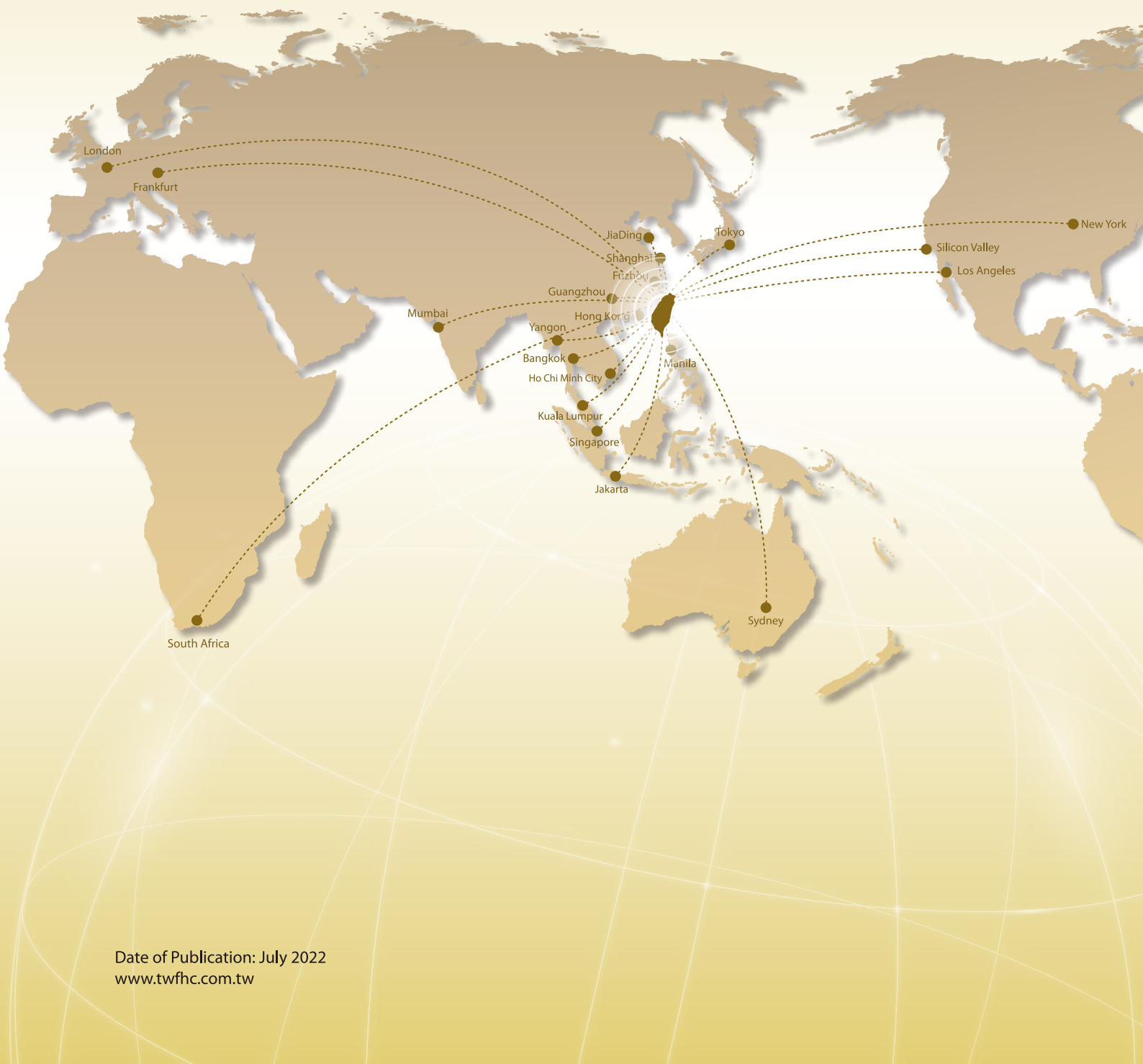


# 2021 Taiwan Financial Holdings ANNUAL REPORT



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## Letter to Shareholders



Chairman / Joseph Jye-Cherng Lyu



As vaccination rates rose throughout the world in 2021, the economic impact of the pandemic declined accordingly. Economic activity began to pick up in major countries, and the global economy shifted into a stable recovery. The International Monetary Fund (IMF) announced a global economic growth rate of 6.1% in 2021. As regards domestic economic performance, Taiwan raised its nationwide COVID-19 alert from Level 2 to Level 3 in May 2021, but a joint effort by the government, private companies, and individual citizens brought domestic transmissions under relatively good control, and the government adopted numerous relief and stimulus measures. In addition, offshore Taiwanese businesses began returning to Taiwan, manufacturers began to shift orders to Taiwan, and the government continued forward with the implementation of the Forward-looking Infrastructure Development Program. As a result, Taiwan posted an economic growth rate of 6.45% in 2021, which was an 11-year high.

Financial services firms were among those most affected when COVID-19 local transmissions spiked upward in 2021. The Taiwan Financial Holding Company (TFH) pursued a two-pronged approach in its response. Internally, TFH took measures to fight the pandemic while simultaneously taking care to maintain normal business operations and uninterrupted financial services. Externally, TFH continued coordinating with government relief programs and stimulus measures by actively providing assistance to industry. TFH seized upon related business opportunities, tapped into group efficiencies, and elicited an all-out effort from the management team and staff. As a result, the group's consolidated earnings after tax in 2021 totaled NT\$15.7 billion, which was more than double the annual target and the group's best performance ever. And after factoring out the burden of supporting government policy, the group's consolidated earnings after tax hit NT\$25.22 billion. These figures show that TFH remains strong and steady.

Even as it posted profits and built up its business capabilities, the TFH Group also provided vigorous financial assistance to support the fight against the pandemic. Bank of Taiwan (BOT) actively provided relief and stimulus loans, both on its own and under the auspices of government relief and stimulus programs, and in processing applications for relief loans the BOT observed the principles of "leniency in determining eligibility, simplicity in verification of identity, and quickness in issuance of loans" in order to meet the financing needs of enterprises and individuals. As of end-April 2022, BOT had approved about 156,000 relief and stimulus loan applications, and the approved loan amount was roughly NT\$963.7 billion. BOT was once again selected in 2021 as the administrator bank and redemption bank for paper Quintuple Stimulus Vouchers. As of end-April 2022, BOT handled redemptions of the second-highest number of paper stimulus vouchers among all financial institutions (and the highest number among all the government-owned banks). In addition, digital stimulus vouchers were also bound to the Taiwan Pay mobile payments app, and BOT was the first among all financial institutions in terms of the number of accounts to which the vouchers were bound.

To advocate the universal values of sustainable development and finance, TFH is systematically promoting sustainable finance. It has adopted a sustainable finance policy that sets out the principles and direction of the group's business management, and has established a group-wide Committee for Corporate Sustainability as part of a step-by-step effort to build up a framework and administrative mechanism to address environmental, social, and governance (ESG) issues. TFH has incorporated ESG concepts into business activities and built up a solid foundation for long-term sustainability. BOT, in response to the government's policies on green finance, has incorporated responsible finance and the Equator Principles into its business development activities. In 2021 BOT completed its first issue of green bonds, carried out Asia's largest sustainability-linked syndicated loan, and completed a locally syndicated loan to finance offshore wind power. BOT signed on to the Equator Principles on 6 May 2022, and has also signed the TCFD Recommendations issued by the Financial Stability Committee. Moving forward, BOT will take advantage of its influence as a financial institution to guide customers to attach importance to sustainability issues and spur overall economic development.

In the area of digital transformation, BOT stole a march on Taiwan's other government-owned banks by establishing the InnoLab in 2019. In November 2021, it continued restructuring by transferring InnoLab to the Department of Electronic Banking, and renaming the latter the Department of Digital Banking which is in overall charge of the Bank's digital development, and it officially launched InnoLab 2.0. Also, acting in line with the four core concepts of "Resilience, Reorientation, Renewal, and Repositioning," the Department of Digital Banking has stepped up efforts to develop employees' digital capabilities and engage in business exchanges, and is accelerating the development of a bank-wide digital mindset and culture in order to achieve a digital transformation. As of end-April 2022, BOT had obtained a total of 355 fintech patents (including 50 invention patents, 299 utility model patents, and 6 design patents) from the Taiwan Intellectual Property Office (TIPO). These figures are all outstanding.

In the area of overseas business operations, in order to build up its international banking capabilities, the group is acting in line with subsidiary BOT's vision of "building a leading bank, and embarking on global markets" to make best use of its tight-knit international network of business locations. BOT also continued cooperating with world-leading financial institutions to take advantage of complementary strengths, build a stronger local presence in offshore markets, pursue chances to play a key role in international syndicated loans, and consolidate its leading position among offshore Taiwanese banks. BOT is also planning to establish a representative office in the US city of Phoenix, Arizona in 2022. The Bank intends to stick with its principle of "rooted internationalization" in order to strengthen its international presence, support the development of Taiwanese expatriate firms, and improve overall business performance.

In the area of corporate social responsibility, the concepts of showing concern for society and supporting culture and the arts are important to TFH, and to act on these concepts in the course of business activities TFH continues to promote the Guide Dog Affinity Card and The Lord is My Shepherd Affinity Card, small-amount whole life insurance, microinsurance, reverse mortgages, and property trusts for senior citizens





President / Justin Jan-Lin Wei

and persons with mental and physical disabilities. Also, in support of the Trust 2.0 Plan, TFH launched "pre-signed agreement" and "house rent-for-pension" two types of retirement trust. TFH also integrated group resources and directed them toward community service events, continued to hold the Bank of Taiwan Awards for Economic and Financial Research and the Arts Festival (including painting and photography festivals for youth), and in 2021 for the first time included a Calligraphy Division at the Bank of Taiwan Arts Festival. These activities demonstrated the tremendous energy that can be generated when the financial and art worlds meld.

Throughout 2021, the TFH Group worked tirelessly to build up its relief and stimulus loan business, promote inclusive financing, consolidate its position as a banking industry leader, and act on its commitment to sustainable development. The Group also won a number of prestigious awards. BOT: (a) received seven awards from the Ministry of Economic Affairs, including Relief and Stimulus Award; (b) for the 3rd consecutive year was named the No.1 mandated arranger and the leading book-runner for syndicated loans in the Taiwan market; (c) received the Joint Credit Information Center's Golden Security Award and Golden Quality Award for the 8th consecutive year; and (d) won a Reader's Digest Trusted Brands GOLD Award in the Bank category for the 16th straight year in Taiwan. In addition, BOT received an Innovation of Charitable Trusts Gold Award from the first Trust Award for Innovation of Diversified Trusts held by Commercial Times. Moreover, BankTaiwan Life Insurance (BTLI) was singled out by the Financial Supervisory Commission as an "Outstanding Provider of Microinsurance" for the 8th consecutive year while also being named for the 2nd year as a "Superior Provider of Microinsurance for Persons with Physical and Mental Disabilities." In addition, BankTaiwan Securities (BTS) won a third-place of the "Taiwan Equity ETF Contribution Award" in the "Taiwan Stock Exchange 2021 ETF and ETN Competition."

This Annual Report provides information on the TFH Group's 2021 operating results, the 2022 business plan, development strategies, the effect of external competition, legislative environment, and overall business environment, and credit ratings.

## I. Operating Results for 2021

### 1. Organizational Change

As of the end of 2021, Taiwan Financial Holding Co., Ltd. (TFH) had three subsidiaries, namely, Bank of Taiwan Co., Ltd. (BOT), BankTaiwan Life Insurance Co., Ltd. (BTLI), and BankTaiwan Securities Co., Ltd. (BTS).

### 2. Results of Implementation of Business Plan and Operating Strategy

The TFH group's consolidated earnings after tax in 2021 totaled an all-time high of NT\$15.70 billion, or 221.60% of the target, and consolidated earnings per share (EPS) after tax hit NT\$1.52. After factoring out the burden shouldered by the group in supporting government policy, the consolidated earnings after tax in 2021 would be NT\$25.22 billion, and EPS after tax would be NT\$2.45. The group actually achieved return on assets (ROA) of 0.43%, and return on equity (ROE) of 6.50%. The group's overall business performance was actually better than expected.



The group's core subsidiary, BOT, achieved earnings after tax of NT\$15.28 billion, or 190.33% of the target. After factoring out the burden shouldered by the Bank in supporting government policy, the earnings after tax in 2021 would be NT\$24.8 billion. Business momentum increased steadily, and BOT remained the industry leader in deposits, loans, and foreign exchange as well as the gold and trust businesses. In its loan business, to coordinate with the government's "Three Major Programs for Investing in Taiwan," BOT approved more than NT\$100 billion worth of credit to finance plans by offshore Taiwanese businesses to invest in Taiwan. The Bank also worked to build up its consumer lending business — it extended more than NT\$200 billion worth of ordinary home loans and special home loans under the "Low-Interest Nest-building Loan Program for Civil Servants and Teachers" — and BOT's outstanding residential loans posted a net increase and ranked No.1 among all banks for the 3rd consecutive year. Among Taiwan's government-owned banks, BOT had the highest outstanding balance of consumer loans, and it adopted a "three carts" business strategy designed to ensure a balanced emphasis on corporate lending, consumer lending, and public sector lending. Together, these multiple growth engines improved BOT's profitability and asset quality. The result was an NPL ratio of 0.11% and a coverage ratio of 1,325.24%, both of which were the best figures the Bank has ever posted.

BTLI achieved first-year premium income of NT\$9.44 billion (this amount included the investment-linked insurance premium income) in 2021, and exceeded its sales target. Net loss after tax came to NT\$224 million, which was a big improvement. After factoring out the NT\$4.33 billion in negative margins generated by policies pre-dating the company's establishment, real operating profits were sharply up. In preparation for adoption of International Financial Reporting Standard 17 (IFRS 17) and the Insurance Capital Standard (ICS), BTLI took vigorous reform measures and further adjusted its business strategies. Acting in line with its 12-Year Development Blueprint, BTLI stepped up its efforts to develop and promote insurance products tailored to specifically targeted niches, and on the investment side it improved asset quality, stabilized investment returns, and continued to improve the asset-liability match. In recent years, financial and business structure have steadily gotten better.

BTS achieved earnings after tax of NT\$883 million in 2021 or 476.34% of the target, double the 2020 figure and the highest since the company's founding. The TAIEX rose to successive all-time highs in 2021, and trading volume roughly doubled. BTS took advantage of business opportunities generated by brisk market activity, continued optimizing its electronic order submission platform, launched a service for cost-average investment in stocks, expanded its young customer base, integrated group resources, and actively expanded its brokerage and underwriting businesses while taking care to strike a proper balance between improving performance and managing risks of dealing business. The company performed very well in each of its three main securities businesses, with each business posting higher profits than in 2020.

## 3. Budget Implementation, Revenues, Expenditures and Profits

Unit: NT\$ 1,000

Name	Earnings after Tax	Budget	Achievement rate (%)	EPS (NT\$ dollar)	ROA/RORWA (%)	ROE (%)
TFH	15,701,866	7,085,762	221.60	1.52	0.27	4.05
Factoring out the Burden of Supporting Government Policy	25,216,525	-	-	2.45	0.43	6.50
BOT	15,281,288	8,028,814	190.33	1.4	ROA:0.28 RORWA:0.70	3.89
Factoring out the Burden of Supporting Government Policy	24,795,947	-	-	2.27	ROA:0.45 RORWA:1.14	6.31
BTLI	-224,043	-542,614	-	-0.05	-0.05	-1.10
BTS	883,440	185,464	476.34	2.94	4.77	19.79

Note: The burden of supporting government policy afforded by BOT is mainly the preferential interest rates paid out on the retirement savings deposits of public employees and veterans, the cost of administering the Labor Pension Fund, the Government Employees Insurance scheme, and the Military Personnel Saving Administration's deposit business.

## 4. Research and Development

### (1)TFH

TFH has developed a set of group-wide business and development strategies, and made improvements to the group's management of financial and accounting matters, internal control, risk management, information systems and monitoring of systems and information security in a way that will enhance synergies within the group. TFH also sharpens the professional skills of employees by dispatching them to receive education and training.

### (2)BOT

In addition to pursuing fintech innovation and prosecuting patent applications, BOT also compiles and publishes different specialist reports to present its research on economic and financial conditions at home and abroad, providing updates on key domestic financial institutions and industries.

### (3)BTLI

BTLI continues to conduct self-directed research and special research projects, and continues to study changing trends in the life insurance market as well as the impact of efforts to align with IFRS17, with an eye to further improving its core business of life insurance.

### (4)BTS

BTS continues to optimize its business systems, upgrade its information systems hardware and trading systems, strengthen its online order placement software, and improve its cyber security management. These functions provide customers a faster and safer trading environment.





## II. Business Plans for 2022

### 1. Business Strategies and Major Operating Policies

- (1) Improve resource integration strategy to create a wide variety of business synergies.
- (2) Build up the group's global financial network to boost its international business capabilities.
- (3) Promote digital transformation and innovation and improve cyber security management.
- (4) Cultivate personnel with multi-disciplinary expertise to improve their mastery of core skills.
- (5) Conduct asset-liability management to align with international capital standards.
- (6) Improve internal control and internal audit systems and establish a good compliance regime.
- (7) Maintain an ethical business culture and promote sustainable finance.

### 2. Business Targets

Unit: NT\$ 1,000 (Forex: USD\$1,000)

Company Name	Major Operation Category	Operation Budget Targets
BOT	Deposits	4,100,000,000
	Loans	2,850,000,000
	Foreign Exchange	319,810,000
BTLI	First-year premium business volume	4,300,000
	Continued premium business volume	13,615,933
	Investment-linked insurance business volume	4,300,000
	Total business volume	22,215,933
BTS	Brokerage Income	1,048,944,000
	Underwriting Income	925,000
	Dealing Income	2,700,000

## III. Development Strategies

### 1. Integrate group resources to reap synergies

TFH intends to improve its group resources integration strategy, improve the group's mechanism for resource sharing and cross-selling, and tap into the benefits of integrated marketing using the group's resources; use target management and performance rewards to spur business development and establish more sound business operations; make integrated use of back-office resources to reap the benefits of economies of scale and economies of scope, and create a wide variety of group synergies.

### 2. Achieve digital transformation and encourage innovation

TFH will prepare for the rise of digital finance by accelerating the development of a digital mindset and culture, integrating digital operations and arranging interdepartmental cooperation, cultivating interdisciplinary digital talent, guiding and promoting digital transformation, accumulating a rich body of fintech patents, integrating innovative new financial technologies into financial businesses and expanding the range of their applications, facilitating the creation of innovative solutions, and creating growth momentum.



### **3. Contribute to society by promoting inclusive finance**

In response to important government policies, TFH will support innovation and transformative upgrading of physical industries, implement the principle of fair treatment of consumers, actively put financial inclusion into practice, incorporate the concepts of public interest and living in peace and contentment, launch financial products and services that meet the needs of society, build a "people-centered" and "universal values-based" financial system to promote societal well-being.

### **4. Improve risk management and compliance**

TFH will improve asset quality assessment and management, and ensure a proper balancing of risk weights and returns on risk assets; implement risk-based internal auditing, and collect important data to improve management functions; continue improving legal compliance systems and shaping a healthy compliance culture; build up the group's overall risk management policy, and solidify its business foundation.

### **5. Corporate culture that stresses sustainable governance**

TFH will act in accordance with the "Corporate Governance 3.0–Sustainable Development Roadmap" by continuing to: (a) build a corporate culture that puts increasing emphasis on sustainable governance; (b) steadily build up a framework and administrative mechanism to address ESG issues; and (c) take full advantage of its role in the financial market to promote green finance, spur sustainable investing, and bring about social and environmental sustainability.

## **IV. The Effect of External Competition, the Legislative Environment, and the Overall Business Environment**

Due to the factors of the changing course of the COVID-19 pandemic, a round of restrictive monetary policies triggered by rising inflationary pressures, and constant geopolitical strife, the global economy faces much additional uncertainty. However, countries throughout the world have been gradually easing their COVID-related restrictions, which means that the real economy can be expected to gradually return to normal. While an ongoing reshuffling and reconfiguration of global supply chains will force Taiwanese industry to deal with competition, the fact remains that local industry continues to demonstrate strong resilience and economic power. Meanwhile, the Taiwan government continues to promote investments in the Six Core Strategic Industries and the "five plus two" innovative industries, and to promote the Three Major Programs for Investing in Taiwan as well as the Forward-looking Infrastructure Development Program. The beneficial effects of these policies are gradually becoming apparent and contributing to development of the financial sector as well as the overall economy. The TFH Group will continue to closely observe domestic and foreign economic conditions, adjustments by Taiwan-invested firms of their international presence, and the changing state of domestic industrial supply chains in order to actively seize upon business development opportunities, respond to and manage risks, and generate profitability.



## V. Credit Ratings

Acting on its commitment to stable business management, the TFH Group has long cultivated Taiwan's domestic financial market, and international credit rating agencies give the group high marks for its financial strength and operating performance. All of the TFH group's subsidiaries received the highest credit ratings granted to any firm in their respective industries.

Company Name	Rating Company	Assigned Rating		Outlook	Rating Date
		Long-term	Short-term		
TFH	Taiwan Ratings	twAAA	twA-1+	Stable	2016.12
	Standard & Poor's	A+	A-1	Stable	2016.12
BOT	Taiwan Ratings	twAAA	twA-1+	Stable	2022.5
	Standard & Poor's	AA	A-1+	Stable	2022.5
	Moody's	Aa3	P-1	Positive	2021.12
BTLI	Taiwan Ratings	twAAA	-	Stable	2022.5
	Standard & Poor's	AA	-	Stable	2022.5
BTS	Taiwan Ratings	twAAA	twA-1+	Stable	2022.5

Looking forward to 2022, the TFH Group will continue relying on its sensitive business radar and its forward-looking mentality to monitor markets, develop stronger profitability, bolster asset quality, and build a stronger ability to assume risks in adverse circumstances. While pursuing business performance and profits, TFH will vigorously advocate sustainable development policies, incorporate a sustainability-oriented mindset into the group's policymaking processes, and take strong ESG action. Moreover, TFH will also rely on its financial expertise to support the government's policy undertakings, tap into the power of financial services, act as a powerful force in support of industrial upgrading and development, and make our best effort to create a prosperous situation among economy, environment and society in Taiwan.

Chairman

President

# Company Profile

## I. Date of Incorporation: 1st January 2008

## II. Brief History

### 1. M&A and Related Subsidiaries

On 1st January 2008, Taiwan Financial Holding Co., Ltd. (TFH) was established (in accordance with the provisions of the Financial Holding Company Act, the Company Act, and other applicable laws and regulations) as Taiwan's first government-owned financial holding company by the Bank of Taiwan Co., Ltd. (BOT) through a NT\$90 billion share swap, after which BOT became a wholly owned subsidiary of TFH. On the following day (2nd January), the BOT spun off its life insurance and securities businesses to create group subsidiaries BankTaiwan Life Insurance Co., Ltd. (BTLI) and BankTaiwan Securities Co., Ltd. (BTS), thus bringing into existence Taiwan's first wholly government-owned financial holding company, with three wholly-owned subsidiaries. In order to expand the scope of business operations, BOT established BankTaiwan Insurance Brokers Co., Ltd. (BTIB) as a subsidiary in 2013, thus extending the group's operations to cover the banking, life insurance, securities, and insurance brokerage businesses.

In 2019, TFH and BOT, acting in accordance with the Article 12-1 of the "Act of Taiwan Financial Holding Co., Ltd." carried out a real estate-backed capital increase via private placement of common shares, using real estate as its capital contribution. The date of record for this capital increase was 6 September 2019, at which time ownership of the real estate contributed as equity was transferred from the Ministry of Finance to TFH, thus increasing the company's paid-in capital to NT\$103.125 billion. The land thus obtained was then contributed as equity to back a capital increase for BOT. The Bank registered transfer of ownership of the land on 25 September 2019, which was the date of record for the capital increase, boosting BOT's paid-in capital to NT\$109 billion.

- 2. Major quantities of shares belonging to directors and shareholders who hold greater than a 10% stake in the company that are transferred:** None.
- 3. Any material change in managerial control, operating methods or type of business:** None.
- 4. Any other matters of material significance that could affect shareholders' equity:** None.

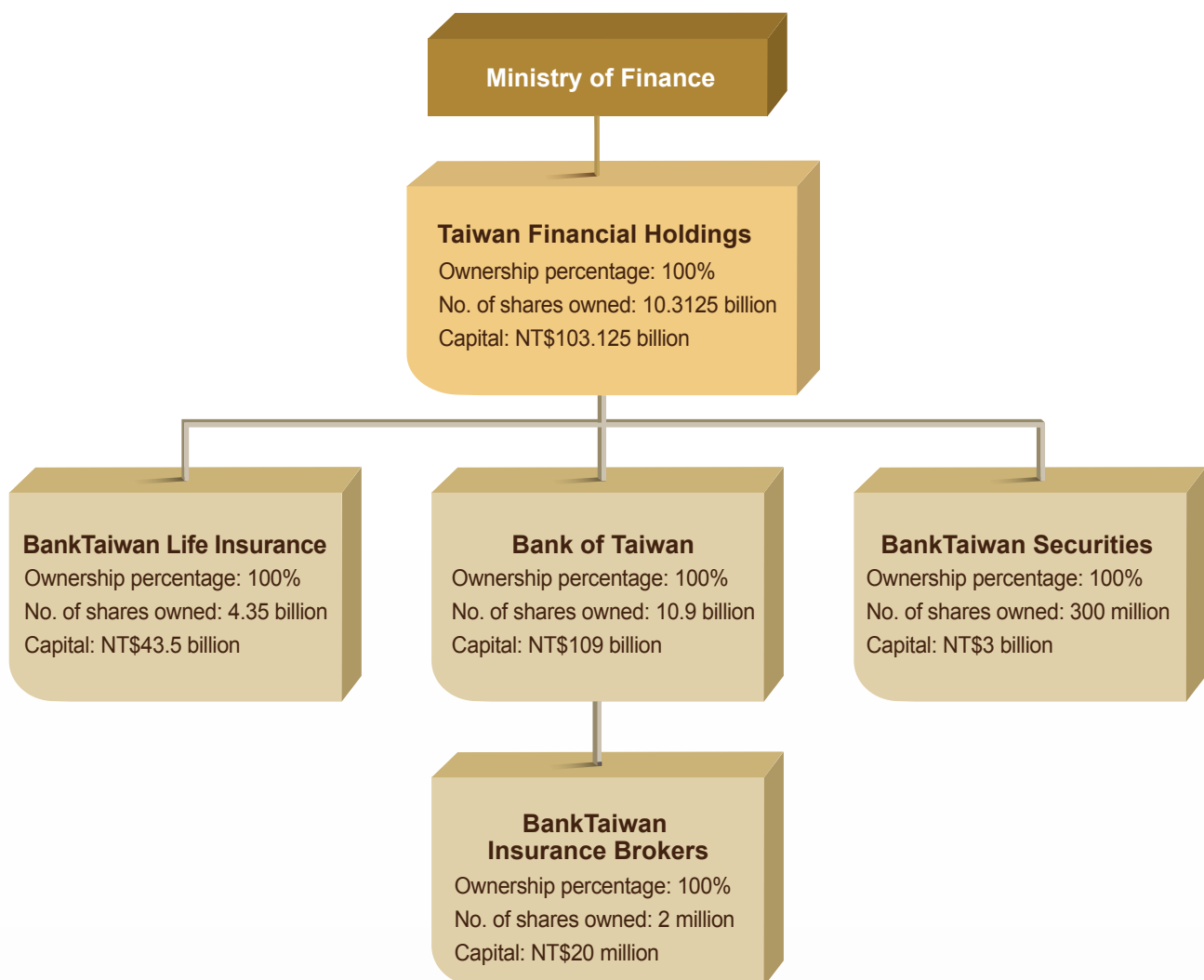


1. Chairman Joseph Jye-Cherng Lyu
2. President Jan-Lin Wei
3. Senior Executive Vice President Shing-Shiang Ou
4. Senior Executive Vice President Tzu-Yu Chen
5. Senior Executive Vice President & General Auditor Su-Ju Hsu
6. Senior Executive Vice President & Chief Compliance Officer Hui-Ping Chen

## Corporate Governance

### I. Organization

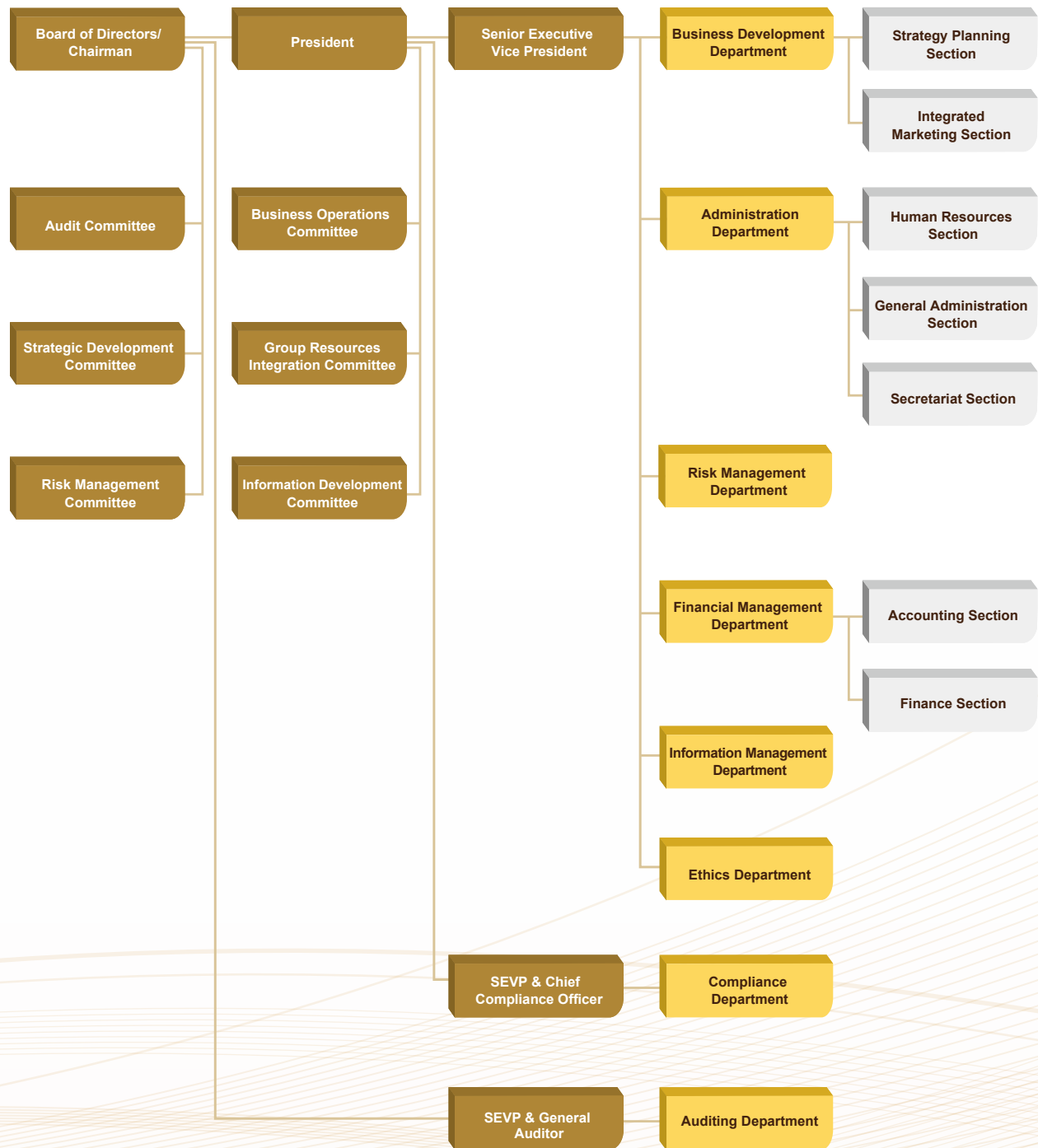
#### 1. Chart of Relations within the TFH Group







## 2. Organization Chart



## 3. Function of Major Departments

### (1) Auditing Department

Sets up and implements internal audit systems; oversees and evaluates the performance of internal audit systems at subsidiaries; reports regularly to the governance level on the status of implementation of internal audits; helps to evaluate whether internal controls are working effectively.

