China Bills Finance Corporation

Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Bills Finance Corporation

Opinion

We have audited the accompanying financial statements of China Bills Finance Corporation (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimated Impairment of Financial Guarantee Contracts

As of December 31, 2022, the Company's estimated reserve for losses on guarantee for the Company's financial guarantee contracts entered into with credit clients was $1,382,077 thousand. In accordance with the requirements of IFRS 9, "Financial Instruments", the Company recognized the reserve for guarantee liabilities based on the assessed and estimated occurrence of expected losses on financial guarantee contracts. In addition, the reserve for guarantee liabilities was calculated and classified in accordance with the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" (Regulations Governing the Procedures for Bad Debt) and related regulations.

Please refer to Notes 4, 5, 22 and 39 (f) for relevant information and accounting policy for financial guarantee contracts.

The Company should assess the classification of credit assets and recognize the reserve for guarantee liabilities in accordance with the "Regulations Governing the Procedures for Bad Debt". The assessment and reservation involve subjective judgment and estimates, which will directly affect the related accrued amounts. Thus, the estimated impairment of financial guarantee contracts is deemed to be a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. We understood the relevant internal controls about the estimated impairment of reserve for guarantee liabilities of financial guarantee contracts and we tested the effectiveness of the operation of the controls.

2. We reviewed the management's loss reserves evaluation report of credit assets, checked the completeness of credit assets on the loss reserves evaluation report, and evaluated the appropriateness of classification. We also recalculated the amount of reserve for guarantee liabilities shown on the provision for loss reserves evaluation report to confirm the mathematical accuracy of provision for loss reserves.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yin-Chou Chen and Kuan-Hao Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

CHINA BILLS FINANCE CORPORATION

BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 557,558	-	$ 254,598	-
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4 and 7)	-	-	300,000	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 35)	111,485,370	54	114,478,739	50
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11 and 35)	87,997,187	43	106,627,030	47
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10, 11 and 35)	1,483,482	1	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 12 and 36)	3,951,998	2	5,364,108	3
RECEIVABLES, NET (Notes 4 and 13)	632,057	-	730,800	-
CURRENT TAX ASSETS (Notes 4 and 32)	230,666	-	141,516	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 14)	94,408	-	44,115	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 15)	147,025	-	151,544	-
RIGHT-OF-USE ASSETS, NET (Notes 4, 16 and 34)	32,405	-	3,341	-
DEFERRED TAX ASSETS (Notes 4 and 32)	478,240	-	64,719	-
OTHER ASSETS, NET (Notes 17 and 35)	570,079	-	573,370	-
TOTAL	$ 207,660,475	100	$ 228,733,880	100
LIABILITIES AND EQUITY				
CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS (Note 18)	$ 9,507,214	4	$ 9,096,125	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	222,580	-	91,626	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 19, 34 and 36)	171,870,770	83	187,056,650	82
ACCOUNTS PAYABLE (Note 20)	405,841	-	435,714	-
CURRENT TAX LIABILITIES (Notes 4 and 32)	-	-	129,536	-
OTHER FINANCIAL LIABILITIES (Notes 4 and 21)	2,012,096	1	4,498,670	2
PROVISIONS (Notes 4, 5 and 22)	1,395,017	1	1,433,924	1
LEASE LIABILITIES (Notes 4, 16 and 34)	32,620	-	3,371	-
DEFERRED TAX LIABILITIES (Notes 4 and 32)	-	-	43,028	-
OTHER LIABILITIES	236,337	-	388,051	-
Total liabilities	185,682,475	89	203,176,695	89
EQUITY (Notes 4 and 24)				
Ordinary share	13,429,600	7	13,429,600	6
Capital surplus	11,727	-	10,231	-
Retained earnings				
Legal reserve	9,153,638	4	8,551,784	4
Special reserve	769,120	-	769,120	-
Unappropriated earnings	1,291,259	1	2,006,611	1
Total retained earnings	11,214,017	5	11,327,515	5
Other equity	(2,677,344)	(1)	789,839	-
Total equity	21,978,000	11	25,557,185	11
TOTAL	$ 207,660,475	100	$ 228,733,880	100

The accompanying notes are an integral part of the financial statements.

