



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

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Vice Chairman

*Ming Chao Zuo*

President

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