### (2) Compliance Department

Plans, administers, and implements legal compliance systems; conducts joint reviews of corporate bylaws; administers the Group's AML/CFT plan; handles whistleblower cases.

### (3) Business Development Department

Plans for organizational development, business strategies, investing activities; provides assistance and liaison for the handling of litigious and non-litigious matters; conducts joint reviews of legal cases and contracts; handles integrated marketing, corporate image promotion and preparation of the annual report.

### (4) Administration Department

Administers personnel, payroll, general affairs, purchasing, cashier operations, document management; takes charge of public relations, meetings of Board of Directors/Audit Committee, and corporate governance.

### (5) Risk Management Department

In charge of management of company risk policies and systems; management of group risk limits and group capital adequacy ratios, monitoring and control of credit extensions or other transactions with interested parties of the group, and handling of the company's credit rating.

### (6) Financial Management Department

Manages group-wide financial affairs and evaluations of corporate performance; manages investment operations; plans and implements group-wide budgets, year-end accounts, and accounting systems.

### (7) Information Management Department

Implements the development of group-wide information systems; plans and administers resource integration and shared platform security maintenance.

### (8) Ethics Department

Propagates, promotes, and implements ethics laws and regulations; conducts affairs of official confidential information.



## II. Directors, Supervisors and General Managers

### 1. Directors and Supervisors

31 March 2022

Title	Name	Gender	Date Elected	Date First Elected	Principal Work Experience and Academic Qualifications	Positions Held Currently in Financial Holdings Company and Other Companies
Chairman	Joseph Jye-Cherng Lyu	Male	2 Sep. 2019	31 Aug. 2016	<p>Master of Management, Kellogg School, Northwestern University, U.S.A</p> <p>Bachelor of Commerce, Dept. of Money &amp; Banking, National Chengchi University</p> <p>Minister without Portfolio, Executive Yuan</p> <p>Minister, Ministry of Finance</p> <p>Board Director, Central Bank of the Republic of China</p> <p>Chairman of the Board, Mega Financial Holdings Co., Ltd. &amp; Mega International Commercial Bank Co., Ltd.</p> <p>Chairman of the Board, Bank of Taiwan Co., Ltd.</p> <p>President &amp; CEO, Land Bank of Taiwan Co., Ltd.</p> <p>Vice Chairman, State-owned Enterprise Commission, Ministry of Economic Affairs</p> <p>Vice President, Bank of New York, New York Headquarter</p> <p>Chairman of the Board, The Bankers Association of the Republic of China</p> <p>Board Director, Taiwan Stock Exchange Co., Ltd. (TWSE)</p> <p>Board Director, Taiwan Futures Exchange Co., Ltd. (TAIFEX)</p> <p>Board Director, Joint Credit Information Center</p> <p>Board Director &amp; Executive Vice President, Chunghwa Telecom Co., Ltd.</p> <p>Board Director, China Steel Corporation</p> <p>Distinguished Chair Professor, School of Management, National Sun Yat-Sen University</p> <p>Adjunct Professor, School of Technology Management, National Tsing Hua University</p>	<p>Chairman, Bank of Taiwan Co., Ltd.</p> <p>Chairman of the Board, The Bankers Association of the Republic of China</p> <p>Board Director, Joint Credit Information Center</p> <p>Board Director, Taiwan Academy of Banking and Finance</p> <p>Distinguished Chair Professor, School of Management, National Sun Yat-Sen University</p> <p>Adjunct Professor, School of Technology Management, National Tsing Hua University</p> <p>Board Director, National Culture and Arts Foundation</p>
Director	Jan-Lin Wei	Male	2 Sep. 2019	31 Aug. 2016 (31 Aug. 2016 to 20 Aug. 2018)	<p>Master of Economics, Soochow University</p> <p>Chairman, BankTaiwan Securities Co., Ltd.</p> <p>President, Bank of Taiwan Co., Ltd.</p> <p>SEVP, Bank of Taiwan Co., Ltd.</p> <p>SEVP, Central Trust of China</p> <p>EVP &amp; GM, Dept. of Treasury, Bank of Taiwan Co., Ltd.</p> <p>EVP &amp; GM, Dept. of Public Treasury, Bank of Taiwan Co., Ltd.</p> <p>Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the Republic of China</p> <p>Managing Director of Trust Association of R.O.C.</p> <p>Director, Mega Financial Holding Co., Ltd.</p> <p>Supervisor, Mega Financial Holding Co., Ltd.</p> <p>Supervisor, Taiwan Futures Exchange Co., Ltd. (TAIFEX)</p> <p>Supervisor, Hua Nan Financial Holdings Co., Ltd. &amp; Hua Nan Commercial Bank Co., Ltd.</p>	<p>President, Taiwan Financial Holding Co., Ltd.</p> <p>Chairman, BankTaiwan Securities Co., Ltd.</p> <p>Director, Taiwan Urban Regeneration &amp; Financial Services Co., Ltd.</p> <p>Consultant, The Bankers Association of the Republic of China</p> <p>Committee Member, Financial Holding Business Committee, The Bankers Association of the Republic of China</p> <p>Adjunct Assistant Professor Rank Specialist, Dept. of Financial Engineering and Actuarial Mathematics, Soochow University</p> <p>The 13th Consultant, The Bankers Association of Taiwan</p> <p>The 1st Supervisor and Executive Supervisor, Taipei City Financial Ethics and Compliance Association</p> <p>The 9th Director, Taiwan Futures Exchange Co., Ltd. (TAIFEX)</p>
Independent Director	Miao-Ling Chen	Female	2 Sep. 2019	31 Aug. 2016	<p>Ph.D. in Commerce, Keio University, Japan</p> <p>Professor, Dept. of Finance, National Sun Yat-sen University</p> <p>Chairperson, Dept. of Finance, National Sun Yat-sen University</p> <p>Listing Evaluation Committee for Taiwan Stock Exchange Co., Ltd. (TWSE)</p> <p>Director, Taiwan Small &amp; Medium Enterprise Counseling Foundation</p>	<p>Adjunct Professor, Dept. of Finance, National Sun Yat-sen University</p> <p>Director of Audit Committee, Taiwan Financial Holding Co., Ltd.</p> <p>Independent Director, Compal Broadband Networks Inc. (CBN)</p>

# TAIWAN FINANCIAL HOLDINGS

## Taiwan Financial Holdings 2021 Annual Report

Title	Name	Gender	Date Elected	Date First Elected	Principal Work Experience and Academic Qualifications	Positions Held Currently in Financial Holdings Company and Other Companies
Independent Director	Ming-Fang Tsai	Male	2 Sep. 2019	19 Sep. 2017	Ph.D. in Industrial Economics, National Central University Adjunct Professor, Dept. of International Business, Soochow University Adjunct Professor, Graduate Institute of Industrial Economics, National Central University Joint-appointment Professor, Dept. of Industrial Economics and Economics, Tamkang University Independent Director, Bank of Taiwan Co., Ltd. Director of Audit Committee, Bank of Taiwan Co., Ltd. Independent Director, Bank Taiwan Securities Co., Ltd. Independent Director, First Life Insurance Co., Ltd.	Joint-appointment Professor, Dept. of Industrial Economics & Economics, Tamkang University Adjunct Professor, Graduate Institute of Industrial Economics, National Central University Member of Audit Committee, Taiwan Financial Holding Co., Ltd. Independent Managing Director, Bank of Taiwan Co., Ltd. Director of Audit Committee, Bank of Taiwan Co., Ltd. Independent Director, United Renewable Energy Co., Ltd. Director, Eminent II Venture Capital Corporation Director, Grand Cathay Venture Capital Co., Ltd. Director, CDIB Healthcare Ventures Capital Co., Ltd. Independent Director, Choice Development, Inc.
Independent Director	Hsien-Ming Lien	Male	19 Feb. 2021	19 Feb. 2021	Ph.D. in Economics, Boston University (USA) Professor, Dept. of Public Finance, National Chengchi University	Professor, Dept. of Public Finance, National Chengchi University Vice Dean, International College of Innovation, National Chengchi University Chair, Bachelor Degree Program, International College of Innovation, National Chengchi University Director, Taiwan Studies Center, National Chengchi University Member of Audit Committee, Taiwan Financial Holding Co., Ltd.
Director	Ming-Jen Chen	Male	19 Oct. 2021	19 Oct. 2021	Master of Laws, Fu Jen Catholic University Bachelor of Laws, National Taiwan University	Executive Deputy Minister, Ministry of Labor
Director	Yeong-Yuh Chiang	Male	2 Sep. 2019	31 Aug. 2016	Ph. D. in Economics, University of Minnesota Twin Cities Chairman, Dept. of Economics, Chinese Culture University Professor, Dept. of Economics, Chinese Culture University Chairman, Dept. of Money and Banking, National Chengchi University Professor, Dept. of Money and Banking, National Chengchi University Director, Bank of Taiwan Co., Ltd. Director General, the Association of Finance and Banking Secretary General, the Association of Finance and Banking	Adjunct Professor, Dept. of Money and Banking, National Chengchi University Director, First Financial Assets Management Co., Ltd. Director, First Financial Leasing (Chengdu) Ltd. Director, First Financial Leasing (Xiamen) Ltd.
Director	Ying-Wei Peng	Male	2 Sep. 2019	17 Jun. 2017	Master of Laws, National Chengchi University Deputy Director General, Customs Administration, Ministry of Finance Chief Secretary, Ministry of Finance Director General, Dept. of Legal Affairs, Ministry of Finance Executive Secretary, Petitions and Appeals Committee, Ministry of Finance Executive Secretary, Legal Affairs Committee, Ministry of Finance Senior Specialist, Legal Affairs Committee, Ministry of Finance Section Chief, Dept. of Legal Affairs, Financial Supervisory Commission, Executive Yuan Section Chief, Insurance Bureau, Financial Supervisory Commission, Executive Yuan	Director General, Customs Administration, Ministry of Finance
Director	Shih-Ti Yu	Male	9 Sep. 2019	31 Aug. 2016	Ph.D. in Economics, University of Rochester Professor & Chairman, Dept. of Quantitative Finance, National Tsing Hua University Professor, Dept. of Applied Economics, National Chiayi University Professor, Dept. of Finance, Yuan-Ze University Professor, Dept. of International Business, WuFeng Institute of Technology	Professor, Dept. of Quantitative Finance, National Tsing Hua University Independent Director, GWO XI Stem Cell Applied Technology Co., Ltd.



Title	Name	Gender	Date Elected	Date First Elected	Principal Work Experience and Academic Qualifications	Positions Held Currently in Financial Holdings Company and Other Companies
Director	Kung-Cheng Lin	Male	12 Sep. 2019	23 Jun. 2016	Ph.D. in Economics, Iowa State University Director of Finance Dept., Chiayi City Government Associate Professor & Chairman, Dept. of Finance, Hsiuping University of Science and Technology Associate Professor & Chairman, Dept. of Public Finance, Feng Chia University Associate Professor & Chairman, Dept. of Public Finance and Taxation, National Taichung University of Science and Technology	Associate Professor of Dept. of Public Finance and Dean of General Affairs, National Taipei University
Director	Tzu-Mei Hsu	Female	8 Jul. 2020	8 Jul. 2020	MA of Public Administration and Policy Dept., National Taipei University Director-General, National Taxation Bureau of Taipei, Ministry of Finance Director-General, National Taxation Bureau of the Central Area, Ministry of Finance Deputy Director, Taxation Administration, Ministry of Finance Director, Revenue Service Office, New Taipei City Government Director, Revenue Service Office, Taipei County Government Division Director, Taxation Administration, Ministry of Finance	Director-General, Taxation Administration, Ministry of Finance
Director	Rong-Yaw Pan	Male	1 Sep. 2021	1 Sep. 2021	Master of Public Finance, National Chengchi University Senior Executive Vice President and concurrently Secretary-General of the Board of Directors, Bank of Taiwan Co., Ltd. Chief Corporate Governance Officer, Bank of Taiwan Co., Ltd.	Director General of Department of Banking, Central Bank of the Republic of China Member, Committee for Planning and Promoting, Utilization of Long-Term Funding, the National Development Council, Executive Yuan Editorial Board Member, 2021 Small and Medium Enterprises White Paper, Ministry of Economic Affairs
Director	Chih-Wen Hsu	Male	2 Nov. 2020	2 Nov. 2020	BA of Dept. of Economics, Soochow University President, Bank of Taiwan Co., Ltd. SEVP, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Corporate Finance, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of International Banking, Bank of Taiwan Co., Ltd. SVP & GM, Hong Kong Branch, Bank of Taiwan Co., Ltd. Director, Hua Nan Commercial Bank Co., Ltd. Supervisor, Taiwan Small & Medium Enterprise Counseling Foundation	President & Managing Director, Bank of Taiwan Co., Ltd. Director, Taipei Forex Inc. Consultant, The Bankers Association of the Republic of China Director, Taipei Interbank Money Center, The Bankers Association of the Republic of China Chairman of the Board, The Bankers Association of Taiwan Director, Taiwan Small & Medium Enterprise Counseling Foundation
Director	Hsiao-Hui Ma	Female	10 Dec. 2020	10 Dec. 2020	MA of Public Finance Dept., National Chenchi University Chief Secretary, National Treasury Administration, Ministry of Finance Division Director, Financial Planning Division, National Treasury Administration, Ministry of Finance Deputy Director, National Treasury Administration, Ministry of Finance Senior Executive Officer, National Treasury Administration, Ministry of Finance Division Chief, National Treasury Administration, Ministry of Finance Director, BankTaiwan Securities Co., Ltd.	Chief Secretary, National Treasury Administration, Ministry of Finance
Director	Ti-Jen Tsao	Male	16 Jan. 2021	16 Jan. 2021	Ph.D. in Economics, The City University of New York (USA) Advisor, Central Bank of the Republic of China Researcher, Central Bank of the Republic of China	Deputy Director General, Department of Economic Research, Central Bank of the Republic of China Supervisor, Taiwan Academy of Banking and Finance

- Notes: 1. TFH is a government-owned enterprise with its shares 100% owned by MOF. All the directors are the MOF's juristic-person representatives.
2. No director is the spouse of, or related within the second degree of kinship to, any head of department, directors and supervisors.
3. There is no case at the Company in which a single person (or spouses or first-degree relatives) occupies (or occupy) the positions of Chairman and president or equivalent positions (the highest level manager).
4. The terms of all directors will expire on 1 Sep. 2022, and all directors are of R.O.C. Nationality.
5. The former independent director of the Company Ms. Hsin-Ti Chang was discharged as of 4 Jan. 2021. The vacancy was filled by Mr. Hsien-Ming Lien as of 19 Feb. 2021.
6. Ms. Yih-Jiuan Wu was replaced on 16 Jan. 2021 by Mr. Ti-Jen Tsao as the MOF representative director on the TFH Board of Directors.
7. The former director of the Company Mr. San-Quei Lin was discharged as of 2 Aug. 2021. The vacancy was filled by Mr. Ming-Jen Chen as of 19 Oct. 2021 as the MOF representative director on the TFH Board of Directors.
8. Ms. Tsuey-Ling Hsiao was replaced on 1 Sep. 2021 by Rong-Yaw Pan as the MOF representative director on the TFH Board of Directors.



## Major Shareholders of the Institutional Shareholders

31 March 2022

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Ministry of Finance	-

Note: The Ministry, which is not organized as a company, is the sole shareholder of TFH, and holds 100% of TFH equity.



Chairman Joseph Jye-Cherng Lyu (7th from right) and senior managers pose for a group photo with the public during a blood donation activity held by TFH subsidiary Bank of Taiwan.



Chairman Joseph Jye-Cherng Lyu (4th from right) and Taiwan Guide Dog Association President Dong Liu (4th from left) are shown during the opening of a public ceremony to recognize the achievements of fundraising activities of TFH subsidiary Bank of Taiwan activities to support guide dog organizations.



## 2. Professional Qualifications of Directors and Supervisors, and Independence of Independent Directors

Title	Name	Qualifications, experience, and independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman	Joseph Jye-Cherng Lyu	<p>● <b>Qualifications and experience</b></p> <p>Master of Management, Kellogg School, Northwestern University, U.S.A Bachelor of Commerce, Dept. of Money &amp; Banking, National Chengchi University</p> <p>Current positions: Chairman of Taiwan Financial Holding Co., Ltd. (TFH) and Bank of Taiwan Co., Ltd. (BOT); Minister without Portfolio, Executive Yuan; Minister, Ministry of Finance; Board Director, Central Bank of the Republic of China; Chairman of the Board, Mega Financial Holdings Co., Ltd. &amp; Mega International Commercial Bank Co., Ltd; President &amp; CEO, Land Bank of Taiwan Co., Ltd; Vice Chairman, State-owned Enterprise Commission, Ministry of Economic Affairs; Vice President, Bank of New York, New York Headquarter; Chairman of the Board, The Bankers Association of the Republic of China; Board Director, Taiwan Stock Exchange Co., Ltd. (TWSE); Board Director, Taiwan Futures Exchange Co., Ltd. (TAIFEX); Board Director, Joint Credit Information Center; Board Director, Taiwan Academy of Banking and Finance; Distinguished Chair Professor, School of Management, National Sun Yat-Sen University; and Adjunct Professor, School of Technology Management, National Tsing Hua University; has served since Aug. 2016 as Chairman of TFH and BOT.</p>	-
Director	Jan-Lin Wei	<p>● <b>Qualifications and experience</b></p> <p>Master of Economics, Soochow University</p> <p>Current positions: President of TFH and Chairman of BankTaiwan Securities Co., Ltd; President and SEVP, Bank of Taiwan Co., Ltd; SEVP, Central Trust of China; EVP &amp; GM, Dept. of Treasury and Public Treasury, Bank of Taiwan Co., Ltd.; Director and Supervisor, Mega Financial Holding Co., Ltd.; Supervisor, Taiwan Futures Exchange Co., Ltd. (TAIFEX); Supervisor, Hua Nan Financial Holdings Co., Ltd. &amp; Hua Nan Commercial Bank Co., Ltd.; has served since Sep. 2019 as Director and President of TFH.</p>	-
Independent Director	Miao-Ling Chen	<p>● <b>Qualifications and experience</b></p> <p>Ph.D. in Commerce, Keio University, Japan</p> <p>Current position: Adjunct Professor, Dept. of Finance, National Sun Yat-sen University; Chairperson and Professor, Dept. of Finance, National Sun Yat-sen University; Listing Evaluation Committee for Taiwan Stock Exchange Co., Ltd. (TWSE); Director, Taiwan Small &amp; Medium Enterprise Counseling Foundation; has served since Aug. 2016 as Independent Director and Director of Audit Committee of TFH.</p> <p>● <b>Independence (Note 2)</b></p> <p>The principal, spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of TFH or any affiliated enterprise, nor do they hold stock in TFH.</p> <p>Does not serve as a director, supervisor, or employee of any company with which TFH has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to TFH or any of its related enterprises.</p>	One [Compal Broadband Networks Inc. (CBN)]
Independent Director	Ming-Fang Tsai	<p>● <b>Qualifications and experience</b></p> <p>Ph.D. in Industrial Economics, National Central University</p> <p>Current positions: Joint-appointment Professor, Dept. of Industrial Economics &amp; Economics, Tamkang University, and Adjunct Professor, Graduate Institute of Industrial Economics, National Central University; Independent Director, BankTaiwan Securities Co., Ltd.; Independent Director, First Life Insurance Co., Ltd.; has served since Sep. 2017 as Independent Director and Member of Audit Committee of TFH, and since Aug. 2018 has served as Independent Managing Director and Director of Audit Committee of BOT.</p> <p>● <b>Independence (Note 2)</b></p> <p>The principal, spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of TFH or any affiliated enterprise, nor do they hold stock in TFH.</p> <p>Does not serve as a director, supervisor, or employee of any company with which TFH has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to TFH or any of its related enterprises.</p>	Three [Bank of Taiwan Co., Ltd., United Renewable Energy Co., Ltd., Choice Development, Inc.]

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Title	Name	Qualifications, experience, and independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director	Hsien-Ming Lien	<p>● <b>Qualifications and experience</b> Ph.D. in Economics, Boston University (USA) Current positions: Professor, Dept. of Public Finance, National Chengchi University, Vice Dean and Chair of Bachelor Degree Program of International College of Innovation, National Chengchi University, and Director of Taiwan Studies Center, National Chengchi University; has served since Feb. 2021 as Independent Director and Member of Audit Committee of TFH.</p> <p>● <b>Independence (Note 2)</b> The principal, spouse, and relatives by blood within the second degree of kinship do not serve as a director, supervisor, or employee of TFH or any affiliated enterprise, nor do they hold stock in TFH. Does not serve as a director, supervisor, or employee of any company with which TFH has a special relationship, and in the past two years has not provided commercial, legal, financial, or accounting services to TFH or any of its related enterprises.</p>	-
Director	Ming-Jen Chen	<p>● <b>Qualifications and experience</b> Master of Laws, Fu Jen Catholic University Bachelor of Laws, National Taiwan University Current position: Executive Deputy Minister, Ministry of Labor; has served since Oct. 2021 as Director of TFH.</p>	-
Director	Yeong-Yuh Chiang	<p>● <b>Qualifications and experience</b> Ph. D. in Economics, University of Minnesota Twin Cities Current position: Adjunct Professor, Dept. of Money and Banking, National Chengchi University; Chairman and Professor of Dept. of Economics, Chinese Culture University; Chairman and Professor of Dept. of Money and Banking, National Chengchi University; Director, Bank of Taiwan Co., Ltd.; Director General and Secretary General of the Association of Finance and Banking; has served since Aug. 2016 as Director of TFH.</p>	-
Director	Ying-Wei Peng	<p>● <b>Qualifications and experience</b> Master of Laws, National Chengchi University Current position: Director General, Customs Administration, Ministry of Finance; Deputy Director General, Customs Administration, Ministry of Finance; Chief Secretary, Director General of Dept. of Legal Affairs, Executive Secretary of Petitions and Appeals Committee, Executive Secretary and Senior Specialist of Legal Affairs Committee, Ministry of Finance; Section Chief of Dept. of Legal Affairs and Insurance Bureau, Financial Supervisory Commission, Executive Yuan; has served since Jun. 2017 as Director of TFH.</p>	-
Director	Shih-Ti Yu	<p>● <b>Qualifications and experience</b> Ph.D. in Economics, University of Rochester Current position: Professor, Dept. of Quantitative Finance, National Tsing Hua University; Professor &amp; Chairman, Dept. of Quantitative Finance, National Tsing Hua University; Professor, Dept. of Applied Economics, National Chiayi University; Professor, Dept. of Finance, Yuan-Ze University; Professor, Dept. of International Business, WuFeng Institute of Technology; has served since Aug. 2016 as Director of TFH.</p>	One [GWO XI Stem Cell Applied Technology Co., Ltd.]
Director	Kung-Cheng Lin	<p>● <b>Qualifications and experience</b> Ph.D. in Economics, Iowa State University. Current positions: Associate Professor of Dept. of Public Finance &amp; Dean of General Affairs, National Taipei University; Director of Finance Dept., Chiayi City Government; Associate Professor &amp; Chairman, Dept. of Finance, Hsiuping University of Science and Technology; Associate Professor &amp; Chairman, Dept. of Public Finance, Feng Chia University; Associate Professor &amp; Chairman, Dept. of Public Finance and Taxation, National Taichung University of Science and Technology; has served since Jun. 2016 as Director of TFH.</p>	-
Director	Tzu-Mei Hsu	<p>● <b>Qualifications and experience</b> MA of Public Administration and Policy Dept., National Taipei University Current position: Director-General, Taxation Administration, Ministry of Finance; Deputy Director, Taxation Administration, Ministry of Finance, Director-General, National Taxation Bureau of Taipei, Ministry of Finance; Director-General, National Taxation Bureau of the Central Area, Ministry of Finance; Director, Revenue Service Office, New Taipei City Government; Director, Revenue Service Office, Taipei County Government; has served since Jul. 2020 as Director of TFH.</p>	-





Title	Name	Qualifications, experience, and independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director	Rong-Yaw Pan	<b>●Qualifications and experience</b> Master of Public Finance, National Chengchi University Current position: Director General of Department of Banking, Central Bank of the Republic of China; Senior Executive Vice President and concurrently Secretary-General of the Board of Directors, Bank of Taiwan Co., Ltd.; and Chief Corporate Governance Officer, Bank of Taiwan Co., Ltd.; has served since Sep. 2021 as Director of TFH.	-
Director	Chih-Wen Hsu	<b>●Qualifications and experience</b> BA of Dept. of Economics, Soochow University Current position: President, Bank of Taiwan Co., Ltd.; SEVP, EVP & GM of Dept. of Corporate Finance and Dept. of International Banking, and SVP & GM of Hong Kong Branch, Bank of Taiwan Co., Ltd.; Director, Hua Nan Commercial Bank Co., Ltd.; Supervisor, Taiwan Small & Medium Enterprise Counseling Foundation; has served since Nov. 2020 as Director of TFH.	-
Director	Hsiao-Hui Ma	<b>●Qualifications and experience</b> MA of Public Finance Dept., National Chenchi University Current position: Chief Secretary, National Treasury Administration, Ministry of Finance; Division Director, Financial Planning Division, National Treasury Administration, Ministry of Finance; Deputy Director, Senior Executive Officer, Division Chief, National Treasury Administration, Ministry of Finance; Director, BankTaiwan Securities Co., Ltd.; has served since Dec. 2020 as Director of TFH.	-
Director	Ti-Jen Tsao	<b>●Qualifications and experience</b> Ph.D. in Economics, The City University of New York (USA) Current position: Deputy Director General, Department of Economic Research, Central Bank of the Republic of China; Advisor and Researcher, Central Bank of the Republic of China; has served since Jan. 2021 as Director of TFH.	-

Note 1: None of the circumstances set out in Article 30 of the "Company Act" apply with respect to any TFH Board Director.

Note 2: Independent directors must show that they possess the necessary qualifications and independence.

### 3.Diversity and independence of the Board of Directors

#### (1) Board diversity

The composition of the TFH Board of Directors reflects the direction in which the company expects its business to develop, and the fact that TFH needs to respond to emerging risks while implementing its board diversity policy. The Board currently has 15 members, including 3 independent directors, and features a high degree of both professionalism and diversity, with its members coming from the competent authority as well as the financial sector, industry, and academia. In addition to banking, insurance, and securities, their specialties also include economics, accounting, finance, business management, law, technology, and risk management.