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
NET INTEREST				
Interest revenue (Notes 4 and 25)	$ 2,046,720	124	$ 1,719,503	60
Deduct: Interest expense (Notes 4, 25 and 34)	(1,207,489)	(73)	(460,680)	(16)
Net interest	839,231	51	1,258,823	44
NET REVENUES OTHER THAN INTEREST				
Service fee income, net (Notes 4 and 26)	1,168,009	71	1,301,059	46
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 27)	(406,687)	(25)	185,463	7
Realized (losses) gains on financial assets at fair value through other comprehensive income (Notes 4 and 28)	(113,817)	(7)	115,437	4
Foreign exchange gains (losses), net (Notes 4 and 29)	131,564	8	(22,139)	(1)
Reversal of impairment loss on financial assets (Notes 4 and 11)	8,067	1	8,337	-
Other non-interest gains, net	18,656	1	321	-
TOTAL NET REVENUES	1,645,023	100	2,847,301	100
REVERSAL (Notes 4 and 22)	22,783	1	6,936	-
OPERATING EXPENSES (Notes 4, 30, 31 and 34)				
Employee benefit expenses	(313,057)	(19)	(383,414)	(14)
Depreciation and amortization	(24,862)	(1)	(12,759)	-
Others	(128,593)	(8)	(126,047)	(4)
Total operating expenses	(466,512)	(28)	(522,220)	(18)
PROFIT BEFORE INCOME TAX	1,201,294	73	2,332,017	82
INCOME TAX EXPENSE (Notes 4 and 32)	(161,012)	(10)	(474,351)	(17)
NET INCOME FOR THE YEAR	1,040,282	63	1,857,666	65

(Continued)

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE LOSS				
Components of other comprehensive (loss) income that will not be reclassified to profit or loss:				
Gains (losses) on remeasurement of defined benefit plans (Notes 4 and 23)	$ 29,986	2	$ (740)	-
Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income (Notes 4 and 24)	(104,453)	(6)	214,538	8
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 32)	(5,998)	(1)	148	-
Components of other comprehensive (loss) income that will not be reclassified to profit or loss for the year, net of income tax	(80,465)	(5)	213,946	8
Component of other comprehensive (loss) income that will be reclassified to profit or loss:				
Losses from investments in debt instruments at fair value through other comprehensive income (Notes 4 and 24)	(3,699,889)	(225)	(916,384)	(32)
Income tax related to components of other comprehensive income reclassified to profit or loss (Notes 4 and 32)	368,055	23	119,463	4
Components of other comprehensive loss that will be reclassified to profit or loss for the year, net of income tax	(3,331,834)	(202)	(796,921)	(28)
Other comprehensive loss for the year, net of income tax	(3,412,299)	(207)	(582,975)	(20)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ (2,372,017)	(144)	$ 1,274,691	45
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 33)				
Basic	$ 0.77		$ 1.38	
Diluted	$ 0.77		$ 1.38	

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

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Ordinary Share Capital (Notes 4 and 24)	Capital Surplus (Notes 4 and 24)	Retained Earnings (Notes 4 and 24)			Other Equity (Notes 4 and 24)	
			Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2021	$ 13,429,600	$ 8,804	$ 8,054,883	$ 769,120	$ 1,665,706	$ 1,521,329	$ 25,449,442
Legal reserve	-	-	496,901	-	(496,901)	-	-
Cash dividends distributed	-	-	-	-	(1,168,375)	-	(1,168,375)
Unclaimed dividends	-	1,427	-	-	-	-	1,427
Net income for the year ended December 31, 2021	-	-	-	-	1,857,666	-	1,857,666
Other comprehensive loss for the year ended December 31, 2021	-	-	-	-	(592)	(582,383)	(582,975)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,857,074	(582,383)	1,274,691
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	149,107	(149,107)	-
BALANCE AT DECEMBER 31, 2021	13,429,600	10,231	8,551,784	769,120	2,006,611	789,839	25,557,185
Legal reserve	-	-	601,854	-	(601,854)	-	-
Cash dividends distributed	-	-	-	-	(1,208,664)	-	(1,208,664)
Unclaimed dividends	-	1,496	-	-	-	-	1,496
Net income for the year ended December 31, 2022	-	-	-	-	1,040,282	-	1,040,282
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	23,988	(3,436,287)	(3,412,299)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,064,270	(3,436,287)	(2,372,017)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	30,896	(30,896)	-
BALANCE AT DECEMBER 31, 2022	$ 13,429,600	$ 11,727	$ 9,153,638	$ 769,120	$ 1,291,259	$ (2,677,344)	$ 21,978,000

The accompanying notes are an integral part of the financial statements.

