City Xindian District Central Section Dangerous Elderly Reconstruction Project, among which Wanhua District Huajiang Section Dangerous Elderly Reconstruction Project obtained the construction license in October 2010, and immediately adopted the form of pre-sale for public sale. Achieved more than 90% of sales success.

HNAMC and HNCB 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 Huanan 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. 2023 Group Business Plan, Future Development Strategies, and Impact of the External

Looking forward to 2023, it is estimated that inflation will gradually slow down, and the cycle of interest rate hikes will reach its peak. However, due to the impact of unfavorable factors such as geopolitical conflicts such as the Russo-Ukrainian War and the possible recession of the economy, the global economy is forecasted by major international institutions (IMF, World Bank, OECD, etc.) Growth ranged from 1.7% to 2.9%. Potential risks include the development of the epidemic in mainland China after unblocking, whether inflation can be controlled, the speed of FED rate hikes and balance sheet shrinkage, geopolitical conflicts, whether the economy is in recession, climate change and carbon reduction trends.

Domestically, affected by the slowdown in the global economy, the decline in demand, and the rapid shrinkage of exports, the Accounting and Accounting Office of the Executive Yuan estimated on February 22, 2023 that my country's economic growth rate would be 2.12% in 2023, and the domestic economic indicators also appeared to represent the economic downturn. Blue light, but the international situation seems to be showing signs of improvement. If the decline of leading indicators continues to shrink, the economy is expected to improve in the second half of the year.

Although the economic outlook in 2023 is full of challenges, the above-mentioned potential variables still have risks. The Group will adapt to changes in domestic and foreign political and economic situations, dynamically adjust its business strategy, and implement the Group's five major strategies based on the principle of prudence: (1) Improve the efficiency of capital use; (2) Strengthen financial and risk management; (3) Optimize performance appraisal and reward system; (4) Deepen digital transformation; (5) Comply with the development trend of sustainable, with the goal of improving the overall profit ranking of financial holdings, and create shareholder equity remuneration. It is hoped that the Group will continue to achieve good results and bring better feedback to all shareholders, employees and customers and do more for the society.

III. Impact of the Legal Environment:

Financial industry is an industry under the high supervision of competent authority. In 2022, 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 (2022/06)	twAA-	twA-1+	Stable
Hua Nan Commercial Bank	Taiwan Ratings (2022/06)	twAA+	twA-1+	Stable
	Moody's Ratings (2023/03)	A2	P-1	Stable
	Standard & Poor's Ratings (2022/06)	A	A-2	Stable
Hua Nan Securities	Taiwan Ratings (2022/07)	twAA-	twA-1+	Stable
South China Insurance	Taiwan Ratings (2023/01)	twAA	-	Stable
	A.M. Best (2023/01)	A	a	Stable
Hua Nan Assets	Taiwan Ratings (2022/07)	twA+	twA-1	Stable

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