#### Board Diversity

Title	Name	Basic information			Key diversity factors					
		Nationality	Gender	Age	Business Management	International industry & Business	Finance & Accounting	Fiscal & Tax matters	Law	Risk Management
Chairman	Joseph Jye-Cherng Lyu	Republic of China (Taiwan)	Male	>60	✓	✓	✓	✓		✓
Director	Jan-Lin Wei		Male	>60	✓	✓	✓			✓
Independent Director	Miao-Ling Chen		Female	>60	✓	✓	✓	✓		✓

Title	Name	Basic information			Key diversity factors					
		Nationality	Gender	Age	Business Management	International industry & Business	Finance & Accounting	Fiscal & Tax matters	Law	Risk Management
Independent Director	Ming-Fang Tsai	Republic of China (Taiwan)	Male	<50	✓	✓	✓			✓
Independent Director	Hsien-Ming Lien		Male	50-60	✓	✓	✓	✓		✓
Director	Ming-Jen Chen		Male	50-60	✓	✓			✓	
Director	Yeong-Yuh Chiang		Male	>60	✓	✓	✓			
Director	Ying-Wei Peng		Male	50-60	✓	✓			✓	
Director	Shih-Ti Yu		Male	50-60	✓	✓	✓			
Director	Kung-Cheng Lin		Male	>60	✓	✓		✓		
Director	Tzu-Mei Hsu		Female	>60	✓	✓		✓		
Director	Rong-Yaw Pan		Male	>60	✓	✓	✓			✓
Director	Chih-Wen Hsu		Male	>60	✓	✓	✓			✓
Director	Hsiao-Hui Ma		Female	50-60	✓	✓		✓		
Director	Ti-Jen Tsao		Male	<50	✓	✓	✓			

### (2) Board independence

TFH attaches great importance to board independence. The positions of chairperson and president are not held by the same person, by spouses, or by relatives within the first degree of kinship, and no board member is the spouse of, or related within the second degree of kinship to, another director. Independent directors number three in total, hold 20% of all seats on the Board of Directors, meet the independence criteria adopted by the competent authority, and the number of public companies at which any independent director concurrently holds independent directorships does not exceed the maximum number permissible. In accordance with corporate governance best practice principles, TFH rules prohibit any person from serving more than three consecutive terms as an independent director so as to prevent a long period of service from reducing that person's independence.

### 4. General manager, assistant general managers, and the chiefs of all the company's divisions

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Position	Name	Gender	Date of Employment	Education and Career	Positions Held with Other Companies
President	Jan-Lin Wei	Male	2 Sep. 2019	Master of Economics, Soochow University Chairman, BankTaiwan Securities Co., Ltd. President, Bank of Taiwan Co., Ltd. SEVP, Bank of Taiwan Co., Ltd. SEVP, Central Trust of China EVP & GM, Dept. of Treasury, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Public Treasury, Bank of Taiwan Co., Ltd. Executive Secretary, Taipei Interbank Money Center, The Bankers Association of the Republic of China Managing Director of Trust Association of R.O.C. Director, Mega Financial Holding Co., Ltd. Supervisor, Mega Financial Holding Co., Ltd. Supervisor, Taiwan Futures Exchange Co., Ltd. (TAIFEX) Supervisor, Hua Nan Financial Holdings Co., Ltd. & Hua Nan Commercial Bank Co., Ltd.	Chairman, BankTaiwan Securities Co., Ltd. Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. Consultant, The Bankers Association of the Republic of China Committee Member, Financial Holding Business Committee, The Bankers Association of the Republic of China Adjunct Assistant Professor Rank Specialist, Dept. of Financial Engineering and Actuarial Mathematics, Soochow University The 13th Consultant, The Bankers Association of Taiwan The 1st Supervisor and Executive Supervisor, Taipei City Financial Ethics and Compliance Association The 9th Director, Taiwan Futures Exchange Co., Ltd. (TAIFEX)





Position	Name	Gender	Date of Employment	Education and Career	Positions Held with Other Companies
SEVP	Shing-Shiang Ou	Male	1 Apr. 2019	Ph. D. in Economics, Georgia State University, U.S.A SEVP, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Economic Research, Bank of Taiwan Co., Ltd. SVP, Dept. of Auditing, Board of Directors, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Credit Analysis, Bank of Taiwan Co., Ltd. Research Economist, Economic Research Dept., Central Bank of the Republic of China Deputy Chief Representative, London Representative Office, Central Bank of the Republic of China Director, China Development Financial Holding Co., Ltd. Supervisor, China Development Industrial Bank Inc. Managing Director, Cathay United Bank Co., Ltd. Managing Director, Tang Eng Iron Works Co., Ltd. Director, BankTaiwan Securities Co., Ltd.	SEVP, Bank of Taiwan Co., Ltd. Chairman, Research and Development Committee, The Bankers Association of the Republic of China Executive Secretary, Task Force of Financial Research and Training Development Fund Management Committee, The Bankers Association of the Republic of China Director, Hua Nan Commercial Bank Co., Ltd. Director, Taiwan Financial Asset Service Corporation
SEVP	Tzu-Yu Chen	Female	24 Nov. 2021	Bachelor of Dept. of Banking, National Chengchi University EVP & GM, Dept. of Business, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Domestic Operations, Bank of Taiwan Co., Ltd. SVP & GM, Sungshan Branch, Bank of Taiwan Co., Ltd. SVP & GM, Minsheng Branch, Bank of Taiwan Co., Ltd. SVP & GM, Nan HsinChuang Branch, Bank of Taiwan Co., Ltd. VP & DGM, Nan HsinChuang Branch, Bank of Taiwan Co., Ltd. VP & DGM, ChungHsin Branch, Bank of Taiwan Co., Ltd.	
SEVP & General Auditor	Su-Ju Hsu	Female	9 Aug. 2021	Ph. D. in Dept. of Money & Banking, National Chengchi University EVP & GM, Dept. of Risk Management, Bank of Taiwan Co., Ltd. Deputy Manager and Acting Manager, Dept. of Risk Management, Bank of Taiwan Co., Ltd. VP & DGM, Dept. of Risk Management, Bank of Taiwan Co., Ltd. VP & DGM, Dept. of General Affairs, Bank of Taiwan Co., Ltd. VP & DGM, WuChang Branch, Bank of Taiwan Co., Ltd.	
SEVP & Chief Compliance Officer	Hui-Ping Chen	Female	28 Aug. 2020	LL.M., Tulane University EVP & GM, Dept. of Compliance, Bank of Taiwan Co., Ltd. VP & DGM, Dept. of Compliance, Bank of Taiwan Co., Ltd.	SEVP & Chief Compliance Officer, Bank of Taiwan Co., Ltd. Director, Taiwan Financial Asset Service Corporation Deputy Chairperson, Legal Affairs and Disciplines Committee, The Trust Association of the Republic of China Deputy Chairperson, Financial Regulations and Disciplinary Committee, The Bankers Association of the Republic of China General Manager, Taipei City Financial Ethics and Compliance Association
EVP & Secretary General	Hsiu-Shiang Liu	Female	17 Nov. 2017	M.B.A., National Chiayi University EVP & Chief Secretary, Secretariat, Board of Directors, Bank of Taiwan Co., Ltd. VP, Secretariat, Board of Directors, Bank of Taiwan Co., Ltd. AVP & Senior Auditor, Dept. of Auditing, Board of Directors, Bank of Taiwan Co., Ltd. VP & DGM, Land Bank of Taiwan Co., Ltd.	EVP & Chief Secretary, Secretariat, Board of Directors, Bank of Taiwan Co., Ltd.

# TAIWAN FINANCIAL HOLDINGS

## Taiwan Financial Holdings 2021 Annual Report

Position	Name	Gender	Date of Employment	Education and Career	Positions Held with Other Companies
EVP & Chief Risk Officer	Mu-Ying Wu	Female	12 Oct. 2020	B.A. of Business Administration, National Chengchi University SEVP, Taiwan Financial Holdings Co., Ltd. SEVP, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Trusts, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Planning, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Secretariat, Bank of Taiwan Co., Ltd. SVP, Secretariat, Board of Directors, Bank of Taiwan Co., Ltd. Committee Member, Finance and Taxation Committee, the Trust Association of the Republic of China	SEVP, Bank of Taiwan Co., Ltd. Member, Risk Management Group, Financial Holding Business Committee, The Bankers Association of the Republic of China Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. Director, Taiwan Academy of Banking and Finance
EVP & Chief Strategy Officer	Youn-Shii Chou	Female	18 May 2018	B.A. of Business Administration, National Taiwan University VP & GM, Yuanshan Branch, Bank of Taiwan Co., Ltd. VP & DGM, Offshore Banking Branch, Bank of Taiwan Co., Ltd. AVP & Director of Customer Service Center, Bank of Taiwan Co., Ltd.	
EVP & Chief Administration Officer	Ming-Chuen Chen	Female	2 Mar. 2020	B.A. of Business Administration, National Taiwan University VP & AGM, Secretariat Section, Administration Dept., Taiwan Financial Holding Co., Ltd. AVP, Investor Relation Section, Business Development Dept., Taiwan Financial Holding Co., Ltd. AVP & AGM, Dept. of Economic Research, Bank of Taiwan Co., Ltd.	
EVP & Chief Financial Officer	Kuo-Yung Chang	Male	19 Jun. 2017	M.A. in Business Administration, National Taiwan University VP & AGM, Accounting Section, Financial Management Dept., Taiwan Financial Holding Co., Ltd. AVP, Accounting Office, Bank of Taiwan Co., Ltd. Senior Officer & AGM, Dept. of Accounting, Central Trust of China Director, BankTaiwan Securities Co., Ltd.	
EVP & Chief Information Officer	Yeung-Rong Ju	Male	27 Apr. 2017	M.S., Computer Science, Asian Institute of Technology SEVP, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Information Management, Bank of Taiwan Co., Ltd. EVP & GM, Dept. of Electronic Banking, Bank of Taiwan Co., Ltd. VP & DGM, Dept. of Information Management, Bank of Taiwan Co., Ltd.	SEVP, Bank of Taiwan Co., Ltd. Director, Financial eSolution Co., Ltd. Director, Banking Automation Committee, The Bankers Association of the Republic of China Member, Certificate Policy Management Committee, The Bankers Association of the Republic of China Member of the rules implementation committee of financial information system interbank operations, Financial Information Service Co., Ltd. Member, Supervisory Committee of Financial Information Sharing and Analysis Center, Financial Information Service Co., Ltd. Director, Chinese Tea Industry Joint Venture Co., Ltd
EVP & GM, Ethics Department	Hsien-Tai Kung	Male	27 Sep. 2018	Ph.D., Political Science, National Taiwan Normal University SVP, Agency Against Corruption, Ministry of Justice	EVP & GM, Dept. of Ethics, Bank of Taiwan Co., Ltd.

Note 1: TFH is a government-owned enterprise with its shares 100% owned by MOF.

Note 2: No senior official is the spouse of, or related within the second degree of kinship to, any general manager.

Note 3: The positions of president or equivalent positions and chairman at TFH are not held by the same person, by spouses, or by relatives within the first degree of kinship.

Note 4: All the senior officials are of R.O.C. nationality.

**5. If any retired director or president of the TFH Group or any TFH affiliate has returned in an advisory capacity, his/her name, gender, job title, pre-retirement employer and job title, date of retirement, dates of advisory position, purpose of employment, and authorities and duties must be disclosed: None.**



## 6. Remuneration of Directors, President, and Senior Executive Vice Presidents for 2021

### (1) Remuneration of Directors

Unit: NT\$1,000; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C+D) to Net Income After Tax (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income After Tax (%)		Reinvested Enterprises other than TFH's Subsidiary or its parent company
		Base Compensation (A)		Severance Pay (B)	Bonus to Directors (C)		Allowances (D) (Note)			Salary, Bonuses, and Allowances (E)		Severance Pay (F)	Employee Bonus (G)					
		TFH	Companies in the Consolidated Financial Statements	TFH	Companies in the Consolidated Financial Statements	TFH	Companies in the Consolidated Financial Statements	TFH	Companies in the Consolidated Financial Statements	TFH	Companies in the Consolidated Financial Statements	TFH	Companies in the Consolidated Financial Statements	TFH	Companies in the Consolidated Financial Statements	Stock	Cash	
Director	Joseph Jye-Cherng Lyu	None	2,120	177	177	None	1,412	3,262	Total: 1,589 Ratio: 0.01%	Total: 5,559 Ratio: 0.035%	2,074	4,147	173	480	None	Total: 3,836 Ratio: 0.024%	Total: 10,186 Ratio: 0.065%	102
	Jan-Lin Wei																	
	Ming-Jen Chen																	
	Yeong-Yuh Chiang																	
	Ying-Wei Peng																	
	Shih-Ti Yu																	
	Kung-Cheng Lin																	
	Tzu-Mei Hsu																	
	Rong-Yaw Pan																	
	Chih-Wen Hsu																	
	Hsiao-Hui Ma																	
	Ti-Jen Tsao																	
	Yih-Jiuan Wu																	
	San-Quei Lin																	
	Tsuey-Ling Hsiao																	
Independent Director	Miao-Ling Chen	None					1,034	1,034	Total: 1,034 Ratio: 0.007%	Total: 1,034 Ratio: 0.007%					None	Total: 1,034 Ratio: 0.007%	Total: 1,034 Ratio: 0.007%	None
	Ming-Fang Tsai																	
	Hsien-Ming Lien																	
	Hsin-Ti Chang																	

1. Policies, systems, standards, and structure of the remuneration paid to independent directors, and how the duties, risks, and time spent on the job by each such director are correlated with the amount of remuneration:

The monthly compensation paid to independent directors of TFH is based on the "Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises" and related interpretations.

2. In addition to the disclosures made above, mention any other compensation that was received by company directors during the most recent fiscal year for services rendered (e.g. services rendered, as an advisor with non-employee status, to the parent company, to any company listed in the financial reports, or to any TFH investee enterprise): None.

- Notes: 1. The NT\$240,000 owed to Mr. Joseph Jye-Cherng Lyu as compensation for concurrent service as a TFH Director in 2021 was all paid into the national treasury. Mr. Lyu did not receive it.
2. The NT\$240,000 owed to Mr. Jan-Lin Wei as compensation for concurrent service as a TFH Director in 2021 was all paid into the national treasury. Mr. Wei did not receive it.
3. The former independent director of the Company Ms. Hsin-Ti Chang was discharged as of 4 Jan. 2021. The vacancy was filled by Mr. Hsien-Ming Lien as of 19 Feb. 2021.
4. Ms. Yih-Jiuan Wu was replaced on 16 Jan. 2021 by Mr. Ti-Jen Tsao as the MOF representative director on the TFH Board of Directors.
5. The former director of the Company Mr. San-Quei Lin was discharged as of 2 Aug. 2021. The vacancy was filled by Mr. Ming-Jen Chen as of 19 Oct. 2021 as the MOF representative director on the TFH Board of Directors.
6. Ms. Tsuey-Ling Hsiao was replaced on 1 Sep. 2021 by Rong-Yaw Pan as the MOF representative director on the TFH Board of Directors.

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## Remuneration Brackets

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	TFH	Companies in the Consolidated Financial Statements	TFH	Reinvested Enterprises
Under NT\$1,000,000	Joseph Jye-Cherng Lyu Jan-Lin Wei Kung-Cheng Lin Ming-Jen Chen Yeong-Yuh Chiang Shih-Ti Yu Ying-Wei Peng Tzu-Mei Hsu Rong-Yaw Pan Ti-Jen Tsao Chih-Wen Hsu Hsiao-Hui Ma Yih-Jiuan Wu San-Quei Lin Tsuey-Ling Hsiao Miao-Ling Chen Ming-Fang Tsai Hsien-Ming Lien Hsin-Ti Chang	Jan-Lin Wei Kung-Cheng Lin Ming-Jen Chen Yeong-Yuh Chiang Shih-Ti Yu Ying-Wei Peng Tzu-Mei Hsu Rong-Yaw Pan Ti-Jen Tsao Chih-Wen Hsu Hsiao-Hui Ma Yih-Jiuan Wu San-Quei Lin Tsuey-Ling Hsiao Miao-Ling Chen Ming-Fang Tsai Hsien-Ming Lien Hsin-Ti Chang	Joseph Jye-Cherng Lyu Kung-Cheng Lin Ming-Jen Chen Yeong-Yuh Chiang Shih-Ti Yu Ying-Wei Peng Tzu-Mei Hsu Rong-Yaw Pan Ti-Jen Tsao Chih-Wen Hsu Hsiao-Hui Ma Yih-Jiuan Wu San-Quei Lin Tsuey-Ling Hsiao Miao-Ling Chen Ming-Fang Tsai Hsien-Ming Lien Hsin-Ti Chang	Kung-Cheng Lin Ming-Jen Chen Yeong-Yuh Chiang Shih-Ti Yu Ying-Wei Peng Tzu-Mei Hsu Rong-Yaw Pan Ti-Jen Tsao Hsiao-Hui Ma Yih-Jiuan Wu San-Quei Lin Tsuey-Ling Hsiao Miao-Ling Chen Ming-Fang Tsai Hsien-Ming Lien Hsin-Ti Chang
NT\$1,000,000 ~ NT\$2,000,000				
NT\$2,000,000 ~ NT\$3,500,000			Jan-Lin Wei	Jan-Lin Wei
NT\$3,500,000 ~ NT\$5,000,000		Joseph Jye-Cherng Lyu		Joseph Jye-Cherng Lyu Chih-Wen Hsu
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total (Unit: NT\$1,000)	2,623	6,593	4,870	11,322

## (2) Compensation of President and Senior Executive Vice Presidents

Unit: NT\$1,000; %

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Bonus (D)				Ratio of Total Compensation (A+B+C+D) to Net Income After Tax (%)		Reinvested Enterprises other than The Company's Subsidiary
		The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements	The Company		Companies in the Consolidated Financial Statements		The Company	Companies in the Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
President	Jan-Lin Wei	6,645	6,645	687	687	2,793	2,793	None				Total: 10.125 Ratio: 0.064%	Total: 10.125 Ratio: 0.064%	102
SEVP	Shing-Shiang Ou													
SEVP (stepped down on 2021.6.1)	Mu-Ying Wu													
SEVP (appointed on 2021.11.24)	Tzu-Yu Chen													
SEVP & General Auditor (retired on 2021.7.16)	Shu-E Wang													
SEVP & General Auditor (appointed on 2021.8.9)	Su-Ju Hsu													
SEVP & Chief Compliance Officer	Hui-Ping Chen													

Note: SEVP Shing-Shiang Ou was transferred to the positions of BOT Vice President and acting TFH Vice President on 22 Nov. 2021.



### Remuneration Bracket

Bracket	Name of President and Senior Executive Vice Presidents	
	TFH	Reinvested Enterprises
Under NT\$1,000,000	Mu-Ying Wu; Tzu-Yu Chen; Shu-E Wang; Su-Ju Hsu	Mu-Ying Wu; Tzu-Yu Chen; Shu-E Wang; Su-Ju Hsu
NT\$1,000,000 ~ NT\$2,000,000	Shing-Shiang Ou; Hui-Ping Chen	Shing-Shiang Ou; Hui-Ping Chen
NT\$2,000,000 ~ NT\$3,500,000	Jan-Lin Wei	Jan-Lin Wei
NT\$3,500,000 ~ NT\$5,000,000		
NT\$5,000,000 ~ NT\$10,000,000		
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total (Unit: NT\$1,000)	10,125	10,227

### 7. Separately compare and describe total remuneration, as a percentage of net income stated in the consolidated financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

TFH is a government-owned company with its shares 100% owned by MOF. This item is not applicable. Compensation standards governing the compensation paid to directors (TFH has no supervisors), presidents, and vice-presidents are adopted in accordance with the applicable regulations of the Executive Yuan and the Ministry of Finance.

## III. Implementation of Corporate Governance

### 1. Board of Directors

A total of 16 meetings of the Board of Directors were held in 2021. Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate(%)(Note)	Remarks
Chairman	Joseph Jye-Cherng Lyu	16	0	100	Renewed term on 2019.09.02 Required attendance: 16 times
Director	Jan-Lin Wei	16	0	100	Appointed on 2019.09.02 Required attendance: 16 times
Director	Yih-Jiuan Wu	-	-	-	Appointed on 2020.07.22 Relieved on 2021.01.16
Director	San-Quei Lin	7	1	87.50	Renewed term on 2019.09.02 Relieved on 2021.08.02 Required attendance: 8 times
Director	Tsuey-Ling Hsiao	9	0	100	Appointed on 2020.07.22 Relieved on 2021.09.01 Required attendance: 9 times
Director	Yeong-Yuh Chiang	16	0	100	Renewed term on 2019.09.02 Required attendance: 16 times
Director	Shih-Ti Yu	16	0	100	Renewed term on 2019.09.09 Required attendance: 16 times



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Title	Name	Attendance in Person	By Proxy	Attendance Rate(%) (Note)	Remarks
Director	Kung-Cheng Lin	13	3	81.25	Renewed term on 2019.09.12 Required attendance: 16 times
Director	Ying-Wei Peng	16	0	100	Renewed term on 2019.09.02 Required attendance: 16 times
Director	Tzu-Mei Hsu	14	2	87.50	Appointed on 2020.07.08 Required attendance: 16 times
Director	Chih-Wen Hsu	15	1	93.75	Appointed on 2020.11.02 Required attendance: 16 times
Director	Hsiao-Hui Ma	15	1	93.75	Appointed on 2020.12.10 Required attendance: 16 times
Director	Ti-Jen Tsao	16	0	100	Appointed on 2021.01.16 Required attendance: 16 times
Director	Rong-Yaw Pan	7	0	100	Appointed on 2021.09.01 Required attendance: 7 times
Director	Ming-Jen Chen	4	1	80.00	Appointed on 2021.10.19 Required attendance: 5 times
Independent Director	Miao-Ling Chen	16	0	100	Renewed term on 2019.09.02 Required attendance: 16 times
Independent Director	Ming-Fang Tsai	16	0	100	Renewed term on 2019.09.02 Required attendance: 16 times
Independent Director	Hsin-Ti Chang	-	-	-	Appointed on 2019.09.12 Relieved on 2021.01.04
Independent Director	Hsien-Ming Lien	15	0	100	Appointed on 2021.02.19 Required attendance: 15 times

Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the total number held during the term in office.

Other mentionable items:

- The dates of meetings, sessions, contents of motions, all independent directors' opinion and the Company's response to independent directors' opinion should be specified, if there are:
  - Circumstances referred to in Article 14-3 of Securities and Exchange Act: None.
  - Resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing: None.
- If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None.
- Financial holding companies listed on the TWSE or the TPEX are required to disclose the cycles, periods, scope, methods, and content of self-assessments (or peer-to-peer assessments) carried out by their Board members as listed in the attachment, and the state of their implementation: TFH is not a TWSE/TPEX listed company, so this item is not applicable.
- Evaluation of targets for strengthening of the functions of the Board (ex: the establishment of Audit Committee, or improve information transparency) during 2021:
  - To increase transparency, the Ministry of Finance once again contracted a fair and impartial outside institution to audit the TFH by conducting documentary reviews focusing on four key aspects: information transparency; management operations; functions of the Board of Directors; and stakeholder interests and corporate social responsibility. The audit resulted in an overall score of 102 points, thus highlighting the fact that TFH has taken concrete steps to implement corporate governance, and the results have been outstanding.
  - Board members attend professional development coursework related to corporate governance matters upon appointment or during the course of their term on the Board, in accordance with the provisions of the "Securities and Exchange Act" and the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." Moreover, Board members have many different specialties and are thus able to implement a diverse range of policies.

## 2. The state of operations of the Audit Committee

A total of 7 Audit Committee meetings were held in 2021. Independent Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%) (Note)	Remarks
Independent Director	Miao-Ling Chen	7	0	100	Renewed term on 2019.09.02 Required attendance: 7 times
Independent Director	Ming-Fang Tsai	7	0	100	Renewed term on 2019.09.02 Required attendance: 7 times
Independent Director	Hsin-Ti Chang	-	-	-	Appointed on 2019.09.12 Relieved on 2021.01.04
Independent Director	Hsien-Ming Lien	7	0	100	Appointed on 2021.02.19 Required attendance: 7 times



Note: The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Audit Committee meetings attended to the total number held during the term in office.

Other mentionable items:

- Where any one of the circumstances set out below apply with respect to the operations of the Audit Committee, the TFH shall state the date of past Audit Committee meeting(s), the meeting number(s), the content of the agenda items, the content of any opposing opinions, qualified opinions, or significant recommendations put forward by independent directors, the results of Audit Committee resolutions, and TFH's handling of Audit Committee opinions:

(1) Circumstances referred to in Article 14-5 of Securities and Exchange Act:

The date of Audit Committee meetings	Circumstances referred to in Article 14-5 of Securities and Exchange Act	Results of Audit Committee resolutions, and TFH's handling of Audit Committee opinions	The date of Board meetings
Passed by the 10th meeting of the 3rd Audit Committee on 24 Feb. 2021	Results of 2020 evaluation of internal audit operations at subsidiaries BOT, BTLI, and BTS.	Duly presented, and submitted to the TFH Board of Directors	Passed by the 19th meeting of the 5th Board of Directors on 25 Feb. 2021
	Retained service provider to conduct the audit and attest TFH's 2021 financial and tax records.	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
	A motion for TFH to conduct a 2021 capital increase of NT\$11 billion at BTLI in accordance with the provisions of the "Budget Act."	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
	To fund its 2021 cash capital increase at BTLI while at the same re-financing a loan set to expire soon, a motion was presented for TFH to apply to BOT for a short-term loan of NT\$35.4 billion.	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
Passed by the 11th meeting of the 3rd Audit Committee on 24 Mar. 2021	TFH's semi-annual Legal Compliance Report for the 2nd half of 2020.	Duly presented, and submitted to the TFH Board of Directors	Passed by the 20th meeting of the 5th Board of Directors on 25 Mar. 2021
	A report on auditing work for the 2nd half of 2020.	Duly presented, and submitted to the TFH Board of Directors	
	KPMG Taiwan's audit and attestation of TFH's 2020 consolidated and head office business report and financial statements, and distribution of final earnings.	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
	"Statement on Internal Control" and an attachment entitled "Enhancement Items and Improvement Plan Internal Control System" of 2020.	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
Passed by the 1st extraordinary meeting of the 3rd Audit Committee on 22 Jul. 2021	Change of the TFH General Auditor	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	Passed by the 24th meeting of the 5th Board of Directors on 22 Jul. 2021
Passed by the 13th meeting of the 3rd Audit Committee on 25 Aug. 2021	TFH's consolidated financial statements for the 1st half of 2021, audited by KPMG Taiwan	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	Passed by the 25th meeting of the 5th Board of Directors on 26 Aug. 2021
Passed by the 14th meeting of the 3rd Audit Committee on 22 Sep. 2021	TFH's semi-annual Legal Compliance Report for the 1st half of 2021	Duly presented, and submitted to the TFH Board of Directors	Passed by the 26th meeting of the 5th Board of Directors on 23 Sep. 2021
	A report on auditing work for the 1st half of 2021	Duly presented, and submitted to the TFH Board of Directors	
Passed by the 15th meeting of the 3rd Audit Committee on 24 Nov. 2021	2022 contract for outsourcing of information system services	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	Passed by the 28th meeting of the 5th Board of Directors on 25 Nov. 2021
	Proposal for TFH to roll over a line of credit from BOT, but with the amount reduced to NT\$34.6 billion in 2022.	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
	Draft amendment to the "TFH Standards Governing Internal Audits"	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	
	Auditing work plan for 2022	Unanimously approved by all members in attendance, and submitted to the TFH Board of Directors	

(2) Resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all Directors: None.

2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.
3. Communication between the Independent Directors, internal auditing authorities and CPAs (including major items, mode and results of discussion about the Company's finance and business)

(1) Communication with internal auditing authorities was carried out as follows to reinforce TFH's internal auditing work:

- A. Results of 2020 evaluation of internal audit operations at subsidiaries BOT, BTLI, and BTS.
- B. A report on auditing work for the 2nd half of 2020.
- C. "Statement on Internal Control" and an attachment entitled "Enhancement Items and Improvement Plan Internal Control System" of 2020.
- D. A report on auditing work for the 1st half of 2021.
- E. Auditing work plan for 2022.

(2) Communication with CPAs was carried out through the submission of the following documents to reinforce the content of the Company's external auditing work:

- A. KPMG Taiwan's audit and attestation of TFH's 2020 consolidated and head office business report and financial statements, and distribution of final earnings.
- B. TFH's consolidated financial report for Q1 2021, reviewed by a CPA from KPMG Taiwan.
- C. TFH's consolidated financial statements for the 1st half of 2021, audited by KPMG Taiwan.
- D. TFH's consolidated financial report for Q3 2021, reviewed by a CPA from KPMG Taiwan.

### 3. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for Financial Holding Companies"

TFH discloses information on finance, business, and corporate governance on the company's own website (<https://www.twfhc.com.tw>) and the Market Observation Post System (MOPS) website (<https://mops.twse.com.tw>)



Chairman Joseph Jye-Cherng Lyu (center), TFH President Jan-Lin Wei (2nd from left), BOT President Chih-Wen Hsu (2nd from right), and senior managers donate in-season mangoes to frontline health workers in line with their call on the public to buy from small farmers.



#### 4. The state of the company's implementation of corporate governance, and the departure from the Corporate Governance Best-Practice Principles.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
1. Shareholding Structure & Shareholders' Rights			
(1) Has the Company adopted internal procedures for the handling of shareholder suggestions, questions, disputes, and litigation? Does the Company act in accordance with such procedures?	v		TFH currently has only one institutional shareholder: Ministry of Finance (MOF). TFH properly handles all instructions and suggestions from the MOF in accordance with legal requirements.
(2) Does the Company know the identities of the main controlling shareholders, and of the ultimate controlling shareholder?	v		TFH is a government-owned company, with its shares 100% owned by MOF. The Government is the ultimate controlling shareholder.
(3) Has the Company established a risk management mechanism and "firewall" between the Company and its affiliates? Is it implementing them?	v		TFH has adopted administrative rules, risk management policies and guidelines, and rules governing credit extensions or other transactions with interested parties of the Group. These rules, policies, and guidelines clearly delineate the managerial powers and responsibilities of TFH and its subsidiaries. Each subsidiary also has its own independent risk management unit.
2. Composition and Responsibilities of the Board of Directors			
(1) Has the Board of Directors adopted a diversity policy and specific management goals?	v		<p>1. Acting in accordance with the provisions of the "Corporate Governance Best-Practice Principles," TFH has adopted an appropriate diversity policy regarding business operations, operating dynamics, and development needs (including, without being limited to, the following two general standards):</p> <p>(1) Basic identifying information: Gender, age, etc.</p> <p>(2) Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.</p> <p>2. The TFH Board of Directors shall direct company strategies, supervise management-level personnel, and be responsible to the company and shareholders. Procedures and arrangements under its system of corporate governance shall be directed to ensure that the Board of Directors carries out its functions in compliance with acts and regulations, the articles of incorporation, and the resolutions of the shareholders' meetings. Specific management goals are as follows:</p> <p>(1) adoption of an effective and appropriate internal control system;</p> <p>(2) selection and supervision of managerial officers;</p> <p>(3) review of the company's management policies and operating plans, and supervising their implementation;</p> <p>(4) review of the company's financial goals and supervising their achievement;</p> <p>(5) supervising results of the company's operations;</p> <p>(6) supervising the company's establishment of effective risk management mechanisms;</p> <p>(7) ensuring corporate compliance with applicable acts and regulations;</p> <p>(8) planning the company's future development;</p> <p>(9) maintaining a corporate image; and</p> <p>(10) appointing CPAs and other professionals.</p>
(2) In addition to the Remuneration Committee and the Audit Committee, is the Company willing to establish other function-specific committees?	v		<p>a. In addition to an Audit Committee established pursuant to the company's articles of incorporation, TFH has also established a Strategic Development Committee, a Business Operations Committee, a Group Resources Integration Committee, a Risk Management Committee, and an Information Development Committee as required in its organizational rules.</p> <p>b. TFH is a government-owned company, with its shares 100% owned by MOF. The Directors and employees' salary points are handled in accordance with regulations issued by The Executive Yuan and the Ministry of Finance, and it does not have a Remuneration Committee.</p>



Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(3) Does financial holding company, being listed on the TWSE/TPEX, adopt Board performance evaluation rules, set out requirements on the evaluation method, conduct annual performance evaluations, report the performance evaluation results to the Board of Directors, and use the results as reference when setting the remuneration of individual directors and nominating them for extension of appointment?	v		TFH is not a TWSE/TPEX listed company. The remuneration of directors is in accordance with the provisions of the "Directions for Appointment by the Ministry of Finance of Responsible Persons, Managerial Officers, Directors, and Supervisors at Public and Private Enterprises." TFH arranges for its directors to prepare self-assessments of their performance within two months of the end of each accounting year. The self-assessments, which are submitted to the MOF for secondary review, address such matters as: (a) number of Directors meetings attended; (b) participation in important discussions at Board meetings and other related meetings; and (c) the degree of their participation in and contribution to management of the institution (e.g. whether they have put forward concrete suggestions regarding mid- and long-term business strategies, operational objectives, annual plans, annual budgets, management performance, risk management, legal compliance, internal controls, and internal audit systems). The results of Director performance evaluations serve as important reference for the MOF when it decides whether to renew director appointments.
(4) Does the Company carry out regular evaluations of CPA independence?	v		Before TFH retains its attesting CPA in accordance with the Government Procurement Act, it has to report the CPA to the Audit Committee and the Board of Directors for discussion and agreement, then files the CPA hiring selection with the National Audit Office for recordation. After that, the CPA is hired. The appointment of CPA is one year.
3. Does the financial holding company employ an appropriate number of qualified and suitable corporate governance personnel, and appoint a chief corporate governance officer to take responsibility for corporate governance affairs (including, without limitation: providing directors and supervisors with the information they need to perform their duties; helping Directors and supervisors to maintain legal compliance; handling matters relating to Board meetings and shareholders meetings in accordance with the law; and producing minutes of Board meetings and shareholders meetings)?	v		<p>a. The Administration Department's Secretariat Section, acting in accordance with the group's detailed charts of hierarchical responsibilities, has 3 or more staff members tasked specifically with responsibility for planning and implementing corporate governance matters, and the various units in charge of business divide among themselves the responsibility for different corporate governance tasks. Also, at the 7th meeting of the 5th TFH Board of Directors on 20 February 2020 approved a proposal for Chief Financial Officer Kuo-Yung Chang to assume the position of TFH Chief Corporate Governance Officer in a concurrent capacity.</p> <p>b. Implementation of corporate governance:</p> <p>(a) Adoption of Corporate Governance Best-Practice Principles: In order to improve the company's corporate governance performance, TFH corporate governance personnel urge the various units in charge of business to follow the established plan in implementing a wide range of corporate governance measures in the course of daily operations. Such measures are expected to address many different aspects, including: legal compliance and the exercise of sound internal management; protection of shareholder interests; steps to strengthen the powers of the Board of Directors; respect for stakeholders' rights and interests; and steps to enhance information transparency.</p> <p>(b) Meetings at the governance level: In order to carry out the functions of directors and reap the benefits of good corporate governance, TFH administers matters related to meetings of the Board of Directors and the Audit Committee, provides Directors with the information they need to perform their duties, prepares the minutes for meetings of the Board of Directors and the Audit Committee, arranges for the Directors to complete the number of hours of continuing education required by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," and helps Directors to maintain legal compliance.</p> <p>(c) TFH also submits to corporate governance evaluations by a fair and impartial third party contracted by the Ministry of Finance.</p>
4. Has the Company established a communication channel with interested parties (including without limitation shareholders, employees, and customers)? Does it provide a designated section for stakeholders on the company website, and respond appropriately when stakeholders raise concerns about important issues relating to corporate social responsibility?	v		<p>a. TFH has established a spokesperson system and a transparent communications channel to address the opinions of stakeholders. The Company also provides a "complaints and suggestions box" for shareholders and customers on its website, and has appointed dedicated personnel to properly handle inquiries and suggestions. For employees, TFH uses its intranet to maintain a Chairperson's Mailbox and a channel for communications with the TFH President, and to convene periodic labor-management meetings where employees can put forward suggestions and otherwise communicate with management.</p> <p>b. TFH periodically discloses financial and operating information as well as material information on its own website and on the Market Observation Post System (MOPS) website of the Taiwan Stock Exchange, where interested parties may find it.</p> <p>c. In order to improve corporate management and sustainability, and to strengthen communications with stakeholders, TFH continues acting via diverse communication channels to collect information on the ESG issues of concern to stakeholders, understand the sustainability topics and information that they care about, take response measures, prepare sustainability reports, and post the reports in electronic form to the company website where stakeholders can read and download them.</p>





Matters Evaluated	Implementation Status		
	Y	N	Summary Description
5. Information Disclosure			
(1) Has a corporate website been established to disclose information regarding the Company's financial, business, and corporate governance status?	v		TFH has established website to regularly disclose information on finance, business, and corporate governance.
(2) Has the Company established other information disclosure channels (such as setting up an English website, specifically assigning personnel to collect and disclose related information, implementing the spokesperson mechanism, and posting the taped investor conferences on the website)?	v		Other information disclosure channels include the following: a. TFH's website has an English page to disclose relevant information. b. TFH has assigned personnel to periodically collect important financial and business information, and disclose related information on the website. c. To implement the spokesperson mechanism completely, TFH has established "Taiwan Financial Holdings News Issuance and News Liaison Guidelines", which require that the Senior Executive Vice President act as the news spokesperson to exclusively make public comments on major policies and business measures. TFH has also set up a "News Center" on its website to issue press releases.
(3) Does TFH, acting within the prescribed period of time after the end of each fiscal year, comply with the applicable provisions of the "Financial Holding Company Act" and the "Securities and Exchange Act" by announcing and filing an annual financial report? Moreover, does it publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?	v		a. TFH — acting within the prescribed period of time after the end of each fiscal year and in accordance with the requirements of the "Financial Holding Company Act," the "Securities and Exchange Act," and FSC Order No. Jin-Guan-Yin-Fa-Zi No. 10110002230 (issued on 18 May 2012) — announces and files information on its operating status in its annual financial reports, semi-annual financial reports, and monthly reports. b. TFH is not listed on the TWSE or TPEx, and is therefore not required to announce and file Q1 or Q3 financial reports. In order to increase the transparency of information disclosures, however, the Company does announce and file Q1 and Q3 financial reports in accordance with FSC Order No. Jin-Guan-Yin-Fa-Zi No. 10110001470 (issued on 2 April 2012).
6. Does the Company have other important information that would contribute to a better understanding of the Company's corporate governance operations (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, purchasing insurance for directors and supervisors, and donations to political parties, stakeholders, and charity organizations)?	v		1. Employee rights and wellness: (1) TFH is a 100% government-owned financial institution. The interests of its employees are handled in accordance with the provisions of the "Labor Standards Act," other labor legislation, and regulations issued by the competent authorities. TFH also regularly convenes labor-management meeting with relevant regulations. (2) The internal website of TFH also contains a Chairperson's Mailbox and President's Interchange as channels for employee suggestions and communication. (3) To promote gender equality, TFH offers family care leave, menstrual leave, paternity leave, prenatal leave, pre-maternity leave, sick leave, maternity leave, and miscarriage leave, and employees with a child under 3 years old are eligible to apply for unpaid parental leave. Also, female employees caring for an infant are allowed to take time each day for breastfeeding (or pumping). (4) TFH acts in accordance with applicable requirements by enrolling its employees in civil servants and teachers' insurance as well as national health insurance, helping employees to enroll in private group insurance, providing vacation allowances, and subsidizing employees' medical examinations and advanced training. The Company also has an Employee Benefits Committee and has set aside a benefit fund in accordance with the "Employee Welfare Fund Act" to fund the administration of employee benefits. 2. Investor Relations and Rights of Stakeholders: (1) TFH regularly provides its sole shareholder, the Ministry of Finance, with its latest financial information, and maintains strong communications with the Ministry. (2) The TFH website has a special corporate governance section where, among other information, it posts the following: Message to Shareholders; Corporate Governance Framework; Corporate Governance Bylaws; and information on the Board of Directors, the Audit Committee, internal controls, internal audits, and corporate social responsibility. This information helps stakeholders understand the state of corporate governance operations at TFH. 3. Advanced Education for Directors and Supervisors: TFH has adopted rules governing the administration of professional development courses for Directors to help them continue their professional development each year, enhance their professional abilities, and hone their ability to provide good strategic viewpoints. This will also contribute to effective corporate governance. In 2021, the number of hours of professional development courses attended by Directors satisfied regulatory provisions. These provisions, and information on their implementation by TFH, have been disclosed on the special corporate governance section of the TFH website.

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
	v		<p>4. Implementation of Risk Management Policies and Risk Evaluation Measures: TFH has adopted the risk management policies and guidelines. The Board of Directors has a subordinate Risk Management Committee that establishes group-wide risk management mechanisms and oversees the corporate governance operations of TFH subsidiaries to ensure sound business development throughout the entire group.</p> <p>5. Implementation of Customer Relations Policies: TFH has adopted measures to protect the confidentiality of customer information, and has disclosed (as required by the competent authority) customer privacy protection strategies on the websites of the TFH and its subsidiaries. In addition, TFH and its subsidiaries all have customer service hotlines and email addresses that customers can use to raise complaints and suggestions or seek consultation.</p> <p>6. Purchasing Insurance for Directors and Supervisors: TFH is a 100% government-owned enterprise. All the Directors are assigned by the Ministry of Finance. TFH has not purchased liability insurance for its Directors.</p> <p>7. Donations to Political Parties, Stakeholders, and Charity Organizations: (1) There was no donation to political parties and stakeholders in 2021. (2) Donations to Charity Organizations: a. In 2021, TFH donated NT\$2.5 million to the Financial Services Education Charity Fund in order to help youth from underprivileged families to complete their studies free of financial worries, and to promote financial literacy courses. b. TFH and BOT jointly donated NT\$310,000 to "Christian Mountain Children's Home" to improve the Home's activity center and recreational facilities.</p>
<p>7. Please account for how much improvement and what measures the Company has made concerning the company governance assessment result published by the Corporate Governance Center of Taiwan Stock Exchange: TFH is not a TWSE/TPEX listed company, and was not included in the assessed companies.</p>			

Note: There is no deviation of TFH's implementation of corporate governance from the Corporate Governance Best-Practice Principles.

### 5. Information on Members of the Remuneration Committee and Nominations Committee, and Their Operations

TFH is a government-owned enterprise. As such, payment of remuneration to its Directors and managerial officers is handled in accordance with the applicable regulations of the Executive Yuan and the Ministry of Finance. TFH has not established a Remuneration Committee or a Nominations Committee.

### 6. State of the company's promotion of sustainable development, any deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such deviation

Item	Implementation Status		
	Y	N	Summary Description
1. Has the company established a governance framework for promotion of sustainable development? Has it established a unit that is tasked (whether exclusively or otherwise) with promoting sustainable development? Are sustainability matters handled by a member of senior management who acts on the authority and under the oversight of the Board of Directors?	v		To ensure sustainable group-wide development, the company's Board of Directors has approved a sustainable finance policy and established a Committee for Corporate Sustainability. In addition to serving as a guidepost for the direction of the group's sustainability policy and taking overall charge of the group's ESG policies and strategies, TFH also has a Sustainability Promotion Team and an Administration Department that are responsible for related matters, and report each year on the progress of their work to the Board of Directors. They are expected to incorporate the group's corporate social responsibilities and the concepts of sustainable development into their actual operations.



Item	Implementation Status		
	Y	N	Summary Description
2. Does TFH conduct risk assessments and risk management policies or strategies related to environmental, social, and corporate governance issues in accordance with the materiality principle? Has it adopted related risk assessments and risk management policies or strategies?	v		<p>a. Acting in accordance with the GRI Standards and with reference to the AA1000 Stakeholder Engagement Standards, TFH has identified stakeholders that are related to and have influence upon its operations, and has collected information on ESG issues of concern to stakeholders. By administering questionnaires, TFH evaluates the degree of influence that different issues have on the group's operations and the degree of stakeholder concern regarding those issues, identifies business-related ESG issues of key importance, and adopts related policies and management approaches in order to reduce the group's operational risks and seize upon business development opportunities.</p> <p>b. TFH has a system for issuing and handling material information. The spokesperson provides accurate information regarding important policies and business measures. TFH also discloses financial and operating information as well as material information on the company website and Market Observation Post System (MOPS) website of the Taiwan Stock Exchange, where anyone may find it.</p> <p>c. In order to properly handle major unexpected events and effectively collect information on operational risk incidents, and to manage them, TFH has adopted a set of "Crisis Management Guidelines for the Handling of Major Unexpected Events," "Crisis Management Directions for the Handling of Major Unexpected Events," and "Guidelines for Collection of Information on Operational Risk Incidents and Management Thereof." These documents expressly require that related reporting mechanisms and measures be included among the items that must be monitored, thereby strengthening risk management.</p>
3. Environment Issues (1) Has the Company established an appropriate environmental management system that is suited to the characteristics of the financial holdings industry?	v		TFH and the National Development Council are both headquartered in the same building, and they occasionally call meetings to discuss environmental management methods, and TFH carries out follow-up monitoring to track the implementation of what has been discussed.
(2) Does the Company make efforts to enhance the efficiency of energy utilization, and use recyclable materials with a low environmental burden?	v		Based on the Executive Yuan's "Program for Management of Energy Use Efficiency at Government Agencies and Schools," TFH has established a Task Force for Energy Conservation and Carbon Reduction that is chaired by a Senior Executive Vice President (SEVP), while the Administration Department is in sole charge of promoting energy conservation, setting energy conservation targets, implementing measures to improve energy conservation management, improving equipment performance, implementing energy conservation measures, and carrying out energy conservation awareness campaigns. Once each half-year, TFH holds a meeting of its Task Force for Energy Conservation and Carbon Reduction to discuss the progress of efforts to conserve energy and ways to achieve better success. Also, acting on the basis of the Environmental Protection Administration's "Government Agency Green Procurement Performance Evaluation Scoring Methods," TFH promoted green procurement and filed the results with the government. In 2021, 99.9% of all procurements qualified as green procurements, which was higher than the 95% target ratio. This was the third consecutive year in which TFH met the target ratio.
(3) Does the Company evaluate the impact of climate change upon its current and future potential risks and opportunities? Does it also take related response measures?	v		<p>a. TFH actively maintains environmental sustainability, and works hard to promote energy conservation and carbon reduction, greenhouse gas reduction, energy management, and green procurements.</p> <p>b. TFH, acting in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD Recommendations), carried out preliminary risk recognition and risk impact assessment exercises with respect to physical risks and transition risks, and expanded its quarterly risk monitoring reports by adding a section focusing on climate change risks. Once each quarter, the results of a climate change risk assessment and the related response measures are reported to the Risk Management Committee and the Board of Directors.</p>

Item	Implementation Status		
	Y	N	Summary Description
(4) Does the Company compile statistics on greenhouse gas emissions, water consumption, and total weight of waste over the past two years? Has it adopted policies on reduction of greenhouse gas emissions, reduction of water consumption, and management of other types of waste?	v		<p>As a services firm, the TFH has limited greenhouse gas (GHG) emissions, water usage, and waste. However, to fulfill its corporate social responsibilities, TFH still observes government policies and rules by seeking to avoid any increase in the aforementioned items. The Company takes measures to limit consumption of electricity, water, and gasoline.</p> <p>a. GHG emissions from fuel combustion in 2021 came to 8.06 tonnes CO<sub>2</sub>e, down by 3.82 tonnes CO<sub>2</sub>e from 11.88 tonnes CO<sub>2</sub>e in 2020.</p> <p>b. GHG emissions from electricity consumption in 2021 came to 57.08 tonnes CO<sub>2</sub>e, down by 4.16 tonnes CO<sub>2</sub>e from 61.24 tonnes CO<sub>2</sub>e in 2020.</p> <p>c. TFH and the National Development Council are both located in the same office building, so each party's water usage is calculated on the basis of its share of the building's total floor space.</p>
4. Community Service Work			
(1) Has the Company adopted policies and procedures in accordance with applicable legislation and international human rights conventions?	v		<p>a. TFH is a 100% government-owned company. It adopts a variety of different human resources by-laws and handles human resources matters in accordance with applicable regulations adopted by the competent authorities, and uses appropriate management methods and procedures to implement its by-laws and safeguard the lawful interests of employees.</p> <p>b. To safeguard gender equality in employment and foster a proper work-life balance, TFH offers family leave, menstrual leave, paternity leave, pre-maternity leave, personal or sick leave related to pre-maternity issues, maternity leave, and miscarriage leave; employees with a child under 3 years old are eligible to apply for unpaid parental leave, and are entitled to parental leave allowance; while female co-workers are provided a high-quality breastfeeding environment, and are allowed under company rules to take time each day for breastfeeding or pumping.</p> <p>c. Persons with disabilities who have capability to work are employed by TFH in the legally required number. This creates a work environment that is friendly to persons with disabilities, and promotes the employment rights and interests of people with disabilities.</p>
(2) Has the Company adopted and implemented reasonable employee benefit measures (including salary and compensation, leave, and other benefits)? Does it appropriately reflect operating performance or results in employees' salary and compensation?	v		<p>TFH is a 100% government-owned company. Salary and compensation, leave, and other benefits are all provided in accordance with the applicable government regulations, and the Company has adopted a set of "Rules Governing the Issuance of Performance Bonuses." Based on their performance, instances of recognition and discipline, and attendance record during the current year, employees are comprehensively evaluated, and the evaluation results serve as reference for decisions regarding the awarding of performance bonuses, so that business results can be properly reflected in employee compensation.</p>
(3) Does the Company provide a safe and healthy working environment for its employees, and offer them regular safety and health education?	v		<p>a. TFH enrolls its employees in civil servants and teachers' insurance as well as national health insurance, provides vacation allowances, has a Sexual Harassment Complaints Committee and a complaints hotline, has an Employee Benefits Committee, and subsidizes medical examinations to safeguard employees' safety and health. The Company also subsidizes the fee for flu vaccines.</p> <p>b. In order to provide a safe and healthy work environment, TFH has continued to implement the following measures:</p> <p>(a) Assignment of security personnel to ensure security.</p> <p>(b) Regular cleaning of the work environment and quarterly disinfection.</p> <p>(c) Regular testing and maintenance of drinking water, fire safety, air conditioning, air filters, and lighting.</p> <p>(d) Establishment of a smoking-free working environment.</p> <p>(e) Hiring of professional testing personnel to test workplace CO<sub>2</sub> concentrations to confirm that they are all below statutory tolerance limits.</p> <p>(f) Assignment of qualified emergency personnel; keeping first aid kits and facemasks ready.</p>



Item	Implementation Status		
	Y	N	Summary Description
			<p>c. TFH offers at least three hours of occupational health and safety education and training every three years as required by law.</p> <p>d. In response to the COVID-19 pandemic, TFH has increased the frequency of workplace sanitizing, created socially distanced foot traffic arrangements, adopted flex-time and offsite work arrangements, and begun offering vaccination leave in an effort to ensure the health of employees and their families.</p>
(4) Has the Company established a career skills development program for its employees?	v		TFH continues to promote the group's human resources exchange mechanism and reaps the benefits of synergy in human resources and management. Moreover, TFH systematically selects outstanding management personnel with relevant professional experience to participate in a "Training Program for Senior Management at Government-invested Enterprises" and a "Training Program for Outstanding Management Personnel at BOT" in order to upgrade the leadership, communications, and operational planning skills of management personnel. TFH also uses internal and external Internet learning resources and, when appropriate, assigns staff to attend courses offered by specialized training organizations. TFH also subsidizes employees to take exams for a variety of professional licenses to strengthen the development and cultivation of professional work force.
(5) In its marketing and labeling of products and services, does TFH comply with applicable legislation and international standards regarding customer health, safety, and privacy? Has the Company adopted policies regarding the protection of consumer or customer interests? Has it established complaint procedures?	v		To safeguard personal data and protect consumer interests, TFH has adopted a set of "Rules Governing the Handling of Personal Data After Termination of Business," cross-selling rules, as well as procedures for the handling of customer complaints related to cross-selling disputes, and has posted a privacy policy statement and a set of "Measures for the Protection of Customers' Personal Information" to its website, as required by the competent authority. In addition, each TFH subsidiary has a service hotline and an email address for receiving customer complaints and suggestions, and providing consulting services.
(6) Has TFH adopted supplier management policies that require suppliers to comply with legal requirements governing such matters as environmental protection, occupational safety and health, and labor rights? What is the state of implementation of these policies?	v		As a government-owned entity, TFH's supplier management policies are compliant with the provisions of the "Government Procurement Act." TFH requires that suppliers comply with legal requirements governing such matters as environmental protection, energy conservation, occupational safety and health, and labor rights. According to the Public Construction Commission's standard-form procurement documents, any violation by a supplier of legislative or contractual provisions governing environmental protection or labor safety and health shall be treated as grounds for termination of contract or suspension of its performance.
5. Does TFH follow internationally recognized standards or guidelines when preparing and publishing reports (such as its Sustainability Report) that disclose non-financial information of the company? Does the Company obtain a third-party verification institution's confirmation or guarantee for such reports?	v		To put the Company's spirit of sustainability into action, and improve ESG disclosures, the Company in 2021 prepared its first-ever Corporate Social Responsibility Report (for 2020). In doing so TFH made reference to the Taiwan Stock Exchange Corporation's "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and followed the "GRI Standards" issued by the Global Reporting Initiative. This CSR Report explains what TFH has done to achieve sustainability. The Company is now preparing its 2021 sustainability report, expects to finish it by the end of June 2022, and will then obtain an independent assurance opinion.
<p>6. If the Company has compiled its own sustainable development rules in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," please explain their operation and their divergences:</p> <p>TFH is not a TWSE/TPEX listed company, and has not compiled its own sustainable development rules.</p>			
<p>7. Other important information that would aid in understanding the operation of sustainable development:</p> <p>Please refer to TFH's website (<a href="https://www.twfhc.com.tw/eng">https://www.twfhc.com.tw/eng</a>) / Corporate Governance / Social Responsibility.</p>			



**7. The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies, and the reason for any such variance**

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
1. Establishment of Ethical Management Policies and Programs (1) Does TFH have a Board-approved ethical management policy, and is the ethical management policy clearly expressed in the Company's charter and public documents? Are its Board of Directors and management committed to vigorous implementation of that policy?	v		TFH has adopted a Code of Ethical Conduct for Directors, Supervisors, and Executive Officers and an employees' handbook. Both of these have been approved by the Board of Directors, and set out express ethics requirements that directors, senior management, and rank-and-file employees are expected to abide by. TFH also requires its Directors and executive officers to proactively embrace ethical business practices by complying with the "Financial Holding Company Act," the "Securities and Exchange Act," and other applicable legislation.
(2) Does TFH have a mechanism for assessing the risk of unethical behavior? Does the Company periodically analyze and assess business activities that pose a relatively high risk of unethical behavior? Has it adopted a program for the prevention of unethical behavior, and does the program include the preventive measures set out in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies"?	v		a. To prevent unethical behavior and help all employees fully understand TFH's corporate culture, which embraces ethical corporate management, in addition to requiring employees to conduct all matters in compliance with civil service ethics standards, the Group also carries out education and training, promotes awareness of ethics issues, and enforces discipline. In addition, internal audit, internal control, and compliance systems are rigorously implemented. b. Acting in accordance with the "Civil Service Ethics Rules" and the "Directions for the Registration of Incidents Involving Lobbying of the Ministry of Finance or its Agencies or Institutions," TFH sets out prescribed procedures that employees must observe when they experience an incident with ethical implications—e.g. when someone approaches them with a request, seeks to influence them, gives a gift, or treats them to a meal or drinks.
(3) Has the Company adopted programs for the prevention of unethical behavior? Does each of these programs expressly set out operating procedures and a code of conduct, provide for punishment of unethical behavior, and establish a system for lodging complaints? Are the programs being properly implemented? Are they periodically reviewed to discuss any needed modifications?	v		a. To ensure ethical corporate management, TFH requires employees at all levels to comply with the "Civil Servant Work Act" and the "Code of Ethics for Civil Servants" as well as the Group's own internal rules, including the "Taiwan Financial Holdings Personnel Management Rules," and the "Taiwan Financial Holdings Code of Ethical Conduct for Directors, Supervisors, and Executive Officers." In addition, TFH holds occasional education and training activities focusing on corporate ethics, government ethics, and related matters to strengthen ethical corporate culture. b. TFH has adopted rules governing employee recognition and discipline to serve as the basis for disciplinary action as needed, and the Company amends the rules to stay in line with changing legislative provisions and business practices.
2. Implementation of Ethical Management (1) Does the Company evaluate the ethics track record of parties with which it does business? Do the contracts that it enters into with such parties expressly set out provisions governing ethical conduct?	v		TFH conducts its purchasing operations in accordance with the provisions of the "Government Procurement Act." To avoid awarding procurement contracts to unethical firms, before opening bid packages TFH always visits the website of the Executive Yuan's Public Construction Commission to check whether bidders have been blacklisted and are therefore prohibited by law from taking part in public tenders or receiving a contract award. TFH has also adopted penal provisions governing what to do when unethical behavior occurs.
(2) Does the Company have a unit (dedicated or otherwise) that reports to the Board of Directors and is responsible for promoting ethical business practices? If so, does this unit report its ethical management policy, its program for the prevention of unethical behavior, and the status of its work to oversee implementation of this policy and program periodically to the Board of Directors on the status of its work?	v		a. The TFH Administration Department, acting in accordance with the group's detailed charts of hierarchical responsibilities, is responsible for planning and implementing corporate governance matters, and the various units in charge of business divide among themselves the responsibility for ensuring ethical business practices. b. TFH instructs its various units in charge of business to formulate items to be included in the group's corporate ethics agenda, as well as concrete plans for implementation. TFH also oversees implementation by its subsidiaries and related units. Implementation results are reported on a quarterly basis at Ministry of Finance business review sessions.



Matters Evaluated	Implementation Status		
	Y	N	Summary Description
(3) Has the Company adopted a conflict-of-interest policy, and provided an appropriate complaint channel? Is the policy being properly implemented?	v		<p>a. TFH handles conflict-of-interest recusals, notifications, and reporting in accordance with the "Act on Recusal of Public Servants Due to Conflicts of Interest."</p> <p>b. TFH has adopted the "Taiwan Financial Holding Co. Corporate Governance Best-Practice Principles," "Taiwan Financial Holdings Work Rules," "Rules of Order for Meetings of the Board of Directors of Taiwan Financial Holdings," "Taiwan Financial Holdings Code of Ethical Conduct for Directors, Supervisors, and Executive Officers," and the "Guidelines for Prevention of Conflicts of Interest Between Investors," and other internal management mechanisms. These rules require that when TFH Directors and executive officers are conducting business they must fulfill their fiduciary duties and abide by the principles of ethical best practice, taking care to avoid conflicts of interest and refraining from using their positions for personal profit. TFH employees all sign a confidentiality agreement that imposes an obligation to maintain the confidentiality of all business operations and undisclosed information. The purpose of these measures is to protect company assets and use them effectively.</p> <p>c. Acting in accordance with the "Financial Holding Company Act," TFH has adopted a set of "Standards for Extension of Credit to or Other Transactions with Stakeholders" and related operating procedures. These Standards require that when the Company or any of its subsidiaries engages in transactions with stakeholders, the terms of such transactions must not be more favorable than those offered to similarly situated customers, the transactions must receive general authorization approved by a supermajority resolution of the Board of Directors, the amount of such authorizations are subject to a specific cap, and authorization is subject to successful completion of stakeholder due diligence.</p>
(4) Has the Company established effective accounting and internal control systems designed to achieve ethical management? Has its internal audit unit, based on the results of its assessment of the risk of unethical behavior, adopted a related audit plan? Based on such audit plan, does the Company audit its compliance with the program for the prevention of unethical behavior, or retain a certified public accountant to carry out audits?	v		<p>TFH has established a rigorous accounting system and a dedicated accounting unit. All financial reports are audited by a certifying CPA to ensure the fairness of financial statements, are reviewed and approved by the Directorate-General of Budget, Accounting and Statistics, and TFH has established an internal audit system, a self-audit system, a chief compliance officer system, and a risk management system as required by the "Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Banking Enterprises."</p>
(5) Does the Company periodically hold in-house or out-of-house education and training sessions that focus on business ethics?	v		<p>TFH held both in-house or out-of-house education and training sessions that focused on business ethics in 2021, as follows:</p> <p>a. TFH retained the Taiwan Academy of Banking and Finance to hold two corporate governance seminars on "Green and Sustainability Disclosures: TCFD Framework and Case Studies" and "Examining the 'Financial Consumer Protection Act' and the Treat Clients Fairly Principles from the Perspective of Corporate Governance." The seminars were attended by about 60 persons, all of whom were Directors, or members of management.</p> <p>b. TFH arranged for its Directors to take part in outside professional development courses, including: "What Financial Reports Reveal About Sustainable Profit Models and Potential Risks," "Discussing, based on major corporate corruption cases, legal risks for Directors and supervisors and how to handle them," "Non Arm's-Length Transactions Involving Directors and Supervisors: Analysis and Discussion of Actual Cases," "Insider Trading: Legal Liability and Case Studies," "Latest Developments in the Prevention of Insider Trading," "Corporate Branding and Crisis Management," and "Corporate Governance and Securities Legislation."</p> <p>c. TFH dispatched employees to attend internal/external courses on operations, including courses entitled:</p> <p>(a) Internal courses offered by the group: "Predicate Threats Identified by National Risk Assessment Reports, and Whistleblower Protection," "Introduction to regulations governing stakeholder transactions and management practices under the Financial Holding Company Act," "Introduction to crisis management and reporting mechanisms at financial holding companies," and online courses on legal compliance, personal data protection, and other topics.</p> <p>(b) External professional courses: " Case Study Seminar on Competent Authority Sanctions," " Seminar on Management of Risk of Financial Crimes and Corruption," and "2021 Conference on Criminal Money Flow and Anomalous Transaction Patterns."</p>

Matters Evaluated	Implementation Status		
	Y	N	Summary Description
3. Whistleblower System			
(1) Has the Company established a whistleblower system that provides for whistleblower incentives? Is there a convenient channel for whistleblowers to raise their concerns? Does the Company assign appropriate personnel who are exclusively tasked with responsibility for interfacing with the persons against whom whistleblowers lodge complaints?	v		In order to establish an ethical and transparent corporate culture, to bring about sound operations, and implement a whistleblower protection system, TFH has adopted a set of Whistleblower Program Rules, under which the Compliance Department is required to accept whistleblower complaints and to act as the staff unit for the Whistleblower Complaint Review Committee. TFH has also established a whistleblowing mailbox, a whistleblowing hotline, and a whistleblowing email address to encourage employees to report any illegality of which they are aware.
(2) Has the Company adopted a standard operating procedure? For investigations launched in response to whistleblower complaints? For completed investigations, has the Company prescribed required follow-up measures and a confidentiality regime?	v		TFH's Whistleblower Program Rules and its standard operating procedures set out case acceptance procedures, specify the investigations unit, and prescribe operating procedures for the Review Committee that meets after an investigation has been completed. TFH has also adopted a confidentiality regime, which requires that all interview transcripts or documents showing the identity of a whistleblower must be treated as confidential.
(3) Has the Company adopted measures to protect whistleblowers from retaliation?	v		The TFH whistleblower system includes protective measures for whistleblowers. In addition to the confidentiality requirements mentioned in the preceding paragraph, the rules also provide that the party against whom a whistleblower complaint is lodged may not do anything to harm the whistleblower's interests or take any otherwise prejudicial action.
4. Strengthening of Information Disclosure Does the Company disclose the content of its ethical best practice standards, and the state of their implementation on its website and the Market Observation Post System (MOPS) website?	v		The "TFH Rules of Order for Meetings of the Board of Directors," the "TFH Corporate Governance Best-Practice Principles," the "TFH Code of Ethical Conduct for Directors, Supervisors, and Executive Officers," and other corporate governance bylaws are disclosed on the TFH website and on the Market Observation Post System (MOPS) website. In addition, the TFH website also discloses the Company's sustainable finance policy, Whistleblower Program Rules, business updates, financial information, and other information on the state of the Company's performance in the area of ethical corporate management.
5. Please describe any differences in operations and rules of ethical management regulations that the Company has established in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies":			TFH is not a TWSE/ TPEX listed company, so this item is not applicable.
6. Other important information that would aid in understanding the Company's ethical management operations (such as the Company's review and revision of ethical management regulations):			TFH has adopted the "Taiwan Financial Holdings Code of Ethical Conduct for Directors, Supervisors, and Executive Officers" to encourage employees to abide by ethical standards in their conduct of business matters. This Code of Ethical Conduct has been posted to the TFH website for public inspection.

### 8. Disclose how corporate governance best-practice principles, which the Company adapted, are to be searched:

Please refer to TFH's website (<https://www.twfnc.com.tw>) and the Market Observation Post System website (<https://mops.twse.com.tw>).

### 9. Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance: None.

### 10. Internal Control System

(1) **Internal Control Statement:** Please refer to page 40-41 of the Chinese annual report.

(2) **Independent Auditors' Report:** None.



## 11. Major Resolutions of Board Meetings

The Date of Board Meetings	Major Resolutions of Board Meetings
Passed by the 18th meeting of the 5th Board of Directors on 28 Jan. 2021	Adjustment of the duties of the Independent Directors and Directors of TFH.
Passed by the 19th meeting of the 5th Board of Directors on 25 Feb. 2021	Adjustment of the duties of the Independent Directors of TFH.
	Proposal for TFH to roll over a line of credit with the amount NT\$35.4 billion from BOT.
	Motion to hire KPMG Taiwan to audit and attest TFH's 2021 financial and tax records.
Passed by the 20th meeting of the 5th Board of Directors on 25 Mar. 2021	TFH's 2020 consolidated and head office business report and financial statements, and TFH's 2020 distribution of final earnings.
	TFH's 2020 "Statement on Internal Control" and "Enhancement Items and Improvement Plan for Internal Control System."
Passed by the 22nd meeting of the 5th Board of Directors on 27 May 2021	Motion to approve personnel changes at TFH and subsidiaries BOT and BTS.
Passed by the 23rd meeting of the 5th Board of Directors on 24 Jun. 2021	Motion to approve KPMG Taiwan's audit and attestation of TFH's 2020 consolidated and head office business report and financial statements, and 2020 distribution of final earnings.
Passed by the 24th meeting of the 5th Board of Directors on 22 Jul. 2021	Appointment of TFH's and BOT's SEVP & General Auditor.
Passed by the 25th meeting of the 5th Board of Directors on 26 Aug. 2021	Adjustment of the duties of the Directors of TFH.
Passed by the 26th meeting of the 5th Board of Directors on 23 Sep. 2021	Adjustment of the duties of the Directors of TFH.
Passed by the 5th extraordinary meeting of the 5th Board of Directors on 7 Oct. 2021	Motion to approve a list of the members of the seventh Board of Directors of subsidiary BOT.
	The positions of chairman and president of BOT shall continue to be held by the current (or concurrent) chairman and president of BOT.
Passed by the 27th meeting of the 5th Board of Directors on 28 Oct. 2021	Adjustment of the duties of the Directors of TFH.
	Proposed "Taiwan Financial Holdings Co., Ltd. Sustainable Finance Policy."
Passed by the 6th extraordinary meeting of the 5th Board of Directors on 19 Nov. 2021	Proposed personnel changes at TFH and BOT at the level of Senior Executive Vice President and higher.
Passed by the 28th meeting of the 5th Board of Directors on 25 Nov. 2021	Proposed application by TFH to roll over a line of credit from BOT in 2022, but with the amount reduced to NT\$34.6 billion.
Passed by the 7th extraordinary meeting of the 5th Board of Directors on 10 Dec. 2021	Proposal for adjustment of remuneration for TFH and BTS employees in 2021.
Passed by the 29th meeting of the 5th Board of Directors on 23 Dec. 2021	Proposed "Rules Governing Establishment of the TFH Committee for Corporate Sustainability."
Passed by the 31st meeting of the 5th Board of Directors on 24 Feb. 2022	Motion to hire KPMG Taiwan to audit and attest TFH's 2022 financial and tax records.
	The 2023 Business Plan of TFH, BOT, BTLI and BTS.
Passed by the 32nd meeting of the 5th Board of Directors on 24 Mar. 2022	TFH's 2021 consolidated and head office business report and financial statements, and TFH's 2021 distribution of final earnings.
	TFH's 2021 "Statement on Internal Control" and "Enhancement Items and Improvement Plan for Internal Control System."

**12. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:** None.

**13. Resignation or Dismissal of Personnel Related to the Company**

31 March 2022

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
SEVP	Mu-Ying Wu	12 Oct. 2020	1 Jun. 2021	Transferred to position of BOT SEVP
SEVP & General Auditor	Shu-E Wang	16 Apr. 2019	16 Jul. 2021	Retired
Acting General Auditor	Yi- Chuan Huang	16 Jul. 2021	9 Aug. 2021	Acting appointment terminated
SEVP	Shing-Shiang Ou	1 Apr. 2019	22 Nov. 2021	Transferred to position of BOT SEVP and appointed as Acting SEVP of TFH

**IV. CPA Information**

**1. Audit Fee**

Unit: NT\$1,000

Name of Accounting Firm	Name of CPA		Period of Audit	Auditing fees	Non-auditing fees	Total	Notes
KPMG Certified Public Accountants	Feng-Hui Lee	Ling Wu	1 Jan. 2021 ~ 31 Dec. 2021	785	187	972	The term "services for which non-auditing fees are charged" refers to tax certifications and evaluations of the reasonableness of expense allocations.

**2. Replacement of CPA:** None.

**V. The Company's Chairman, general manager, or any managerial officer in charge of finance or accounting matters has held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm in 2021:**

None.

**VI. Any transfer of equity interests and/or pledge of or change in equity interests by a Director, managerial officer, or shareholder with a stake of more than 10 percent during 2021:**

None.

**VII. Among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:**

None.





**VIII. The total number of shares and total equity stake held in any single enterprise by the Company, its Directors and supervisors, managers, and any other companies controlled either directly or indirectly by the Company:**

Please refer to page 46 and 47 of the Chinese annual report.



Chairman Joseph Jye-Cherng Lyu (center), TFH President Jan-Lin Wei (2nd from left), and BOT President Chih-Wen Hsu (left) attend the unveiling ceremony of Bank of Taiwan Department of Digital Banking.



Chairman Joseph Jye-Cherng Lyu (center) and TFH President Jan-Lin Wei (4th from right) attend the opening ceremony of Bank of Taiwan InnoLab 2.0 with senior managers.

# Capital Raised by TFH

## I. Capital and Shares

### 1. Source of Capital

Date	Issue Price	Authorized Capital		Paid-in Capital		Remarks	
		No. of Shares	Dollar Amount	No. of Shares	Dollar Amount	Source of Share Capital	Other
January 2008	NT\$10	9 Billion	NT\$90 Billion	9 Billion	NT\$90 Billion	Share Swap	Note 1
September 2019	NT\$32	10.3125 Billion	NT\$103.125 Billion	10.3125 Billion	NT\$103.125 Billion	Real estate-backed capital increase via private placement of common shares	Note 2

Note 1: The date of record for the share swap with BOT was 1st January 2008. The transaction was approved by MOF on 30th August 2007 (Letter No. Tai-Cai-Ku 09600381390) and by FSC on 6th December 2007 (Letter No. Jin-Guan-Yin (II) 09620007790).

Note 2: The capital increase was approved by the Financial Supervisory Commission on 17th July 2019 (per Letter No. Jin-Guan-Yin-Kong Zi 10801305310). The Executive Yuan then approved the deal on 14th August 2019 (per Letter No. Yuan-Shou-Zhu-Ji-Ying Zi 1080200889), and the Ministry of Economic Affairs gave conditional approval on 21st August 2019 (per Letter No. Tai-Cai-Ku Zi 10803726770). A total of 1.3125 billion shares, having a par value of NT\$10 per share, were issued at premium price of NT\$32 per share, thus yielding total proceeds of NT\$42 billion, of which NT\$13.125 billion was booked to share capital and NT\$28.875 billion was booked to capital reserves. This boosted paid-in capital from NT\$90 billion to NT\$103.125 billion. The date of record for this capital increase was 6th September 2019, at which time transfer of ownership of the land was completed.

Type of Stock	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total Number of Shares	
Common Stock	10.3125 Billion (Non-outstanding & unlisted)	0	10.3125 Billion	

### 2. Shareholder Structure, Dispersion of Ownership and List of Principal Shareholders

TFH is a government-owned financial holding company, with its shares 100% owned by MOF.

### 3. Share Prices, Net Worth Per Share, Earnings Per Share, Dividends Per Share and Related Information (for the past two fiscal years)

Unit: NT dollars; 1,000 shares

Item		Year	2020	2021	2022.3.31
Price Per Share	High		-	-	-
	Low		-	-	-
	Average		-	-	-
Net Worth Per Share	Before Distribution		36.64	38.60	39.65
	After Distribution		36.51	38.45	39.50
Earnings Per Share	Weighted Average Issued Shares		10,312,500	10,312,500	10,312,500
	Earnings Per Share(after tax)		0.87	1.52	0.42
Dividends Per Share	Cash Dividends		0.14	0.16	-
	Bonus shares	Dividends out of Earnings	-	-	-
		Dividends out of Capital Reserve	-	-	-
	Cumulative Undistributed Dividends		-	-	-
Return Analysis	Price/Earnings Ratio		-	-	-
	Price-to-Dividend Ratio		-	-	-
	Cash Dividend Yield		-	-	-

Note1: TFH is a government-owned enterprise. Our stock is not exchange-listed, so there is no data for market capitalization or return analysis.

Note2: Figures for 2020 are approved by the National Audit Office; figures for 2021 are CPA approved; figures for 2022 through March 31 have been reviewed by CPA.



#### 4. Dividend Policy and its Implementation

##### (1) Dividend Policy

Under the provisions of TFH's articles of incorporation, if earnings remain after closing of the annual accounts, TFH is required after paying its income taxes that year to first offset any deficit from previous fiscal years before setting aside 10% to legal reserve. In addition, TFH must also set aside an additional 40% to 60% of after-tax income, along with an amount equal to the figure recorded to shareholders equity under "Unrealized Losses on Financial Instruments," to special reserves. If further earnings still remain, they are aggregated with cumulative undistributed earnings from the preceding fiscal year and distributed in accordance with the provisions of applicable laws and regulations.

Unless and until the accumulated legal reserve equals TFH's authorized capital, the maximum earnings distribution that may be paid out in the form of cash shall not exceed 15% of authorized capital. If there are no earnings, TFH shall not distribute cash dividends or bonuses; provided, however, that if its legal reserve exceeds 50% of its paid-in capital, TFH may distribute the excess in the form of cash dividends and bonuses.

##### (2) Dividend Distributions in 2021

The TFH Group's audited after-tax earnings for 2021 were first used to offset a charge to the "Other comprehensive income (loss)" account, and were allocated to legal reserve and special reserve. TFH then decided to distribute cash dividends totaling NT\$1.56 billion, or NT\$0.16 per share. And the rest of after-tax earnings was retained, per Executive Yuan approval, as undistributed earnings. However, in accordance with Article 51 of Taiwan's Government Auditing Act, the earnings reported in the TFH Group's annual accounts are subject to the final approval of the Ministry of Audit. The TFH Group's annual accounts for 2021 are still under review by the Ministry of Audit, therefore the actual amount to be distributed as cash dividends cannot be determined until after Ministry of Audit has finished its review.

**5. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:** None.

**6. Employee and Director compensation:** None.

**7. Share repurchases:** None.

**II. Issuance of Corporate Bonds:** None.

**III. Issuance of Preferred Shares:** None.

**IV. Issuance of Global Depositary Receipts:** None.

**V. Issuance of Employee Stock Warrants:** None.

**VI. Mergers and Acquisitions:** None.

**VII. Comments on implementation of capital allocation plan:**

None of the capital allocation plan has not been completed from the past private placement plans.

## An Overview of Operations

Operations of TFH and its subsidiaries are briefly described as follows:

### I. Business Activities

#### 1. Scope of Business

##### (1) TFH

##### (A) Main Lines of Business

TFH's main lines of business, as required under the provisions of the Financial Holding Company Act, are investing in other enterprises and managing their operations.

##### (B) Types of Business

Item	Year	2021	
		Amount (NT\$1,000)	Share of Total (%)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		15,940,685	100%
Other Operating Revenues		2,076	-
Total Revenues and Gains		15,942,761	100%

##### (C) Future Development Plan for New Financial Products and Services:

Please refer to 2022 Business Plan.

##### (2) BOT

##### (A) Main Lines of Business

In addition to conducting ordinary banking business in accordance with the provisions of the Banking Act, BOT complies with government policy by handling ancillary matters pertaining to the distribution of New Taiwan Dollar notes and coins. It also acts as an agent for the public treasury at all levels of government, administers the special high-interest deposits for recipients of public service and military pensions, handles policy-based loans and student loans, manages policy-based purchasing and tariff-rate quota allocations, operates the government employees insurance fund and the retiree insurance fund, and engages in other lines of business as may be approved by the competent authorities.

##### (B) Types of Business

Item	Year	2021	
		Amount (NT\$1,000)	Share of Total (%)
Net Interest Income		29,638,043	75.91%
Net Fee Income		4,519,121	11.57%
Financial Assets and Liabilities at Fair Value Through Profit or Loss		50,909,669	130.40%
Realized Financial Assets at Fair Value through other Comprehensive Income		4,455,998	11.41%
Investment Gains/Losses Recognized Under the Equity Method		3,997,933	10.24%
Foreign Exchange Gains/Losses		-2,002,749	-5.13%
Schedule of Asset Impairment Losses, and Gains on Reversal of Impairment		6,435	0.02%
Schedule of Other Net Non-Interest Income/Losses		-52,482,139	-134.42%
Net Earnings		39,042,311	100%





## (C) Future Development Plan for New Financial Products and Services:

Please refer to 2022 Business Plan.

### (3) BTLI

#### (A) Main Lines of Business

BTLI offers personal insurance, insurance for men serving alternative military service and Substitute Services, and other lines of business as may be approved by the competent authorities.

#### (B) Types of Business

Item	Year	2021	
		Amount (NT\$1,000)	Share of Total (%)
Personal Life Insurance Premium Income		27,028,995	87.63%
Personal Injury Insurance Premium Income		88,914	0.29%
Personal Health Insurance Premium Income		1,157,191	3.75%
Personal Annuity Insurance Premium Income		2,410,480	7.81%
Group Life Insurance Premium Income		30,764	0.10%
Group Injury Insurance Premium Income		105,665	0.34%
Group Health Insurance Premium Income		24,603	0.08%
Gross Premium Income		30,846,612	100%

Note: Investment-linked insurance premium income was NT\$5,960,406,000 in 2021. If the gross premium income is added to the investment-linked premium income, BTLI's total premium income would be NT\$36,807,018,000.

## (C) Future Development Plan for New Financial Products and Services:

Please refer to 2022 Business Plan.

### (4) BTS

#### (A) Main Lines of Business

BTS engages in securities brokering, dealing, and underwriting; offers margin trading services and short selling services, and futures introducing broker services; provides advisory services in connection with the offering and issuance of securities; acts as an agent for matters related to the aforementioned lines of business; and handles other lines of business as may be approved by the competent authorities.

#### (B) Types of Business

Item	Year	2021	
		Amount (NT\$1,000)	Share of Total (%)
Brokerage Business Income		1,354,901	79.98%
Dealing Business Income		99,040	5.85%
Underwriting Business Income		233,222	13.77%
Other Revenues		6,874	0.40%
Total Revenues and Gains		1,694,037	100%

## (C) Future Development Plan for New Financial Products and Services:

Please refer to 2022 Business Plan.



## **2. 2022 Business Plan**

### **(1) TFH**

#### **(A) Improve TFH Group resources integration**

TFH will continue improving the strategy of integrating TFH Group resources; improve the Group's mechanism for resource sharing and joint business development, develop integrated products and services, reap cross-selling synergies, and expand the Group's overall profits. It will also continue promoting the groupwide shared information operations platform, exercise coordinated group-wide management and use of back-office resources, optimize shared operating procedures, share resources in a way that is to everyone's benefit, and reap the synergies generated by more efficient and effective business management.

#### **(B) Promote digital finance innovation**

In response to the trend toward digitization in the financial industry, TFH will continue to promote digital transformation, use innovative technologies and big data analysis, further adopt MyData related digital services, continue implementing the plan for hiring and cultivating digital talent, continue developing fintech development facilities, innovate new business models, and create growth momentum.

#### **(C) Strengthen information security governance**

TFH will improve mechanisms for sharing of information resources, implement the principle of centralized maintenance and administration of shared information resources; closely monitor financial cyber security conditions as well as supervisory and legislative developments, strengthen the Group's cyber defenses, develop a corporate culture that emphasizes cyber security; assist with the building up of the financial cyber security joint defense system, and strengthen the overall security of financial information.

#### **(D) Cultivate diverse talent**

TFH will meet the needs of the digital finance development and cooperation among Group subsidiaries and make use of in-house and outside training institutes, the Group's educational resources, human resource exchanges platforms, and other training resources to improve employees' professional expertise. It will also cultivate personnel with cross-disciplinary skills who have both professional financial knowledge and capabilities in a diverse range of other fields, and improve the professional managerial expertise of supervisors and their ability to think in terms developmental strategies, thereby spurring the Group's business growth.

#### **(E) Improve management of capital allocations**

TFH will continue instituting a stronger mechanism for management of capital allocations; review trading strategies and asset-liability allocations in a timely manner in order to achieve better capital efficiency; make good use of funds utilization platform meetings, strengthen the mechanism for sharing of investment research resources, and work to get better results from financial and economic information exchanges; periodically inspect asset quality, set aside allowances or reserves for loss, and exercise monitoring and control of asset quality.

#### **(F) Improve internal control and internal audit operations**

TFH will implement risk-based internal auditing, collect important internal audit information, enhance early warning functions, and ensure effective internal control and internal audit operations; continue to improve legal compliance systems, and establish a healthy legal compliance culture; strengthen the Group's risk management mechanisms, incorporate the framework for management of climate-related emerging risks into the Group's overall risk management policy, and solidify the Group's business foundation.



### **(G) Achieve sustainability**

TFH will adopt a groupwide policy on sustainable finance, incorporate ESG factors into routine daily operations and policymaking considerations, institute ethical business practices, and establish a deep-rooted corporate culture of sustainable governance; step up efforts to promote ESG investing and sustainable finance, and encourage customers to appreciate the importance of environmental protection and sustainable development and join with TFH in implementing them; promote financial inclusion, demonstrate concern for society, engage in public service work, and actively fulfill corporate social responsibilities.

## **(2) BOT**

### **(A) Deposits**

The Bank will continue working actively to optimize deposit structure and provide corporate customers with NT Dollar demand deposits, automatic salary payment services, transfer of funds from cashed checks, transfer of stock dividend and bond interest payments, conduct ACH & direct debit services, and encourage and guide customers to use time deposits for the purchase of insurance, investment funds, Renminbi, US dollars, and other such products; improve risk management, adopt operating rules in a timely manner, strengthen employee education and training, and reduce operational risks; continue to implement cross-selling mechanisms, and upgrade operational effectiveness; continue actively seeking to provide agent bank and collection & payment services to government agencies at all levels, and to optimize the Bank of Taiwan's Public Treasury website and the Public Treasury Deposit and Fee Accounts Management System, in order to improve the quality and efficiency of agent bank services.

### **(B) Loans**

#### **a. Corporate Banking**

Loans to private enterprises will be promoted continuously and loan risk controls will be reinforced. The Bank will seek opportunities to lead or participate in syndicated loans at home and abroad; strengthen OBU services and actively expand overseas credit business; promote e-Loan and factoring businesses; actively pursue lending for the purpose of renovating or rebuilding hazardous and dilapidated buildings; and actively participate in the Project for Provision of Special Loans and Credit Guarantees to assist in the innovation and development of small and medium enterprises. To coordinate with the government's Program for Promoting Six Core Strategic Industries, the Bank will actively undertake related lending business designed to help industrial firms obtain funding needed for development, and to coordinate with the government's Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan, the Bank will actively lend to such firms to fund their construction or purchase of factory sites and facilities. And in response to the government's New Southbound Policy (NSP), the Bank will expand lending to firms in countries targeted by the NSP. The Bank will also continue to implement all types of economic stimulus loan programs in response to the COVID-19 pandemic.

#### **b. Consumer Banking**

The Bank will continue to promote high-quality loans for the purchase of owner-occupied homes, actively help non-homeowners to purchase homes, and appropriately adjust lending strategies to deal with changing market conditions; will obtain the right to continue taking part in the "Low-Interest Nest-building Loan Program for Civil Servants and Teachers" from 2022 through 2024, will continue offering online application services, will launch MyData services, and will optimize digital application procedures; will actively undertake "Young Entrepreneur and Start-up Loans" and "Micro-business Start-up Phoenix Loans" and will step up cooperation with city and county governments to promote lending to young entrepreneurs and small & medium businesses; will coordinate with the government's promotion of digital finance by proactively promoting mobile payment services; and will continue to familiarize the public with the Bank's Guide Dog Affinity Card and The Lord is My Shepherd Affinity Card to enhance the competitive edge enjoyed by the Bank's credit card brand.

## **(C) Foreign Exchange and International Banking**

The Bank will continue developing its foreign exchange deposits business, actively add to the range of electronic financial services available through digital foreign exchange deposit accounts, and provide a diverse range of foreign exchange services, thereby providing customers with one-stop shopping for financial services. In overseas operations, cultivation of overseas markets will be deepened, the international syndicated loans and bond investment business will be developed, online banking services will be strengthened; a funds allocation platform for offshore Taiwan-invested firms will be established; risk management mechanisms will be strengthened and the business results of overseas branches will be enforced.

## **(D) Digital Financial Services**

To continue developing mobile payment services, the Bank intends to establish a "bill and fee payments diversified payments platform" that will enable bill payers make use of a more diverse range of methods to pay bills for which BOT acts as the collections agent; will introduce new intelligent customer services, and use mobile technology and a social media-based life ecosystem to link up its various digital financial services; will do more to develop employees' digital capabilities and step up business exchanges, will launch a "Training Program to Develop Seed Personnel for a Digital Transformation," and will use development of digital innovative ability in combination with performance management of targets and key results in order to spur development of employee agility.

## **(E) Trust Business**

The Bank will continue to launch offshore bond products and add domestic and overseas fund products in combination with the wealth management business to increase the operating scale of fund and trust management products; continuously develop old-age trust products and property management trust of the disabled; seize opportunities to manage securities investment trust funds and discretionary investment accounts, thereby growing the Bank's custodial business; and actively develop the Bank's real estate development trust and escrow businesses and continue promoting its real estate escrow service.

## **(F) Investment**

In addition to the purchase of Central Bank negotiable certificates of deposit in its bills finance business, the Bank—subject to the availability of free capital—will increase its purchases of short-term bills in order to earn better investment returns; purchase commercial papers on the primary market in order to support the Bank's business units in their certification and underwriting of guaranteed issues of commercial paper, and to take part in the issuance of non-guaranteed commercial paper. To increase the fee income, the Bank will carry out bond investment under the principle of buying in batches in times of yield rebounds; actively seek opportunities to lead or participate in the underwriting of international bonds and continue expanding into markets where bank debentures and corporate bonds are relatively highly rated (investing primarily in bonds with international credit ratings of A- or higher); continue with the appropriate management of the reinvestment business; and continue to focus stock portfolio investment on blue chips, high cash dividend stocks, and ETFs. The principle of risk-control will be observed, and hedging transactions will be used to lower market risk. Most investments in overseas markets will be made via ETFs and foreign-denominated equity fund beneficial certificates. The Bank will diversify its investments to spread its risks, will screen different types of strongly performing funds and buy them in tranches, and will engage in technical trading to increase investment returns.

## **(G) Government Employees Insurance**

The Bank will continue holding Government Employees Insurance seminars, and will step up efforts to familiarize employees with legislation and business operations in order to facilitate development of business operations and maintenance of the interests of insured parties;





continue to develop e-banking operations, and strengthen cyber security management; improve the stability of systems and implement them more efficiently to be prepared for further development of Government Employees Insurance business operations; reap higher returns on the Government Employees Insurance reserve fund by improving the diversity and risk management of reserve fund investments, and by diversifying investments to spread risks; build up the Bank's public service work and continue conducting satisfaction surveys to serve as reference for efforts to improve service quality.

### **(H) Wealth Management Service**

Wealth management channel deployment will be reinforced to expand the service network of wealth management; the integrated marketing effect will be maximized for holding company products and sales channels; channel deployments will be improved to expand the wealth management service network; professional manpower training will be strengthened to deeply implant wealth management capability; and the Bank will continue holding financial planning seminars and provide professional advisory services.

### **(I) Precious Metals Business**

The Bank will optimize its Gold Passbook product to provide diversified and differentiated services superior to those offered elsewhere in the financial industry, in order to maintain the Bank's leading position in the domestic market. The Bank will also serve as the main domestic issuing bank and clearing bank for the Gold Passbook, to facilitate the initiation of this business by cooperating banks, so that together we can provide gold assets disposition services to citizens. The Bank will moreover put out diversified precious metal products, in order to seize the business opportunities from retail and wholesale sales of physical precious metal.

## **(3) BTLI**

### **(A) Product research and development**

In preparation for eventual adoption of IFRS 17, BTLI will continue to re-work the product strategy, and strengthen the lineup of products that contribute to valuation of the fair value of insurance liabilities. It will continue to develop protection-type life insurance products designed to meet the economic, healthcare, and long-term care needs of senior citizens. BTLI will build up a bigger lineup of investment-linked products, and provide customers with a diverse range of choices in wealth management products.



Chairman Joseph Jye-Cherng Lyu (7th from left), the chief juror Senior Advisor to the President Po-Chih Chen (7th from right), and senior managers of the TFH group pose with the winners of the 2021 Bank of Taiwan Awards for Economic and Financial Research during the awards ceremony.

## **(B) Business promotion**

BTLI will adapt to the re-working of its product strategy, actively work to meet the needs of distribution channels through strengthening products and sales training as well as enhancing marketing support in order to boost business momentum; promote marketing activities and incentive measures, enhance cooperation with large agencies; and strengthen training in marketing at correspondence offices to increase business capacity.

## **(C) Customer service**

BTLI will continue carrying out the workflow adjustment project and strengthen computer-assisted functions to shorten manual processing times and reduce operational risks; simplify application procedures for policyholders, strengthen the training of employees in claim settlement and customer service operations, make insurance services more convenient; and establish a core corporate culture built on the principle of fair treatment of consumers in order to protect the interests of financial consumers.

## **(D) Capital allocations**

BTLI will enhance asset allocations and improve the management of cash flow match between assets and liabilities in order to improve returns on capital; balance the cost of foreign currency hedging and the risk of exchange rate volatility, and dynamically adjust hedge ratios to reduce foreign exchange gains/losses.

## **(E) Risk management**

BTLI will improve the asset-liability match, regularly monitor and control capital adequacy ratios, and ensure that the ratios meet statutory requirements and the company's capital needs; optimize the own risk and solvency assessment (ORSA) mechanism, strengthen capital management, and establish more sound business operations.

## **(F) Human resources**

BTLI will recruit the personnel needed to achieve a transformation of the Company's business operations, cultivate talent with the skills required to engage in key operations such as IFRS17, actuarial science, product design, portfolio investments, accounting, and information technology; continue carrying out training for supervisory personnel at all levels to build up a corps of high-level managerial talent, improve their core management skills, and create niche strength for the development of the company's business.

## **(G) Corporate governance**

BTLI will disclose material corporate governance information in compliance with government legislation and deadlines, continue improving various management rules and monitoring mechanisms, and enhance the transparency and completeness of the company's corporate governance.

## **(H) Information operation**

BTLI will continue expanding the virtualized computing and storage environment, adjust the database and AIX platform framework, and purchase servers; use virtualization of physical servers, equipment centralization, cloudification of services, and other incremental approaches to automate system resources allocation and systems management.

## **(4) BTS**

### **(A) Securities brokerage business**

BTS will optimize the electronic order submission platform, use data to provide customers with intelligent and selective stock picking, improve digital services, and increase customer stickiness; build comprehensive online account opening procedures and gradually expand





them to include margin trading, borrowing and lending of funds for unrestricted purposes, and other ancillary lines of business, and provide convenient online services; continue promoting a service for cost-average investment in stocks and expand the range of eligible investments, and work vigorously to achieve financial inclusion.

### **(B) Securities underwriting business**

BTS will use the strategy of Group resources integration, take advantage of BOT's resources and resource sharing and integrated marketing among TFH subsidiaries in a collaborative effort to develop the company's underwriting business, and use an integrated services model to seek underwriting and related business so as to provide a full range of corporate capital raising services; and promote sustainable finance by conducting underwriting business that aligns with ESG principles and addresses green energy issues; actively seek to take part in large underwriting deals involving blue-chip companies in order to increase business volume and market share.

### **(C) Securities dealing business**

BTS will continue to optimize investment strategies; assess investee companies' ESG performance, include such assessments in investment procedures, and increase long-term positions in companies that have good corporate governance and low stock price volatility; select investment targets that offer positive prospects and high dividend yields, earn long-term capital gains and dividend returns; reduce investment volatility risks while improving capital efficiency through the timely use of futures, options, inverse ETFs, and other strategic trading instruments.

### **(D) Internal management**

BTS will improve corporate governance and management performance by implementing the three lines of defense in internal control; establish a back-office settlement system that will put a single unit in charge of clearing and settlement for the company's brokerage, proprietary trading, and underwriting businesses in order to economize on manpower and improve efficiency; and conduct internal assessments of the suitability of risk management procedures and internal rules on overall risk, and adjust risk rules as necessary based on assessment results in order to strengthen risk management mechanisms.



Chairman Joseph Jye-Cherng Lyu (1st row, 3rd from left) presides over a formal signing between TFH subsidiary Bank of Taiwan and First Bank as mandated arrangers for a 7-year NT\$50 billion sustainability-linked syndicated loan to AU Optronics Corporation, which is the largest sustainability-linked syndicated loan in Asia.

## **(E) Information security controls**

BTS will strengthen information security management by continuing to carry out B-level cyberthreat prevention; use the ISO 27001 recertification process to replace and upgrade old hardware, strengthen defenses against cyber attacks (e.g. DDoS and DNS attacks), and install a PRTG network management system; conduct information security audits on suppliers and monitor various information security equipment to strengthen overall information security governance.

## **3. Short-term and Long-term Business Development Plans**

### **(1) TFH**

#### **(A) Short-term business development plan**

TFH will support government policy by fighting the pandemic and providing relief and stimulus loans; promote sustainable finance, launch carbon reduction measures in an orderly manner; promote transformation toward digital financial services, unleash innovative energy; integrate TFH Group resources to reap enhanced business synergies; increase the Group's worldwide business locations, build a stronger local presence in offshore markets; enhance the Group's competitiveness, tap into the value of internal controls; improve risk management and asset quality; cooperate on cyber security joint defense, strengthen response capabilities; and fulfill the Group's social responsibilities, promote sustainability.

#### **(B) Long-term business development plan**

TFH will act in line with the 5P (People-centered, Portfolio-sound, Performance-driven, Prospection-oriented and Principle-based) business operating policy, the 5S (Scale, Scope, Soundness, Superior Management and Social Responsibility) competitive strategies, and the 4R (Resilience, Reorientation, Renewal, Repositioning) core concepts, keep close track of financial markets, support the government's effort to support the development of core strategic industries, pursue an improved strategy for integrating Group resources, enhance group synergies, utilize the Group's global business network, continue cooperating with multinational and flagship financial institutions, improve the performance of overseas business locations, promote digital financial innovation, enhance cyber defense capabilities, adopt a risk-focused mentality, strengthen cooperation among the three lines of defense in internal control, take stronger measures to promote ESG investing and green financial services, pursue a more sustainable type of group operation, and build up TFH as the nation's flagship financial holding company.

### **(2) BOT**

#### **(A) Short-term business development plan**

BOT will coordinate with government policies to implement financial inclusion; optimize deposit structure, expand lending; strengthen the Bank's international business network, increase overseas profits; promote sustainable finance, build a society with prosperity for all; promote digital transformation, create an innovative financial ecosystem; strengthen AML/CFT mechanisms, improve cyber security incident response capability; improve risk management mechanisms, improve the management system; and cultivate outstanding manpower, strengthen organizational competitiveness.

#### **(B) Long-term business development plan**

BOT will continue building a new corporate culture defined by the Bank's "5P business operating policy" (People-centered, Portfolio-sound, Performance-driven, Prospection-oriented, and Principle-based) and its "5S corporate culture" (Simple organization, Simple goals, Simple decision making process, Simple strategy, and Simple intra-group relationship), and is working in line with the principles of "Integrity, Care, Efficiency, and Prudence" to achieve



greater depth and breadth in its lineup of services; and continue strengthening its international presence in line with its vision of "A Leading Bank with Global Presence," while facilitating the government's New Southbound Policy by seizing upon business opportunities in "the age of the Asian economy," and adopting short, medium, and long-term international expansion plans and business development strategies; coordinate with government policies by planning and operating many different lines of business, expanding the scope of the company's financial services, and improving overall business performance.

### (3) BTLI

#### (A) Short-term business development plan

BTLI will continue to promote transformation of product structure, develop products that will help to improve debt structure and ease the capital charge burden; maintain a dual focus on earning premium income and adjusting asset/liability structure, while reducing negative margins and ensuring solvency; and improve the management of exchange rate hedging, and continue to optimize returns on capital and investment management performance.

#### (B) Long-term business development plan

BTLI will conduct rolling reviews of the strategic direction of the company's 12-Year Development Blueprint; respond to new supervisory policies, IFRS17 developments, development of the Insurance Capital Standard (ICS), and other changes in the external environment; and work toward the achievement of mid- and long-term targets through a dual focus on "adopting IFRS17 and ICS" and "improving profitability, then engaging in a balanced pursuit of growth and profits."



Chairman Joseph Jye-Cherng Lyu (right) represents the Bank in receiving the award from Executive Yuan Vice President Jong-chin Shen (center) for TFH subsidiary Bank of Taiwan in recognition by the Financial Supervisory Commission as a "Top Bank Provider of Property Trusts for Senior Citizens and Persons with Mental and Physical Disabilities."



**(4) BTS****(A) Short-term business development plan**

BTS will continue optimizing the order management system, improve security and stability, use data to provide customers with intelligent stock picking, and establish an intelligent trading platform; use the Group's integrated marketing platform to actively expand the customer base and grow the company's market share and operating revenues; and coordinate between BOT's corporate finance business and BTS underwriting services to engage in joint business development and increase profits.

**(B) Long-term business development plan**

BTS will continue to improve the company's mobile trading platform and enhance the availability of a wide range of digital financial services; actively win the business of institutional traders, increase the firm's share of the brokerage market; actively seek more opportunities to act as lead underwriter or co-underwriter of secondary public offerings and provide related financial consulting services; coordinate with the government policy of promoting responsible investment, and gradually increase the ESG investment ratio; and continue building up strategic investment portfolios, improve capital efficiency and management performance.

**II. Cross-Selling****1. Cross-selling synergies**

TFH will further integrate group resources, develop integrated products and services, improve the mechanism for resource sharing and joint business development, make effective use of the highly developed channel resources and high-quality client base of the Group's core banking subsidiary to spur diversification of the business conducted by the Group's life insurance and securities subsidiaries; continue promoting the Plan for Integrated Marketing Among Group Subsidiaries, use a target management system to monitor its implementation, and complement this with a performance evaluation mechanism and jointly implemented incentive measures to strengthen cooperation among group subsidiaries. The Plan for Integrated Marketing among Group Subsidiaries continued covering six principal business lines and carrying out cross-selling of 19 products through integrated marketing. Joint business development efforts by group subsidiaries, and the business results generated thereby, contributed NT\$2,101 million to the Group's profits in 2021, thus enabling the Group to reap the benefits of synergy and improving its revenues and profitability.

**2. Resource integration and cost reductions**

TFH will effectively integrate and use Group-wide resource, and continue promoting 8 major shared business operations (information operations, education and training, legal affairs, property management, community service promotions, purchasing operations, financial and economic information exchange, and human resource exchange). TFH's logistics platform reduced measurable operating costs over the course of the year by NT\$87.6 million, thus reducing operating costs by tapping into group synergies.

**III. Production and Marketing Situation**

TFH is a financial holding company. Its lines of business entail investing in other enterprises and managing their operations. The primary source of operating revenues is investment income. The following is a description of the markets in which TFH subsidiaries operate, and an overview of each subsidiary's business operations:



## 1. BOT

### (1) Business operations areas

The BOT is a 100% government-owned bank, and all of its financial products are marketed to customers through business branches and internet. At the end of March 2022, the BOT's business units included 163 domestic branches and one Offshore Banking Branch, and 21 overseas units (including New York Branch, Los Angeles Branch, Hong Kong Branch, Tokyo Branch, Singapore Branch, South Africa Branch, London Branch, Shanghai Branch, Guangzhou Branch, Fuzhou Branch, Sydney Branch, Shanghai JiaDing Sub-Branch, Mumbai Representative Office, Yangon Representative Office, Silicon Valley Representative Office, Bangkok Representative Office, Frankfurt Representative Office, Manila Representative Office, Ho Chi Minh City Representative Office, Jakarta Representative Office and Kuala Lumpur Representative Office).

### (2) Future market supply and demand as well as growth prospects

The global economy continued to recover in 2021, but a resurgence of the COVID-19 pandemic has weakened the momentum of the recovery. Moreover, market expectations that the US Federal Reserve is likely to increase the pace of monetary tightening is ratcheting up financial market volatility. Looking to the future, the International Monetary Fund (IMF) has reduced its 2022 global economic growth forecast to 4.4%, and Taiwan's Directorate-General of Budget, Accounting and Statistics 2022 global economic growth forecast for Taiwan is 4.42%. It is clear that global economic growth is going to slow down. The Taiwan government continued to implement the "Three Major Programs for Investing in Taiwan" and the "Forward-looking Infrastructure Development Program," so the economic boost provided by these measures is good reason to maintain a positive outlook regarding the future prospects for Taiwan's banks. However, the Bank will need to closely monitor factors that could adversely affect the global economy, including the COVID-19 situation, strategic competition between the US and China, and geopolitical risks.

### (3) Business targets

Unit: NT\$1,000; (Forex: USD\$1,000)

Major Operation Category	2022 Budget Target
Deposits	4,100,000,000
Loans	2,850,000,000
Foreign Exchange	319,810,000

### (4) Positive and negative factors for future development

#### (A) Positive factors

- The BOT is a government-owned bank and has the highest credit rating of all domestic banks; with a solid operating base, it enjoys the trust of the public. The BOT's huge customer base facilitates efforts to solicit new business.
- The Bank enjoys the top position in scale of deposits and loans, leadership among local banks in total assets and shareholders' equity, and a solid operating strength.
- The BOT is a subsidiary of Taiwan Financial Holdings, the resource-sharing platform of which reinforces the operation of the primary and cross-sales systems, and realizes the synergies of business integration.

#### (B) Negative factors

- As a bank that is 100% owned by the government, the BOT has a personnel system, budget, and procurement that are relatively inflexible. The Bank's organizational framework makes it difficult to respond to changes of the external environment in a timely manner and grasp early opportunities in the market.



- b. Domestic banks in Taiwan have long been dealing with intense competition and a low interest rate spread environment. The BOT, on top of that, also shoulders policy missions, which reduces profitability.
- c. The trend toward digitization of financial services and the launch of internet-only banks has subjected traditional banks to tough financial services competition.

## 2. BTLI

### (1) Business operations areas

BTLI's main products are life insurance policies sold only in Taiwan. It has 8 branches, 4 correspondence offices, 11 exclusive agencies, 17 contracted cooperating financial institutions, and 80 ordinary brokerages and agencies. In 2021, the banking channel accounted for 89.31% of BTLI's sales (BOT accounted for 87.33%), followed by exclusive agencies (7.94%) and correspondence offices (1.73%).

### (2) Future market supply and demand as well as growth prospects

To ensure the proper management of insurance firms, spur insurers to focus once again on protection against risks (which is the essential function of insurance in the first place), and guide insurers toward smooth adoption of IFRS 17 and ICS, Taiwan's Financial Supervisory Commission (FSC) is gradually implementing and adjusting related supervisory measures. The FSC's supervisory policies in recent years have brought a steady decline in sales of traditional insurance products. According to statistics released by The Life Insurance Association of the R.O.C., total sales of investment-linked products exceeded sales of traditional products in 2021, and investment-linked products will remain the biggest sellers in the Taiwan market. Due to demographic ageing, insurers are phasing out certain products and launching new ones designed to meet the needs of elderly customers. In their product development work, life insurers will continue to concentrate primarily on protection-type products, mortgage life insurance, and health insurance, all of which make a positive contribution to contractual service margin.

### (3) Business targets

Unit: NT\$1,000

Major Operation Category	2022 Budget Target
First Year Premium Income	4,300,000
Renewal Premium Income	13,615,933
Gross Premium Income	17,915,933

Note: Does not include the NT\$4.3 billion sales target for investment-linked policies.

### (4) Positive and negative factors for future development

#### (A) Positive factors

- a. BTLI is Taiwan's only government-owned life insurer. It has a stable image as a government-owned enterprise, and enjoys strong public trust.
- b. BTLI makes use of BOT's highly developed channel resources and huge client base to conduct integrated marketing of insurance products and create cross-selling synergies.
- c. BTLI has one of the highest policy persistency ratios in the industry, an indication of good marketing practices and high customer satisfaction.



## (B) Negative factors

- a. As a government-owned enterprise, the company's human resources, budgeting, and final accounting are operations subject to legal and regulatory restrictions, so business management lacks flexibility.
- b. Due to Taiwan's continued low-interest rate environment and the exacerbation of exchange rate volatility, it will be difficult to improve capital efficiency.
- c. To encourage life insurers to adopt IFRS17 and ICS, the FSC continues to raise its supervisory standards. As a result, insurers need more capital and face much bigger challenges in their business development efforts.

## 3. BTS

### (1) Business operations areas

BTS is principally engaged in securities brokering, dealing, and underwriting. Its customers include both institutional and individual investors, mainly in Taiwan. The company has 8 business locations, cross-selling facilities at 156 Bank of Taiwan business locations, and online banking operations, via which it provides customers with a full range of services relating to investment and personal financial planning.

### (2) Future market supply and demand as well as growth prospects

The launch of continuous trading and intraday odd-lot trading systems in recent years will enable securities markets to operate more efficiently, and the continued use by securities firms of diversified investment platforms will provide customers with more comprehensive financial planning services; in addition, a 50% transaction tax cut for day trading will spur an increase in the day-trading ratio; extension of the "Three Major Programs for Investing in Taiwan" will help to maintain industrial momentum, high-asset customers are directing funds back to Taiwan, and younger generations have been showing an increased willingness to invest. All these factors will generate more business opportunities in the securities markets. However, the future course of the pandemic, geopolitical risks, increased inflation, and the global economic impact of monetary policies of key major nations around the world are likely to exacerbate financial market volatility.

### (3) Business targets

Unit: NT\$1,000

Major Operation Category	2022 Budget Target
Brokerage Income	1,048,944,000
Underwriting Income	925,000
Dealing Income	2,700,000

### (4) Positive and negative factors for future development

#### (A) Positive factors

- a. The government supports the development of innovative enterprises, while the Taiwan Stock Exchange has launched the Taiwan Innovation Board (TIB) and the Taipei Exchange has launched the Pioneer Stock Board (PSB). These factors will make it easier for innovative firms to raise capital during the startup phase.
- b. The high dividend yields of stocks in Taiwan continue to attract both domestic and foreign investors, which facilitates the development of our securities markets.

- c. A three-year extension of the 50% transaction tax cut for stock day trading and the "Three Major Programs for Investing in Taiwan" will continue to stimulate market activity.

## (B) Negative factors

- The entire world faces inflationary pressures, and the speed and scope of interest rate hikes will continue to affect stock markets.
- Uncertainties regarding the COVID-19 pandemic, geopolitics, and the monetary policies of key major nations around the world may have an adverse impact on the global economy and exacerbate financial market volatility.
- As securities markets in Taiwan gradually mature, competition grows more intense, and large securities firms are continually pursuing M&A deals to grow larger. This makes it more difficult for small and medium securities firms to survive.

## IV. Employee Profile

### 1. Employee Statistics

Year	2020	2021	2022.3.31
Company	Number of Employees		
TFH	56	57	55
BOT	8,243	8,206	8,162
BTLI	247	250	244
BTS	135	139	136
BTIB	37	36	36
Total	8,718	8,688	8,633
Average Age	45.60	45.69	45.56
Number of average year in Service	17.71	17.68	17.55
Education Level & Ratio			
Doctor	0.10	0.11	0.11
Master	23.38	24.20	24.54
University or College	69.57	69.34	69.18
Senior High School	6.24	5.68	5.50
Below Senior High School	0.70	0.67	0.67

### 2. Professional development and training

The TFH Group uses both internal and external learning resources to cultivate financial professionals with multi-disciplinary expertise. In 2021, TFH and its subsidiaries dispatched 2,722 participants to attend workshops offered by outside professional bodies focusing on such matters as legal compliance, internal control, purchasing operations, risk management, treasury, accounting, internal audit operations, and training courses focusing on such fields as occupational safety and health. Over this same period, TFH subsidiaries administered education and training programs that attracted a total of 20,711 participants, and subsidized a total of 1,045 instances of participation in licensing tests.

The Group also used its online learning platform to provide access to a wide variety of learning resources covering such topics as anti-money laundering and counter terrorist financing, financial consumer protection and principles for fair treatment of consumers, loans to "fight the pandemic,



provide economic stimulus, and ensure the availability of relief," industrial innovation programs, whistleblower systems, the UN Convention on the Rights of Persons with Disabilities, cyber security management, the EU General Data Protection Regulation (GDPR), protection of personal privacy, civil service ethics, administrative neutrality, environmental education, gender equality, and human rights. The purpose of this platform is to encourage employees to strive for self-improvement, and to use a diverse range of learning avenues to build a corporate culture that emphasizes learning.

## V. Corporate Responsibility and Ethical Behavior

Please refer to Chapter III "Corporate Governance" on Implementation of Sustainable Development and Ethical Corporate Management sections at page 38-44.

## VI. Number of non-supervisory full-time employees, average and median salaries of non-supervisory full-time employees, and how these 3 numbers differ from those in the preceding year

Unit: person; NT\$1,000/per person

Name	Number of non-supervisory full-time employees		Change from year before	Average salaries of non-supervisory full-time employees		Change from year before	Median salaries of non-supervisory full-time employees		Change from year before
	2021	2020		2021	2020		2021	2020	
TFH	50	46	4	1,192	1,241	-49	1,033	1,026	7
BOT	8,128	8,145	-17	1,429	1,401	28	1,138	1,080	58
BTLI	469	480	-11	1,061	998	63	932	911	21
BTS	189	186	3	944	995	-51	922	934	-12

Notes:

1. To calculate the median salary figures above, the first step was to count the number of employees at end-December of the current year and note their occupational grades and ranks, and use the table of employee salaries to calculate the median salary, then on the basis of this number a median salary that includes bonuses and overtime pay is estimated.
2. Average salaries at TFH declined in 2021, primarily because the occupational grades and salaries of newly hired employees were lower in 2021 than in 2020.
3. Average salaries at BTS declined in 2021, primarily because the occupational grades and salaries of newly hired employees were lower in 2021 than in 2020.



TFH subsidiary Bank of Taiwan receives Joint Credit Information Center's Golden Security Award and Golden Quality Award for the 8th consecutive year.



## **VII. Information Equipment**

### **1. Installation and Maintenance of Hardware and Software for Major Information Systems**

- (1) Principal hardware includes servers, firewalls, and switches. These support business development and improve operating efficiency.
- (2) Principal application software includes programs used for business and administrative tasks. These software systems provide for the handling of inquiries regarding interested parties of TFH; reporting of A07 balances; accounting; human resources; electronic documents; legislation searches; email guardian and supervision system; management of group-wide information reporting; online registration and management of the Civil Service Ethics Rules; and integrated marketing.
- (3) TFH outsources the administration of its information services to BOT in order to benefit from the sharing of information system software and hardware, system maintenance operations, and services management resources.
- (4) TFH works with its subsidiaries to carry out social engineering drills. The company holds related cyber security education, training, and awareness activities to make employees more conscious of information security concerns, and reduce the damage caused by security incidents.

### **2. Future Development or Procurement Plans**

- (1) Continue expanding the group-wide shared information operations platform and use group-wide platforms to further integrate and share information, thereby reaping greater benefit from the integration and use of group information.
- (2) Enhance the group-wide information sharing platform, simplify contract execution operations and purchasing procedures, and reduce overall group expenses.
- (3) Integrate information and reduce costs by expanding shared access to the Group's fundamental services system, implementing centralized operation and maintenance, and developing a shared group-wide information system.
- (4) Oversee subsidiaries' efforts to develop digital financial services and FinTech patents, promote business innovation, skillfully use technology to enhance business performance, improve the user experience, and seize upon business opportunities.
- (5) Formulate a group-wide cyber security policy and a cyber security maintenance program, oversee implementation by Group subsidiaries of cyber security management and compliance with cyber security legislation; carry out cyber security check-ups and address vulnerabilities, and step up conduct cyber security awareness and training activities, thereby strengthening the company's cyber security.

### **3. Emergency Back-up and Security Measures**

TFH information services integrate and utilize the information resources of BOT, making shared use of BOT's premises, personnel, systems and physical facilities, and networks. Disaster recovery and security protection measures include the following:

- (1) Adopting a disaster recovery drill program, conducting periodic on-site drills as part of the program, and establishing a disaster recovery system to ensure highly reliable information services.





- (2) Continuing to strengthen the cyber security management rules and audits by, among others, allowing the British Standards Institution (BSI) to conduct an ISO certification inspection at BOT once every half-year.
- (3) Carrying out Windows Update and antivirus software procedures once per month to ensure that all software is secure and up-to-date and install the firewalls for important Internet gateways and nodes.
- (4) Installing anti-hacker devices to prevent attacks.
- (5) Periodically scanning for server vulnerabilities to strengthen system security.
- (6) Covering all personal computers and servers by the company's anti-virus system.
- (7) Installing security agent software on all personal computers to exercise access control over USB drives, optical disc drives, floppy drives, and other such devices.
- (8) Subjecting the Internet activities of personal computer users depending on the nature of each user's work, to website whitelisting and web page classified access to make sure that employees avoid malicious and poorly constructed websites.

## VIII. Cyber Security Management

### 1. Cyber security risk management architecture, policies, concrete management programs, and investments in resources for cyber security management

#### (1) Cyber security risk management framework

TFH is a "specific non-government agency of cyber security responsibility Level-C" as defined in the Cyber Security Management Act, and has established a Cyber Security Team that is chaired by a TFH vice president. This Team is in charge of coordinating and setting cyber security policies, planning, and resource allocations.

#### (2) Cyber Security Policy

Acting in accordance with the provisions of the "Cyber Security Management Act" and its secondary regulations, the TFH Group has adopted a groupwide cyber security policy which addresses such matters as the establishment of an organization promoting cyber security, annual adoption and implementation of a cyber security maintenance plan, adoption of a mechanism for the reporting of and response to cyber security incidents, outsourcing of information management, and matters to be conducted by company divisions at each level of cyber security responsibility. This policy is assessed at least once per year in order to ensure compliance with legislation, to reflect the latest developments in technology, and to ensure the effectiveness of cyber security operations.

#### (3) Cyber security risk management programs and investments in resources for cyber security management

- (A) TFH has hired cyber security professionals and tasked them with responsibility for promoting cyber security operations; acting in accordance with the "Enforcement Rules of Cyber Security Management Act," has adopted an annual cyber security maintenance plan and annual targets, used these as the basis for promoting various cyber security operations, and reported on their implementation to the competent authority.

- (B) TFH has retained a consultant to assist with adoption of an ISO 27001 information security management system (ISMS), reviewed and amended company by-laws, improved control measures to reduce cyber security risks, obtained certification by an impartial third-party certification body, and has kept the certification current.
- (C) TFH annually provides employees with at least 3 hours of cyber risk awareness courses and email social engineering drills to enhance the cyber security awareness of TFH employees.

## 2. Losses suffered in 2021 or in the current fiscal year as of the date of printing of this annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken

Significant cyber security incidents	Impact thereof, and TFH response measures	Resulting losses
<p>June 8, 2021</p> <p>BankTaiwan Securities (BTS) was unable to send out trading orders after its middle office electronic order submission system lost its connection with the front office server.</p>	<p>1. Cause and impact</p> <p>A short-circuit in Asia Pacific Telecom's IP-VPN equipment caused the middle office electronic order submission system to lose its connection with the Taiwan Stock Exchange's front office server. Because the short-circuit occurred not long before market closed, customers' trading orders could not be sent out in a timely manner.</p> <p>2. Response measures and corrective actions</p> <p>At the Asia Pacific Telecom data center, a dedicated switch has been installed exclusively for use with financial institutions, and a backup function has been added. In addition, BTS has asked the provider of the front office system to re-write the connection program to enable automatic reconnection after a short-circuit has crashed a server. After completion of testing, the new connection program went online on October 21, 2021, and BTS and Asia Pacific Telecom signed an accessory contract which sets out a notification requirement for any change in services, benchmarks for circuit availability, and penalty provisions.</p>	<p>BTS was paid NT\$1.638 million as compensation for losses caused by the inability to send out customers' trading orders in a timely manner.</p>



## IX. Labor Relations

### 1. Employee Benefit Plans, Retirement System and its Implementation, Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests

#### (1) Employee Benefit Plans

- (A) The TFH Group enrolls its employees in Government Employees Insurance, Labor Insurance, and National Health Insurance, as required by law, and also helps employees to enroll in voluntary group insurance that provides allowances for vacations, medical examinations, ongoing professional development, and more.
- (B) The TFH Group has an Employee Benefits Committee and, acting in accordance with the provisions of the "Employee Welfare Fund Act," sets aside funds to an employee benefit fund, provides allowances for everyday needs, and organizes and subsidizes recreational activities.
- (C) The Group has set up a Sexual Harassment Complaints Committee and a complaints hotline, and makes a concerted effort to create a workplace environment that is characterized by gender equality and is free of concerns about safety.
- (D) To promote gender equality, TFH offers family leave, menstrual leave, paternity leave, personal or sick leave related to pre-maternity issues, and miscarriage leave. Employees with a child under three years old are eligible to apply for unpaid parental leave.

#### (2) Retirement System and its Implementation

Employees are provided with retirement, severance, and bereavement benefits in accordance with the provisions of the "Regulations Governing Retirement, Bereavement, and Severance Benefits for Employees of Financial and Insurance Institutions Owned by the Ministry of Finance" and the "Labor Standards Act."

#### (3) Labor-Management Agreements and Measures for Preserving Employees' Rights and Interests

- (A) As a government-owned enterprise, the Company handles employees' hiring, compensation, performance evaluations, retirements, and all types of benefits in accordance with government requirements. The rights and obligations of both labor and management are safeguarded, and periodic labor-management meetings are held to spur the formation of labor-management consensus.
- (B) The Company has set up a Chairperson's Mailbox and a President's Communication Channel on the Company intranet to provide employees with a platform via which they can offer suggestions and otherwise engage in communications, and has also set up a Bulletin Board where employees can learn of matters with a bearing on their own interests. In addition, each of TFH's three subsidiaries has established a Company union and entered into a collective bargaining agreement to bring about harmonious labor-management relations.

### 2. Adverse effects of labor disputes upon TFH and its subsidiaries in 2021, or in the current year as of the date of this report's printing, and measures taken in response: None.

# Financial Information

## I. Five-Year Financial Summary

### 1. Condensed Balance Sheets and Comprehensive Income Statements under IFRS

#### Condensed Consolidated Balance Sheet

Unit: NT\$1,000

Item		Year	2017	2018	2019	2020	2021	2022.3.31
Cash and cash equivalents			176,530,390	172,694,828	153,868,113	175,429,257	140,150,912	126,170,590
Placement with Central Bank and call loans to banks			675,504,410	535,130,849	560,586,872	593,466,945	642,176,715	668,160,362
Financial assets at fair value through profit or loss			238,326,530	270,642,770	293,622,020	364,388,113	404,208,449	402,017,878
Financial assets measured at fair value through other comprehensive income			-	1,127,802,007	1,023,839,660	999,234,437	1,004,880,566	928,285,560
Debt instruments investments measured at amortized cost			-	434,340,960	464,507,274	454,803,521	490,346,734	510,332,470
Available-for-sale financial assets, net			1,167,534,338	-	-	-	-	-
Hedging financial assets			22,759	41,693	1,071	-	-	3,791
Bills and bonds purchased under resell agreements			15,496,693	9,632,135	7,818,111	19,820,982	7,066,040	8,392,158
Receivables, net			67,968,973	66,244,408	67,620,185	69,647,570	72,677,707	68,857,835
Current income tax assets			3,830,971	1,743,485	2,427,883	3,623,060	2,545,024	1,794,315
Loans and discounts, net			2,278,418,007	2,540,643,384	2,659,985,957	2,853,549,014	2,913,336,941	3,025,570,039
Reinsurance assets, net			10,125	12,426	16,447	13,424	9,045	7,988
Held-to-maturity financial assets, net			372,608,694	-	-	-	-	-
Investments under equity method, net			42,510,031	44,695,410	48,355,508	48,406,403	51,587,588	51,011,054
Other financial assets, net			102,850,759	51,706,208	44,615,014	50,439,313	58,645,296	59,255,230
Investments property, net			22,668,062	22,599,025	23,655,232	23,577,763	24,239,564	24,219,389
Property and equipment, net			98,315,342	98,206,850	140,363,879	141,381,159	141,148,816	141,023,820
Right-of-use asset, net			-	-	1,523,432	1,325,280	1,308,746	1,251,091
Intangible assets, net			733,720	814,874	940,059	1,082,826	1,184,535	1,159,561
Deferred tax assets			2,657,994	3,642,009	3,950,596	5,146,150	4,969,167	4,777,087
Other assets			8,364,968	9,185,365	11,794,094	16,136,154	34,445,676	36,061,793
Total Assets			5,274,352,766	5,389,778,686	5,509,491,407	5,821,471,371	5,994,927,521	6,058,352,011
Deposits of Central Bank and other banks			219,021,384	221,756,139	229,253,533	268,447,708	301,575,853	243,642,852
Funds borrowed from Central Bank and other banks			-	-	-	15,849,400	36,170,330	35,859,780
Financial liabilities measured at fair value through profit or loss			34,926,949	50,652,530	59,619,316	31,899,064	19,469,423	26,041,228
Hedging (derivative) financial liabilities			60,480	12,973	25,537	49,894	16,241	1,992
Bills and bonds sold under repurchase agreements			36,703,085	26,562,911	24,497,867	9,212,050	6,808,895	7,407,582
Commercial paper payables, net			1,189,859	289,886	1,024,682	604,902	869,837	1,184,696
Payables			60,080,535	49,164,205	48,499,809	51,217,836	50,151,374	50,483,200
Current income tax liabilities			958,241	360,056	1,372,310	1,212,974	1,913,358	1,344,606
Deposits and remittances			3,931,372,672	4,021,597,436	3,963,341,498	4,160,605,144	4,195,484,066	4,307,783,533
Financial bonds payable			24,998,316	24,998,566	24,998,820	24,999,085	25,999,058	25,999,158
Provision			650,473,144	661,967,616	748,599,706	843,115,771	916,170,476	911,613,160
Other financial liabilities			854,756	689,870	2,392,308	3,943,113	9,233,498	9,224,851
Lease liability			-	-	1,403,542	1,205,735	1,210,595	1,178,993
Deferred tax liabilities			18,488,415	18,327,849	18,680,428	18,888,500	18,684,707	18,495,107
Other liabilities			9,014,032	8,343,258	11,061,457	12,336,395	13,143,177	9,149,505
Total liabilities		Before distribution	4,988,141,868	5,084,723,295	5,134,770,813	5,443,587,571	5,596,900,888	5,649,410,243
		After distribution	4,988,141,868	5,084,723,295	5,134,770,813	5,443,587,571	5,596,900,888	5,649,410,243
Equity attributable to stockholders of TFH	Capital stock	Before distribution	90,000,000	90,000,000	103,125,000	103,125,000	103,125,000	103,125,000
		After distribution	90,000,000	90,000,000	103,125,000	103,125,000	103,125,000	103,125,000
	Capital surplus	Before distribution	111,385,226	111,385,226	140,260,226	140,260,226	140,260,226	140,260,226
		After distribution	111,385,226	111,385,226	140,260,226	140,260,226	140,260,226	140,260,226
	Retained earnings	Before distribution	60,277,160	64,485,991	71,351,124	78,673,744	90,978,430	95,406,347
		After distribution	60,277,160	64,485,991	71,351,124	77,249,162	89,418,381	93,846,298
Other equity	Before distribution	24,548,512	39,184,174	59,984,244	55,824,830	63,662,977	70,150,195	
	After distribution	24,548,512	39,184,174	59,984,244	55,824,830	63,662,977	70,150,195	
Total equity		Before distribution	286,210,898	305,055,391	374,720,594	377,883,800	398,026,633	408,941,768
		After distribution	286,210,898	305,055,391	374,720,594	376,459,218	396,466,584	407,381,719

Note: Figures for 2017 through 2020 are based on final accounts, and are made to figures and account titles after adoption of the Generally Accepted Accounting Principles. Figures for 2021 have been audited by CPA. Figures for 2022 through March 31 have been reviewed by a CPA.



## Condensed Consolidated Income Statement

Unit: NT\$1,000

Item	Year	2017	2018	2019	2020	2021	2022.3.31
Interest income		68,764,807	74,006,749	76,585,405	64,397,220	58,702,450	14,967,929
Less: Interest expense		(33,659,218)	(38,250,221)	(39,340,093)	(26,558,059)	(18,650,784)	(4,774,175)
Net interest income		35,105,589	35,756,528	37,245,312	37,839,161	40,051,666	10,193,754
Non-interest income, net		38,046,007	15,098,088	89,388,276	89,305,661	71,888,835	(6,415,475)
Net revenue		73,151,596	50,854,616	126,633,588	127,144,822	111,940,501	3,778,279
Reversal of Bad debts expense, commitment and guarantee liability provision		(1,680,984)	(7,297,710)	(7,340,443)	(307,686)	(247,711)	1,150,007
Provisions for policyholder's reserve premium		(42,788,426)	(12,014,671)	(85,760,846)	(95,364,651)	(71,376,788)	5,517,567
Total expenses		(21,429,758)	(22,056,506)	(23,026,174)	(22,934,533)	(23,405,074)	(5,553,564)
Net income before income tax		7,252,428	9,485,729	10,506,125	8,537,952	16,910,928	4,892,289
Income tax (expenses) interest		113,943	(391,369)	(1,469,189)	457,152	(1,209,062)	(539,128)
Consolidated net income		7,366,371	9,094,360	9,036,936	8,995,104	15,701,866	4,353,161
Other comprehensive income (loss)		6,370,140	1,802,709	18,628,769	(5,856,437)	5,865,549	6,561,974
Total comprehensive income (loss) after tax for the period		13,736,511	10,897,069	27,665,705	3,138,667	21,567,415	10,915,135
Consolidated net income attributable to stockholders of TFH		7,366,371	9,094,360	9,036,936	8,995,104	15,701,866	4,353,161
Total comprehensive income (loss) after tax for the period attributable to stockholders of TFH		13,736,511	10,897,069	27,665,705	3,138,667	21,567,415	10,915,135
Basic earnings per share		0.82	1.01	0.96	0.87	1.52	0.42

Note: Figures for 2017 through 2020 are based on final accounts, and are made to figures and account titles after adoption of the Generally Accepted Accounting Principles. Figures for 2021 have been audited by CPA. Figures for 2022 through March 31 have been reviewed by a CPA.

## Condensed Balance Sheet

Unit: NT\$1,000

Item	Year	2017	2018	2019	2020	2021	2022.3.31
Cash and cash equivalents		140,733	301,992	198,754	1,056,123	866,810	640,960
Financial assets measured at fair value through other comprehensive income		-	25,000	24,475	21,225	11,275	13,050
Receivables, net		3	8	6	140	9	140
Current income tax assets		343,427	228,537	230,830	158,110	284,787	220,862
Investments under equity method, net		302,110,992	330,504,580	399,620,104	402,208,152	432,817,621	443,820,006
Other Financial Assets, net		-	-	-	-	-	3,753
Property and equipment, net		5,049	6,151	7,428	7,580	7,702	7,728
Right-of-use asset, net		-	-	48,932	33,161	16,580	12,435
Intangible assets		280	388	879	1,198	1,076	1,094
Other assets, net		6,302	6,465	6,960	1,432,137	1,567,481	1,569,397
Total Assets		302,606,786	331,073,121	400,138,368	404,917,826	435,573,341	446,289,425
Payables		24,331	30,390	29,470	27,653	46,467	31,025
Other loans		16,250,000	25,800,000	25,200,000	24,600,000	35,000,000	33,500,000
Provision		121,463	118,282	139,014	151,349	171,323	171,734
Lease liability		-	-	49,130	33,427	16,781	12,599
Other liabilities		94	69,058	160	2,221,597	2,312,137	3,632,299
Total liabilities	Before distribution	16,395,888	26,017,730	25,417,774	27,034,026	37,546,708	37,347,657
	After distribution	16,395,888	26,017,730	25,417,774	24,812,649	35,234,907	35,035,856
Equity attributable to stockholders of TFH	Capital stock	Before distribution	90,000,000	90,000,000	103,125,000	103,125,000	103,125,000
		After distribution	90,000,000	90,000,000	103,125,000	103,125,000	103,125,000
	Capital surplus	Before distribution	111,385,226	111,385,226	140,260,226	140,260,226	140,260,226
		After distribution	60,277,160	64,485,991	71,351,124	90,978,430	95,406,347
	Retained earnings	Before distribution	60,277,160	64,485,991	71,351,124	77,249,162	89,418,381
		After distribution	24,548,512	39,184,174	59,984,244	63,662,977	70,150,195
Total equity	Before distribution	286,210,898	305,055,391	374,720,594	377,883,800	398,026,633	408,941,768
	After distribution	286,210,898	305,055,391	374,720,594	376,459,218	396,466,584	407,381,719

Note: Figures for 2017 through 2020 are based on final accounts, and are made to figures and account titles after adoption of the Generally Accepted Accounting Principles. Figures for 2021 have been audited by CPA. Figures for 2022 through March 31 have been reviewed by a CPA.



### Condensed Income Statement

Unit: NT\$1,000

Item	Year	2017	2018	2019	2020	2021	2022.3.31
Income from equity investments under equity methods		7,528,572	9,392,054	9,348,033	9,328,490	15,940,685	4,442,187
Other gains		2,401	5,365	2,596	3,335	2,076	574
Operating expenses		(156,432)	(152,401)	(169,224)	(165,389)	(178,606)	(38,483)
Other expenses and losses		(142,693)	(176,391)	(214,917)	(179,571)	(214,721)	(57,718)
Net income before income tax		7,231,848	9,068,627	8,966,488	8,986,865	15,549,434	4,346,560
Income tax benefit		134,523	25,733	70,448	8,239	152,432	6,601
Net income		7,366,371	9,094,360	9,036,936	8,995,104	15,701,866	4,353,161
Other comprehensive income (loss) for the period, net of income tax		6,370,140	1,802,709	18,628,769	(5,856,437)	5,865,549	6,561,974
Total comprehensive income (loss) for the period		13,736,511	10,897,069	27,665,705	3,138,667	21,567,415	10,915,135
Earnings per share		0.82	1.01	0.96	0.87	1.52	0.42

Note: Figures for 2017 through 2020 are based on final accounts, and are made to figures and account titles after adoption of the Generally Accepted Accounting Principles. Figures for 2021 have been audited by CPA. Figures for 2022 through March 31 have been reviewed by a CPA.

## 2. CPA-Auditor of Financial Report

Year	Name of Accounting Firm	Name of CPA	Audit Opinion
2017	KPMG Certified Public Accountants	Yen-Ling Fang, Feng-Hui Lee	Unqualified Opinion with an Emphasis of Matter paragraph and an Other Matter paragraph
2018	KPMG Certified Public Accountants	Yen-Ling Fang, Feng-Hui Lee	Unqualified Opinion with an Emphasis of Matter paragraph and an Other Matter paragraph
2019	KPMG Certified Public Accountants	Feng-Hui Lee, Ling Wu	Unqualified Opinion with an Emphasis of Matter paragraph and an Other Matter paragraph
2020	KPMG Certified Public Accountants	Feng-Hui Lee, Ling Wu	Unqualified Opinion with an Emphasis of Matter paragraph and an Other Matter paragraph
2021	KPMG Certified Public Accountants	Feng-Hui Lee, Ling Wu	Unqualified Opinion with an Emphasis of Matter paragraph and an Other Matter paragraph

## II. Five-Year Financial Analysis

### 1. Consolidated Financial Analysis

Unit: NT\$1,000; %

Item	Year	2017	2018	2019	2020	2021	2022.3.31
Operating Ability	Total assets turnover (times)	0.0141	0.0095	0.0232	0.0224	0.0189	0.0006
	Loans to deposits ratio of banking subsidiary (%)	58.82	64.39	68.42	69.77	70.87	71.64
	NPL ratio of banking subsidiary (%)	0.29	0.21	0.18	0.15	0.11	0.11
	The group's average operating revenue per employee	8,066	5,553	13,882	13,967	12,346	417
	The group's average profit per employee	812	993	991	988	1,732	481
Profitability	Return on assets (%)	0.14	0.17	0.17	0.16	0.27	0.07
	Return on equity (%)	2.64	3.08	2.66	2.39	4.05	1.08
	Net margin (%)	10.07	17.88	7.14	7.07	14.03	115.22
	Earnings per share (NT\$)	0.82	1.01	0.96	0.87	1.52	0.48
Financial structure (%)	Liabilities to assets ratio	94.57	94.34	93.20	93.51	93.36	93.25
	Liabilities to net worth ratio	1,742.82	1,666.82	1,370.29	1,440.55	1,406.16	1,381.47
	TFH's double leverage ratio	Referred to condensed financial analysis					



Item			Year	2017	2018	2019	2020	2021	2022.3.31						
Leverage ratio	Operating leverage ratio		Referred to condensed financial analysis												
	TFH's financial leverage ratio														
Growth rates	Growth rate of assets									3.27	2.19	2.22	5.66	2.98	1.06
	Growth rate of profit									-54.49	30.79	10.76	-18.73	98.07	5.14
Cash flows	Cash flow ratio														
	Cash flow adequacy ratio														
	Cash flow satisfied ratio														
Operating scale	Market share by assets									10.04	9.68	9.16	8.85	8.45	8.40
	Market share by net worth									7.70	8.28	8.35	7.71	7.59	8.24
	Market share of deposits of banking subsidiary									10.12	10.04	9.36	8.98	8.41	8.55
	Market share of loans of banking subsidiary		8.05	8.52	8.57	8.71	8.36	8.52							
Capital Adequacy	Capital adequacy ratio	BOT	13.13	12.55	14.16	14.95	15.25	16.00							
		BTLI	154.15	258.45	222.71	176.42	287.58	296.13							
		BTS	512	691	475	407	525	549							
	Eligible capital of the subsidiaries	BOT	246,987,645	250,482,752	297,573,020	328,668,144	327,252,413	364,654,275							
		BTLI	9,714,048	17,997,060	17,552,243	13,206,081	24,729,529	26,910,802							
		BTS	2,779,888	2,913,777	2,915,456	3,206,081	4,125,352	4,345,237							
	Group's net eligible capital requirement		231,028,483	235,045,648	284,741,209	314,914,019	317,916,308	357,631,641							
	Statutory capital requirement of the subsidiaries	BOT	173,984,554	197,062,535	220,690,409	230,774,514	225,280,608	239,352,486							
		BTLI	12,603,324	13,927,086	15,762,218	15,037,272	17,198,402	18,175,248							
		BTS	815,211	632,695	919,964	1,180,875	1,179,564	1,186,731							
	Group's statutory capital requirement		187,414,724	211,660,328	237,461,270	247,063,519	243,702,649	258,441,838							
	Groxup's capital adequacy ratio		123.27	111.05	119.91	127.46	130.45	138.38							
Paragraph 46 of the Financial Holding Company Act requires disclosure of the aggregate amount, or ratio of, credit extensions, guarantees or other transactions between all subsidiaries and any single party, single group of related parties, or single group of related enterprises.		Same person (%)	800.34	835.26	672.67	699.68	657.09	657.55							
		Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprises in which the principal or his/her spouse is the responsible person (%)	41.68	34.70	26.32	25.02	22.63	16.76							
		Same affiliate (%)	201.71	211.30	175.94	197.35	187.86	201.25							

## Notes:

- Figures for 2017 through 2020 are based on final accounts, and are made to figures and account titles after adoption of the Generally Accepted Accounting Principles. Figures for 2021 have been audited by CPA. Figures for 2022 through March 31 have been reviewed by a CPA.
- The increase in group's average profit per employee was due mainly to an increase in BOT's net interest income, a decrease in BTLI's hedging costs and net foreign exchange loss, and an increase in net profit after tax in 2021.
- The increase in profitability (includes four items) was due mainly to an increase in BOT's net interest income, a decrease in BTLI's hedging costs and net foreign exchange loss, and an increase in net profit after tax in 2021.
- The decrease in growth rate of assets was due mainly to a decrease in BOT's loans and financial assets at fair value through profit or loss.
- The increase in growth rate of profit was due mainly to the results of an increase in BOT's net interest income, and a decrease in BTLI's hedging costs and net foreign exchange loss in 2021.

## 2. Condensed Financial Analysis

Unit: NT\$1,000; %

Item	Year	2017	2018	2019	2020	2021	2022.3.31
Operating ability	Total assets turnover	0.0254	0.0291	0.0250	0.0227	0.0374	0.0099
	Average revenue per employee	163,539	196,192	172,372	166,405	275,931	79,728
	Average profit per employee	160,139	193,497	170,508	163,547	275,471	79,148
Profitability	Return on Assets (%)	2.49	2.87	2.47	2.23	3.74	0.99
	Return on Equity (%)	2.64	3.08	2.66	2.39	4.05	1.08
	Net Income ratio (%)	97.92	98.63	98.92	98.28	99.83	99.27
	Earnings Per Share (NT\$)	0.82	1.01	0.96	0.87	1.52	0.42
Financial structure (%)	Liabilities to assets ratio	5.42	7.86	6.35	6.68	8.62	8.37
	Liabilities to net worth ratio	5.73	8.53	6.78	7.15	9.43	9.13
	TFH's double leverage ratio	105.56	108.35	106.65	106.44	108.74	108.53
Leverage ratio	Operating leverage ratio	102.02	101.54	101.74	101.69	101.02	100.77
	TFH's financial leverage ratio	101.83	101.88	102.31	101.86	101.31	101.30
Growth rates	Growth rate of assets	4.58	9.41	20.86	1.19	7.57	2.46
	Growth rate of profit	-51.08	25.40	-1.13	0.23	73.02	2.75
Cash flows	Cash flow ratio	2,034.18	2,653.95	2,454.05	11,097.79	4,690.17	4,363.30
	Cash flow adequacy ratio	123.15	167.21	27,880.66	387.79	242.91	271.62
	Cash flow satisfied ratio	59,132.14	8.04	21,460.21	112,289.46	19.81	260,329.81
Operating scale	Market share of assets	7.42	8.10	8.20	7.54	7.44	7.97
	Market share of net worth	7.99	8.53	8.66	8.02	7.74	8.41

### Notes:

- Figures for 2017 through 2020 are based on final accounts, and are made to figures and account titles after adoption of the Generally Accepted Accounting Principles. Figures for 2021 have been audited by CPA. Figures for 2022 through March 31 have been reviewed by a CPA.
- The increases in Total assets turnover and in Average revenue per employee were due mainly to an increase in equity method gains and a consequent increase in net income in 2021.
- The increases in Average profit per employee, Return on Assets, Return on Equity and Earnings Per Share were due mainly to an increase in equity method gains and a consequent increase in net income in 2021.
- The decrease in cash flow ratio was due mainly to a decrease in net cash flow from operating activities.
- The decrease in cash flow adequacy ratio was due mainly to an increase in cash dividends for the past 5 years.
- The decrease in cash flow satisfied ratio was due mainly to capital increase in subsidiary BTLI, which led to an increase in net cash outflow from investing activities.

### Formulae used in calculations:

#### 1. Operating Ability

- Total assets turnover (times) = Net interest and non-interest income / Average Total Assets
- Ratio of loans to deposits = Annual average loans outstanding / Annual average deposits
- Non-performing loan ratio = Non-performing loans / Total loans outstanding
- Average revenue per employee = Net interest and non-interest income / Total number of employees
- Average profit per employee = Net income / Total number of employees

#### 2. Profitability

- Return on assets = [Net Income + Interest expense × (1 – tax rate)] / Average total assets
- Return on shareholders' equity = Net income / Average net shareholders' equity
- Net income ratio = Net income / Net interest and non-interest income
- Earnings per share = (Income attributable to owners of the parent company – preferred stock dividend) / Weighted average number of shares issued

#### 3. Financial Structure

- Ratio of liabilities to assets = Total liabilities / Total assets
- Liabilities to net worth ratio = Total liabilities / Net equity
- The financial holding company double leverage ratio = aggregate investment in subsidiaries / aggregate parent equity

#### 4. Leverage ratio

- Operating leverage ratio = (Net revenue – Net expense) / Earnings before tax
- TFH's financial leverage ratio = (Earnings before tax + Interest expense) / Earnings before tax



#### 5. Growth Rate

(1) Rate of asset growth = (Total assets for current year – total assets for previous year) / Total assets for previous year

(2) Rate of profit growth = (Before-tax profit or loss for current year – before-tax profit or loss for previous year) / Before-tax profit for previous year

#### 6. Cash Flow

(1) Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + commercial paper + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreements + current portion of payables)

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + cash dividends) for the past five years

(3) Cash flow satisfied ratio = Net cash flow from operating activities / Net cash flow from investing activities

#### 7. Operating Scale

(1) Market Share of Assets = Total assets / Total assets of the major financial institutions

(2) Market Share of Net Worth = Net worth / Total net worth of the major financial institutions

(3) Market Share of Deposits = Deposits / Total deposits of the major financial institutions

(4) Market Share of Loans = Loans / Total loans of the major financial institutions

#### 8. Capital Adequacy Ratio

(1) Group's net eligible capital = financial holding company's eligible capital + (the financial holding company's shareholding × eligible capital of its subsidiaries) – the amounts of deductions set forth in Article 4 herein.

(2) Group's statutory capital requirement = financial holding company's statutory capital requirement + (the financial holding company's shareholding × the statutory capital requirements of its subsidiaries)

(3) Group's capital adequacy ratio = Group's net eligible capital / the group's statutory capital requirement.

### III. Statement by the Audit Committee

Please refer to page 89 of the Chinese annual report.

### IV. Consolidated Financial Statements of 2021

Please refer to TFH website (<https://www.twfhc.com.tw/Eng>) - Financial Info - Financial Statements.

### V. Any Financial Difficulties of the Company or the Affiliates in 2021:

None.

# Financial Status, Financial Performance, and Risk Management

## I. Financial Status

Unit: NT\$1,000

Item	Year	2021	2020	Difference	
				Amount	(%)
Cash and cash equivalents		866,810	1,056,123	-189,313	-17.93
Financial assets measured at fair value through other comprehensive income		11,275	21,225	-9,950	-46.88
Receivables-net		9	140	-131	-93.57
Current tax Assets		284,787	158,110	126,677	80.12
Investment at equity recognized under equity method-net		432,817,621	402,208,152	30,609,469	7.61
Property and equipment-net		7,702	7,580	122	1.61
Right-of-use asset-net		16,580	33,161	-16,581	-50.00
Intangible assets-net		1,076	1,198	-122	-10.18
Other assets-net		1,567,481	1,432,137	135,344	9.45
Total assets		435,573,341	404,917,826	30,655,515	7.57
Payables		46,467	27,653	18,814	68.04
Other loans		35,000,000	24,600,000	10,400,000	42.28
Debt reserves		171,323	151,349	19,974	13.20
Lease liabilities		16,781	33,427	-16,646	-49.80
Other debt		2,312,137	2,221,597	90,540	4.08
Total debt		37,546,708	27,034,026	10,512,682	38.89
Capital		103,125,000	103,125,000	-	-
Additional paid-in capital		140,260,226	140,260,226	-	-
Retained earnings		90,978,430	78,673,744	12,304,686	15.64
Other items of shareholders' equity		63,662,977	55,824,830	7,838,147	14.04
Total shareholders' equity		398,026,633	377,883,800	20,142,833	5.33

- Notes: 1. "Financial assets measured at fair value through other comprehensive income" decreased, due mainly to an increase in unrealized valuation losses of equity instruments.
2. "Receivables-net" decreased, due mainly to a decrease in other receivables.
3. "Current tax Assets" increased, due mainly to an increase in tax refund receivable from the National Taxation Bureau, as calculated under the consolidated tax return regime.
4. "Right-of-use asset-net" and "Lease liabilities" decreased, due mainly to periodic provisions against depreciation expenses and repayment of lease liabilities principal.
5. "Payables" increased, due mainly to an increase in interest payables.
6. "Other loans" increased, due mainly to a debt capital increase at subsidiary BTLI.

## II. Financial Performance

Unit: NT\$1,000

Item	Year	2021	2020	Difference	
				Amount	(%)
Share of profit of associates and joint ventures accounted for using equity method		15,940,685	9,328,490	6,612,195	70.88
Non-operating income-net		2,076	3,335	-1,259	-37.75
Operating expenses		(178,606)	(165,389)	-13,217	7.99
Other expenses and losses		(214,721)	(179,571)	-35,150	19.57
Net income before income tax		15,549,434	8,986,865	6,562,569	73.02
Income tax benefits		152,432	8,239	144,193	1750.13
Consolidated net income		15,701,866	8,995,104	6,706,762	74.56
Other comprehensive income (loss) after tax for the period		5,865,549	(5,856,437)	11,721,986	- (*)
Total comprehensive income (loss) after tax for the period		21,567,415	3,138,667	18,428,748	587.15

- Notes: 1. "Share of profit of associates and joint ventures accounted for using equity" increased, due mainly to an increase in BOT's net interest income and a decrease in BTLI's hedging costs and net foreign exchange loss.
2. "Non-operating income-net" decreased, due mainly to recognition of rental income from land possessed after a land-backed capital increase in 2020.
3. "Other expenses and losses" increased, due mainly to an increase in loan interest expenses.
4. "Income tax benefits" increased, due mainly to an increase in income tax benefits as calculated under the consolidated tax return regime.
5. "Other comprehensive income (loss) after tax for the Period" increased, due mainly to an increase in unrealized valuation gains on the stocks and other equity instruments of TFH subsidiaries. \*This item does not show "Difference%" since it's negative in 2020.





### III. Cash Flows

#### 1. Analysis of Cash Flow Changes in 2021

Unit: %

Item	Year	2021	2020	Change (%)
Cash flow ratio		4,690.17	11,097.79	-57.74
Cash flow adequacy ratio		242.91	387.79	-37.36
Cash flow satisfied ratio		19.81	112,289.46	-99.98

Notes: 1. "Cash flow ratio" decreased, due mainly to a decrease in net cash flow from operating activities.  
 2. "Cash flow adequacy ratio" decreased, due mainly to an increase in cash dividends for the past 5 years.  
 3. "Cash flow satisfied ratio" decreased, due mainly to a capital increase at subsidiary BTLI, which caused an increase in net cash outflow from investing activities.

#### 2. Cash Liquidity in the Coming Year

Unit: NT\$1,000

Beginning cash balance	Net cash flow from operating activities for entire year	Net cash outflows for entire year	Cash surplus (or deficit)	Measures to make up for cash deficit
866,780	-119,482	-31,361	715,937	None

Notes: 1. Investment activities: The main investment activities involve collecting dividends and bonuses paid in by subsidiaries.  
 2. Capital raising activities: The main capital raising activities involve paying dividends and bonuses into the national treasury, and paying interests.

### IV. Impact of Material Capital Expenditures on Financial and Operating Condition in 2021: None.

### V. Policy on Strategic Investments, and the State of Its Implementation

#### 1. Policy on 2021 Strategic Investments

Based on the Group's development roadmap, TFH closely tracked the latest economic and financial trends at both home and abroad, and took advantage of government-policy-based business opportunities, carried out financial support for industrial development, thereby spurring development of the overall economy. TFH also achieved a stronger competitive edge in its core businesses, accelerated the transition to digital finance, expanded its business footprint, implemented responsible financing and inclusive financing, worked for sound corporate sustainability, expanded business scale and scope, and created group synergies.

#### 2. Main Reasons for Profits/Losses on Strategic Investments, and Plans for Addressing any Losses

Among the Group's three wholly owned subsidiaries, BOT implemented the principles of inclusive financing and responsible financing, coordinated with the implementation of government policies, and adopted a "three carts" business structure designed to ensure a balanced emphasis on consumer lending, corporate lending, and public sector lending. Despite the adverse impact of low interest rates and the COVID-19 pandemic, BOT still had excellent operating results. BTS took advantage of business opportunities generated by brisk market activity to launch a service for cost-average investment in stocks. It also continued optimizing its electronic order submission platform and operating procedures. Profits doubled in 2021 to an all-time high. BTLI suffered operational losses, mainly because in recent years the NT dollar has continually appreciated against the US dollar, leading to high hedging costs and foreign exchange losses. There were also losses due to the interest rate spread for insurance policies taken on before the founding of the company. If this factor was ignored, other substantial business operations were all profitable. BTLI will continue to improve its asset-liability management, strengthen its exchange rate hedge strategies, earn better returns on capital, and improve operating performance.

### 3. 2022 Investment Plan

TFH will carry out its "5P business management policy" and establish a "5S corporate culture" to enhance management of investee companies and pursue a strategy of integrating the Group's diverse resources in order to consolidate the TFH Group's competitive edge and spur the Group's stable growth. Also, to coordinate with the trends of economic and financial development, TFH will continue to observe and carefully evaluate in order to identify appropriate investment targets and make timely investments in subsidiaries. The ultimate goal is to expand the group's scope of business.

## VI. Risk Management

### 1. Risk Management Structure and Policy

Please refer to TFH's website (<https://www.twfhc.com.tw/Eng>) / Financial Info / Financial Statements of 2021 year "Notes to the Consolidated Financial Statements - Financial Risk Management" section at page 113~233.

### 2. Methods for measuring and controlling risks, exposure quantification information

#### (1) Ordinary Disclosures

Please refer to TFH's website (<https://www.twfhc.com.tw/Eng>) / Financial Info / Financial Statements of 2021 year "Notes to the Consolidated Financial Statements - Financial Risk Management" section at page 113~233.

#### (2) Methods for Risk Management and Exposure Quantification Information

##### (A) BOT

##### a. Credit Risk

##### (a) Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Unit: NT\$1,000

Item	Type of Exposure & Date	Exposure Following Risk Mitigation		Accrued Capital	
		2021.12.31	2022.3.31	2021.12.31	2022.3.31
Sovereign Nations		1,526,726,991	1,508,519,181	141,853	159,492
Non-Central Government Public Sector		663,090,808	707,143,066	20,609,201	22,574,194
Banks (Including Multilateral Development Banks)		437,783,661	465,113,626	18,225,118	19,893,233
Enterprises (Including Securities and Insurance Firms)		609,062,971	613,197,645	52,536,542	53,245,418
Retail Loans		213,186,494	207,402,586	8,102,046	7,866,845
Residential Real Estate		1,439,163,640	1,445,444,760	86,666,579	86,011,207
Equity Investment		42,265,052	126,582,117	4,437,830	13,291,122
Equity Securities Investment of Private Equity Funds and Venture Capital		1,960	2,200	2,573	2,887
Other Assets		229,866,359	217,981,480	17,564,706	17,137,167
Total		5,161,147,936	5,291,386,661	208,286,448	220,181,565

Notes: 1. Accrued Capital = Exposure Following Risk Mitigation × Capital Adequacy Ratio Minimum Requirement (Capital Adequacy Ratio Minimum Requirement is 10.5%).

2. Securitization risk has been factored into the figures in this table.

3. From January 2013, the Bank adopted Basel III and introduced the concept of credit valuation adjustment (CVA) into calculations of counterparty credit risk. As of end-December 2021, credit risk-weighted assets (including CVA charge) stood at NT\$5,871,786,000, making for a capital charge of NT\$469,743,000; as of end-March 2022, credit risk-weighted assets (including CVA charge) stood at NT\$7,208,796,000, making for a capital charge of NT\$576,704,000.



## (b) Securitization Risk Exposure and Accrued Capital (According to the Type of Transactions)

Dec. 31, 2021

Unit: NT\$1,000

Bank \ Type of Exposure \ Book		Asset Class	Traditional					Synthetic		Total		
			Risk Exposure				Accrued Capital (2)	Risk Exposure	Accrued Capital (4)	Risk Exposure (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued Capital Before Securitization
			Retention or Purchasing	The provision of liquidity facilities	The provision of credit enhancement	Subtotal (1)		Retention or Purchasing (3)				
Non- Originating Bank	Banking Book	MBS	2,802,892	0	0	2,802,892	58,861	0	0	2,802,892	58,861	
		ABS	0	0	0	0	0	0	0	0	0	
	Trading Book	REITs	36,124	0	0	36,124	5,924	0	0	36,124	5,924	
	Subtotal		2,839,016	0	0	2,839,016	64,785	0	0	2,839,016	64,785	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			2,839,016	0	0	2,839,016	64,785	0	0	2,839,016	64,785	

March 31, 2022

Unit: NT\$1,000

Unit: NT\$1,000

Bank \ Book \ Type of Exposure		Asset Class	Traditional					Synthetic		Total		
			Risk Exposure				Accrued Capital (2)	Risk Exposure	Accrued Capital (4)	Risk Exposure (5)=(1)+(3)	Accrued Capital (6)=(2)+(4)	Accrued Capital Before Securitization
			Retention or Purchasing	The provision of liquidity facilities	The provision of credit enhancement	Subtotal (1)		Retention or Purchasing (3)				
Non- Originating Bank	Banking Book	MBS	2,489,580	0	0	2,489,580	52,281	0	0	2,489,580	52,281	
		ABS	0	0	0	0	0	0	0	0	0	
	Trading Book	REITs	36,659	0	0	36,659	6,013	0	0	36,659	6,013	
	Subtotal		2,526,239	0	0	2,526,239	58,294	0	0	2,526,239	58,294	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total			2,526,239	0	0	2,526,239	58,294	0	0	2,526,239	58,294	

## b. Liquidity Risk

### (a) New Taiwan Dollar-Denominated Maturity Date Structure

Unit: NT\$1,000

Date	Item	Total	Amounts by Time Remaining before Maturity					
			1~10days	11~30days	31~90days	91~180days	181days to 1 year	Over 1 year
2021.12.31	Major inflows of matured funds	5,200,511,737	437,677,304	525,877,704	579,908,494	406,798,099	675,694,077	2,574,556,059
	Major outflows of matured funds	6,652,728,309	402,381,140	364,647,381	621,108,782	703,897,137	1,474,517,482	3,086,176,387
	Period gap	-1,452,216,572	35,296,164	161,230,323	-41,200,288	-297,099,038	-798,823,405	-511,620,328
2022.3.31	Major inflows of matured funds	5,270,049,108	366,109,483	458,217,549	526,972,329	531,014,074	703,846,747	2,683,888,926
	Major outflows of matured funds	6,746,795,448	213,220,098	342,717,010	600,691,576	977,361,667	1,481,122,601	3,131,682,496
	Period gap	-1,476,746,340	152,889,385	115,500,539	-73,719,247	-446,347,593	-777,275,854	-447,793,570

### (b) U.S. Dollar-Denominated Maturity Date Structure

Unit: US\$1,000

Date	Item	Total	Amounts by Time Remaining before Maturity				
			1~30 days	31~90days	91~180days	181 days to 1 year	Over 1 year
2021.12.31	Major inflows of matured funds	48,756,532	14,562,541	11,631,007	6,185,815	7,660,878	8,716,291
	Major outflows of matured funds	49,626,106	13,230,883	10,499,959	8,656,292	5,689,135	11,549,837
	Period gap	-869,574	1,331,658	1,131,048	-2,470,477	1,971,743	-2,833,546
2022.3.31	Major inflows of matured funds	50,945,398	13,164,379	9,588,399	7,756,030	9,578,908	10,857,682
	Major outflows of matured funds	51,828,896	13,231,520	13,342,858	6,962,117	6,672,428	11,619,973
	Period gap	-883,498	-67,141	-3,754,459	793,913	2,906,480	-762,291

### c. Market Risk

#### Market Risk Accrued Capital

Unit: NT\$1,000

Risk Category	Accrued Capital	
	2021.12.31	2022.03.31
Interest rate risk	2,796,330	3,467,208
Equity security risk	3,220,448	3,966,898
Foreign exchange risk	1,842,388	2,087,972
Option risk	0	0
Commodity risk	0	586
Total	7,859,166	9,522,664

Note: Securitization risk has been factored into the figures in this table.

### d. Operational Risk

#### Operational Risk Accrued Capital

Unit: NT\$1,000

Main Area of Business Operations	2019		2020		2021		Beta factor(β)
	Gross income (1)	Capital charge (1) × β	Gross income (2)	Capital charge (2) × β	Gross income (3)	Capital charge (3) × β	
Corporate financial planning and financing	370,258	66,646	405,289	72,952	310,636	55,914	18%
Trading and sales	12,011,847	2,162,132	6,377,886	1,148,020	3,655,268	657,948	18%
Consumer Banking	9,908,851	1,189,062	10,403,822	1,248,459	12,392,331	1,487,080	12%
Corporate Banking	13,619,688	2,042,953	11,592,897	1,738,935	16,681,469	2,502,220	15%
Payment and settlement	158,761	28,577	536,498	96,570	355,164	63,930	18%
Custodial and agency services	528,757	79,314	563,868	84,580	588,188	88,228	15%
Asset management	-	-	-	-	-	-	12%
Retail brokerage	1,215,164	145,820	727,901	87,348	708,913	85,070	12%
Aggregate capital charge		5,714,504 (4)		4,476,863 (5)		4,940,390 (6)	
Operational Risk Accrued Capital =[(4)+(5)+(6)] / 3	5,043,919						



## (2) BTLI

Unit: NT\$1,000

Risk Category	2021.12.31		2022.03.31	
	RBC	Share of pre-adjusted total RBC (%)	RBC	Share of pre-adjusted total RBC (%)
Asset Risk	16,465,786	58%	18,120,484	60%
Insurance Risk	1,870,060	7%	1,909,549	6%
Interest Rate Risk	8,664,398	30%	8,796,117	29%
Other Risk	1,427,441	5%	1,462,579	5%
Total RBC (before adjustment)	28,427,685	100%	30,288,728	100%
Total RBC	8,599,201	-	9,087,624	-

## (3) BTS

Unit: NT\$1,000

	2021.12.31	2022.03.31
1.BIS Ratio	525%	492%
2.Eligible Capital, net	4,125,352	3,895,237
2.1 Tier 1 Capital	4,125,352	3,895,237
2.2 Tier 2 Capital	0	0
2.3 Eligible used Tier 3 capital	0	0
3.Management risk equivalent	786,376	791,154
3.1 Credit risk equivalent	407,433	378,341
3.2 Operational risk equivalent	131,484	131,484
3.3 Market risk equivalent	247,459	281,329

## 3. Impact of changes to important domestic and foreign policies or laws upon the company's financial and operating condition, and the Group's response

- (1) To help insurers gradually conform with ICS 2.0, the FSC in late 2021 issued a set of "Measures for Strengthening of Interest Rate Risk Charges," whereby the method for calculating interest rate risk charges has been revised. Group subsidiary BTLI has actively responded to this revision. In addition to monitoring current interest rate risk charges for capital adequacy and how these charges will be affected by compliance with ICS, when the capital adequacy ratio and the net worth ratio are below warning thresholds, BTLI will take corrective actions in accordance with its "Capital Adequacy Early Warning System" and "System for Monitor the Implementation of Capital Adequacy Response Measures," and it will act in accordance with its "Measures for Strengthening of Capital" to bolster the company's business continuity capability.
- (2) To strengthen management by domestic banks and insurers of climate-related risks, the Financial Supervisory Commission adopted the "Guidelines for Domestic Banks' Climate Risk Financial Disclosures" and "Guidelines on Climate-related Financial Disclosures of Insurance Companies," which require each domestic bank and insurer to establish appropriate (given the company's size and type of business) assessment and disclosure mechanisms for climate-related risks and opportunities. TFH and its subsidiaries, acting in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD Recommendations), carried out preliminary risk recognition and risk impact assessment exercises with respect to physical risks and transition risks, and disclosed them in quarterly risk management and risk monitoring reports. Also, once each quarter, TFH compiled the results of a climate change risk assessment and the related response measures, and reported them to the Risk Management Committee and the Board of Directors.



#### **4. Impact of changing technologies and industries on financial and operating condition, and the Group's response**

- (1) The trend toward digital finance is accompanied by growing cyber security risks. In response, TFH has adopted an ISO 27001 information security management system (ISMS), obtained certification by an impartial third-party certification body, and keeps the certification current. Within the framework of the overall operations of the ISMS, TFH conducts risk management focusing on personnel, hardware, software, data, documents, and other information assets. Each year TFH convenes a risk assessment meeting to discuss the status of implementation and to make proposals for improvement, as TFH continues to refine information security management and take necessary coping measures.
- (2) To raise employees' cyber security consciousness, TFH and its subsidiaries hire cyber security professionals to promote cyber security operations and periodically carry out security tests and cyber security checkups. Once each year they conduct a cyber security awareness course and email social engineering drills.
- (3) To ensure security in the use of Internet-of-Things (IoT) devices and mitigate related risks, TFH subsidiary Bank of Taiwan (BOT) — acting in accordance with the "Rules Governing Security Controls for Financial Institutions in Their Use of Internet-of-Things Devices" (issued by the Bankers Association of the Republic of China) — adopted a set of "Standard Operating Procedures for IoT Equipment Management." Also, BOT periodically instructs its various units to conduct IoT equipment inventories, and holds IoT equipment safety training courses. The purpose of these courses is to make Bank employees more conscious of the need to keep IoT equipment in safe working order.
- (4) TFH subsidiary BankTaiwan Life Insurance (BTLI) has taken part in the formation of a fintech consortium blockchain, and has used a sharing platform to establish a "Policy Conservation/Claims Alliance Chain" service. With this service, when a policyholder seeking to amend a contract or settle a claim submits an application to an insurer participating in the Alliance Chain, the insurer can then forward the application documents to another participating insurer and use blockchain technology to retain a record of the application process. This approach affords customers a more convenient service experience.

#### **5. Impact of changes in the image of TFH and its subsidiaries, and the Group's response**

The TFH Group is guided by a "customer first" philosophy and carried out corporate social responsibility. It will continue to take active part in community service activities, and provide funding to community



service groups as well as cultural, artistic, and sports activities, in order to give back to society. In 2021, to respond to the impact of the COVID-19 pandemic, BOT took strong steps to implement relief and stimulus measures promoted by various central government agencies under the Executive Yuan, and took concrete action to support the market development efforts of overseas firms operated by Taiwanese expatriates. These efforts earned the Bank the following four awards from the Overseas Credit Guarantee Fund (Taiwan): "Award for Outstanding Amount of Total Guaranteed Loans"; "Award for Outstanding Amount of Guaranteed COVID-19 Project Loans"; "Award for Growth in Amount of Guaranteed Loans to Countries Targeted by the New Southbound Policy"; and "Award for Outstanding Amount and Number of Guaranteed Loans by a Single Bank Branch (South Africa Branch)". In addition, BOT has long attached great importance to the development of sports in Taiwan, and in 2021 the Sports Administration presented the Bank a Promotion Award (Gold Class) at its "Sports Activist Awards" ceremony. In addition, BTLI, having coordinated with government policy by promoting microinsurance, for the 8th consecutive year was singled out by the Financial Supervisory Commission as an "Outstanding Provider of Microinsurance". Meanwhile, BTLI in 2021 won a "Superior Provider of Microinsurance for Persons with Physical and Mental Disabilities" for the 2nd consecutive year. In addition, BTS participated in the "2021 ETF and ETN Competition" held by the Taiwan Stock Exchange, winning a third-place of the "Taiwan Equity ETF Contribution Award".

**6. Expected benefits of any mergers or acquisitions, as well as possible risks and any response measures being or to be taken:** None.

**7. Concentration Risks and Response Measures**

To avoid allowing its business to become overly concentrated on its banking subsidiary, TFH has set limits on the percentage of loans and investments that can go to any particular type of customer or economic sector, or to affiliated enterprises. TFH has a detailed and comprehensive integrated risk control system to exercise rigorous monitoring and control over the degree of concentration of large risk exposures on any single party, single group of related parties, or single group of related enterprises.

**8. Impact from Material Share Transferring of a Director, Supervisor, or Shareholder with more than 1% Stake in TFH**

None. (TFH is a government-owned enterprise wholly owned by the Ministry of Finance. All its directors and supervisors are the Ministry's juristic-person representatives.)

**9. Effect upon and risk to company associated with any change in governance personnel or top management, and response measures being or to be taken**

None. (TFH is a government-owned enterprise wholly owned by the Ministry of Finance. There has been no change in top management).

## 10. Litigious and non-litigious matters

Lawsuit filed by BOT to terminate contract with Tang Eng Iron Works Co., Ltd. for collaborative construction project:

- (1) Matter at issue: In 1984, BOT exercised a lien on a textile factory in Taoyuan belonging to the former Fu Hsin Textile Company and listed the property in its books as "foreclosed collateral." On 15 November 1993, BOT and Tang Eng Iron Works Co., Ltd. ("Tang Eng") entered into a "Collaborative Development Contract to Use the Land at the Taoyuan Factory of the Former Fu Hsin Textile Company for the Construction of a Building." A dispute subsequently arose between the two parties over the question of whether the contract had entered into force, and multiple discussions between BOT and Tang Eng failed to yield a resolution. For this reason, a resolution was adopted at the 2nd meeting of the 3rd BOT Board of Directors on 24 November 2006 that the company would file a lawsuit against Tang Eng seeking termination of contract.
- (2) Value of the claim: Approximately NT\$4.31 billion, said figure representing the 2021 announced current value of the property at issue
- (3) Date of commencement of proceedings: March 2, 2007.
- (4) Main parties: BOT and Tang Eng.
- (5) Current status of the proceedings: BOT received a favorable judgment of first instance, and an unfavorable judgment of second instance, then the Supreme Court remanded the case four times to the High Court for retrial. After an appeal to the court of third instance, the case was remanded for a retrial by the Kaohsiung Branch Court of the Taiwan High Court, which issued a ruling on November 11, 2021 (Ref.: Judgment 109 Chong-Shang-Geng (4) Zi No. 46) that: (a) upheld the judgment of first instance, which had found that the contract for a collaborative construction project had been lawfully terminated; and (b) dismissed the appeal of Tang Eng. Tang Eng again appealed to the Supreme Court. BOT will continue to retain original attorneys to handle the Supreme Court appeal.

## 11. Other Major Risks and Measure Taken in Response

- (1) In response to the COVID-19 pandemic, TFH adopted the offsite work and remote work arrangements promoted by the government, and has actively sought to strengthen its cyber security early warning and emergency response mechanisms. TFH and each of its subsidiaries have adopted a business continuity plan, and have drafted high-security information backup procedures for different business models. These procedures allow for rapid adjustment of cyber security safeguards, ensure the proper functioning of cyber security joint defense, and facilitate the provision of secure, high-quality financial services.



- (2) In order to protect and manage personal data, comply with the "Personal Data Protection Act" and other relevant rules of the competent authority, and protect the rights and interests of persons whose personal data is involved, TFH has specially issued the "Taiwan Financial Holding Co. Rules Governing the Handling of Personal Data After Termination of Business" and the "Taiwan Financial Holding Co. Guidelines for Personal Data Risk Assessment."

### **VII. Crisis Management Mechanism**

In order to establish a group-wide system for preventing the occurrence of emergency situations, to respond promptly and effectively once they do occur, and to follow up with remedial action to deal with the aftermath, TFH and its subsidiaries have adopted a number of emergency response measures and contingency plans. They have set up an Emergency Response Taskforce and Spokesperson system, and when an emergency occurs, they will be prepared to activate their Group-wide Emergency Notification and Communications System. Specified emergency response units are now in place to take charge in case of emergency and handle events in accordance with established operating procedures, and are prepared to report on the status of follow-up review procedures within a prescribed period.

### **VIII. Other Important Matters**

None.

## Miscellaneous

### I. Information on Affiliated Enterprises

#### 1. Charts of Relations within the TFH Group

Please refer to Chapter III “Corporate Governance” on “Organization” section at page 16.

#### 2. TFH Affiliates

March 31, 2022

Name	Date Founded	Address	Paid-in Capital	Main Businesses
BOT	May 20, 1946	No. 120, Sec.1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan	NT\$109 billion	Banking
BTLI	Jan. 2, 2008	6F., No. 69, Sec.2, Dunhua S. Rd., Daan Dist., Taipei City, Taiwan	NT\$43.5 billion	Life Insurance
BTS	Jan. 2, 2008	4-9F., No. 58, Sec.1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan	NT\$3 billion	Securities
BTIB	Jan. 23, 2013	4F., No. 49, Sec.1, Wuchang St., Zhongzheng Dist., Taipei City, Taiwan	NT\$20 million	Insurance Brokerage

#### 3. Controlling and subordinate relation presumption based on Article 369-3 of the Company Law: None.

#### 4. Types of business conducted by TFH affiliates

Including banking, securities, insurance and insurance brokerage.

#### 5. Information on Chairperson, Directors, Supervisors and President of TFH's Subsidiaries

March 31, 2022

Company Name	Position	Name or Representative	Shareholding		Legal Representative
			Shares	%	
BOT	Chairman	Joseph Jye-Cherng Lyu	10.9 billion	100	TFH
	Independent Managing Director	Ming-Fang Tsai			
	Managing Director	Ching-Hwa Juan			
	Managing Director	Juin-Jen Chang			
	Independent Director	Ye-Ning Chen			
	Independent Director	Hung-Neng Lai			
	Managing Director and President	Chih-Wen Hsu			
	Director	Hui-Feng Hsu			
	Director	Shu-Jyuan Huang			
	Director	Nan-Kuang Chen			
	Director	Wen-Hsi Chang			
	Director	Guo-Xing Li			
	Labor Director	De-Ren Wu			
	Labor Director	Neng-Sung Tsai			
	Labor Director	waiting for assignment			
BTLI	Chairperson	Yu-Chih Liu	4.35 billion	100	TFH
	Independent Director	Fang-Chi Lin			
	Independent Director	Ai-Ru Shao			
	Independent Director	Chiung-Feng Ko			
	Director and President	Yuan-Yi Chou			
	Director	Hui-Yun Xia			
	Director	Che-Chun Lin			
	Labor Director	Siou-Sia Tsai			
	Labor Director	Zong-Zheng Lyu			





Company Name	Position	Name or Representative	Shareholding		Legal Representative
			Shares	%	
BTS	TFH President & BTS Chairman	Jan-Lin Wei	0.3 billion	100	TFH
	Independent Director	An-Lin Chen			
	Independent Director	Bai-Xian Peng			
	Independent Director	Yun-Yuan Li			
	Director and President	Hsiu-Hsien Hsieh			
	Director	Yi-Lin Chen			
	Director	Pei-You Wong			
	Labor Director	Fong-Zeng Jhen			
	Labor Director	Chun-Sheng Chu			
BTIB	Chairperson & Acting President	Fan Kang	2 million	100	BOT
	Director	Ming-Yao Ho			
	Director	Pin Chuo			
	Supervisor	Mei-Chung Lou			

## 6. Operation Overview of TFH Affiliates in 2021

Unit: US\$1,000

Name	Capital	Total Assets	Total Liabilities	Equity	Operating Revenues/ Net Income (Note)	Operating Profits/ EBT (Note)	Income (After Tax)	EPS (NT\$1)
BOT	109,000,000	5,548,409,858	5,146,222,301	402,187,557	39,042,311	16,963,242	15,281,288	1.40
BTLI	43,500,000	475,102,037	449,326,654	25,775,383	44,319,119	-741,855	-224,043	-0.05
BTS	3,000,000	20,809,641	15,954,961	4,854,680	1,694,037	1,022,183	883,440	2.94
BTIB	20,000	496,476	117,862	378,614	891,292	83,420	68,787	34.39

Note: Figures for BOT reflect net income, as well as EBT from continuing operations. Figures for the other companies reflect operating revenues and operating profits.

## 7. Consolidated Financial Statements Covering Affiliated Enterprises

The companies that TFH is required, pursuant to the provisions of the "Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations," to include in its FY2021 (January 1, 2021 to December 31, 2021) consolidated financial statements covering affiliated enterprises, are the same as the companies it is required, pursuant to the provisions of the FSC-endorsed International Financial Reporting Standard No. 10, to include in its consolidated financial statements covering the parent company and its subsidiaries. The information that the Company is required to include in its consolidated financial statements covering affiliated enterprises has all been disclosed in the aforementioned consolidated financial statements covering the parent company and its subsidiaries, therefore the Company has not separately prepared consolidated financial statements for individual affiliated enterprises. (Please refer to "Financial Info - Financial Statements" on TFH website: [www.twfhc.com.tw/Eng](http://www.twfhc.com.tw/Eng)).

**II. Private placement of securities in 2021:** None.

**III. Holding or disposal of shares in the company by the company's subsidiaries in 2021:** None.

**IV. Other matters that require additional description:** None.

**V. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities in 2021:** None.

## **VI. Directory of Head Office and Branches**

### **1. Domestic and Overseas Branches of BOT**

Please refer to BOT website: [www.bot.com.tw/english](http://www.bot.com.tw/english)

### **2. Domestic Branches of BTLI**

Please refer to BTLI website: [www.twfhclife.com.tw](http://www.twfhclife.com.tw)

### **3. Domestic Branches of BTS**

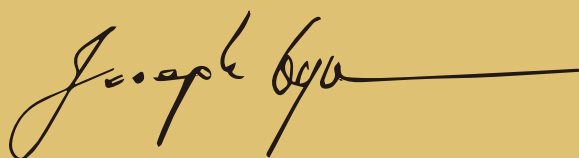
Please refer to BTS website: [www.twfhcsec.com.tw](http://www.twfhcsec.com.tw)

### **4. Domestic Service Units of BTIB**

Please refer to BTIB website: [www.botib.com.tw](http://www.botib.com.tw)

## Taiwan Financial Holdings

Chairman

A handwritten signature in black ink, appearing to read "Joseph Tsai", followed by a long horizontal line.



Taiwan Financial Holdings



臺灣金控

TAIWAN FINANCIAL HOLDINGS

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