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,201,294	$ 2,332,017
Adjustments for:		
Reversal of expected credit impairment loss	(8,067)	(1,337)
Net loss on valuation of financial assets and liabilities at fair value through profit or loss	344,648	30,126
Depreciation expenses	21,354	9,695
Amortization expenses	3,508	3,064
Interest expense	1,207,489	460,680
Interest revenue	(2,046,720)	(1,719,503)
Dividend revenues	(140,864)	(48,475)
Loss (gain) on disposal of property and equipment	16	(197)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	2,853,694	(8,350,483)
Financial assets at fair value through other comprehensive income	14,833,568	(2,131,973)
Investments in debt instruments at amortized cost	(1,483,073)	-
Securities purchased under resell agreements	1,412,110	(631,226)
Receivables and non-accrual loans	47,508	27,230
Other financial assets	(74,781)	(3,104)
Other assets	4,752	(2,717)
Securities sold under repurchase agreements	(15,185,880)	7,329,840
Payables	(113,223)	11,637
Other financial liabilities	12,929	-
Provisions for employee benefits	(8,921)	(14,007)
Other liabilities	(151,714)	141,863
Interest received	2,048,015	1,793,866
Dividend received	140,864	48,475
Interest paid	(1,121,623)	(461,458)
Income tax paid	(474,190)	(360,481)
Net cash generated from (used in) operating activities	3,322,693	(1,536,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	48,713
Payments for property and equipment	(1,709)	(6,270)
Proceeds from disposal of property and equipment	-	480
Increase in refundable deposits	(97)	(184)
Increase in other assets	(4,872)	(996)
Net cash (used in) generated from investing activities	(6,678)	41,743

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CHINA BILLS FINANCE CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans from banks and overdrafts on banks	$ 411,089	$ 2,956,125
Decrease in commercial papers	(2,500,000)	-
Repayment of the principal portion of lease liabilities	(15,480)	(3,147)
Cash dividend paid	(1,208,664)	(1,168,375)
Net cash (used in) generated from financing activities	(3,313,055)	1,784,603
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,960	289,878
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	554,598	264,720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 557,558	$ 554,598

Reconciliations of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2022 and 2021:

	December 31	
	2022	2021
Cash and cash equivalents in the balance sheets	$ 557,558	$ 254,598
Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	-	300,000
Cash and cash equivalents at the end of the year	$ 557,558	$ 554,598

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

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

1. GENERAL INFORMATION

China Bills Finance Corporation (the "Company") was incorporated in October 1978 in accordance with the Company Law and other related laws. The Company's shares have been listed on the Taiwan Stock Exchange ("TWSE"). As of December 31, 2022, the Company's headquarters was located in Taipei, with five branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung.

The Company's main business scope includes: (a) certifying and underwriting of short-term bills and bank debentures; (b) brokering or undertaking proprietary trading of short-term bills, bank debentures, government and corporate bonds, and foreign bonds; (c) guaranteeing short-term bills; (d) providing financial consulting services to enterprises; (e) processing interbank call loans; (f) equity investments; (g) fixed-income security trading; (h) foreign-currency bills investment; and (i) doing other businesses as authorized by relevant authorities.

As of December 31, 2022 and 2021, the Company had a total of 164 and 163 employees, respectively.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on February 23, 2023.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission of Republic of China (FSC)

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies

b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into the following Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

The operating cycle in the bills finance industry cannot be clearly identified; thus, accounts included in the financial statements of the Company were not classified as current or noncurrent. Nevertheless, accounts are properly categorized by the nature of each account and are sequenced by their liquidity.

Foreign Currencies

Monetary transactions in foreign currencies are recognized at the spot exchange rates at the dates of the transactions. On the settlement of the transactions, the gain or loss resulting from the application of exchange rates different from those used on initial recognition are recognized in profit or loss in the settlement period.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time deposits with original maturities less than three months. In terms of statements of cash flows, cash and cash equivalents include due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 as endorsed by the FSC.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized on an accrual basis.

In the case of outright sale of government bonds purchased under resell agreements, the Company recognizes on financial liabilities at fair value through profit or loss of outright sale, and recognizes the realized gain or loss when government bonds purchased under resell agreements are replenished in the settlement period.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), investments in debt instruments and equity instruments at fair value through other comprehensive income (FVTOCI), and financial assets at amortized cost.

a) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets (including any dividends or interest earned) are recognized in profit or loss. Fair value is determined in the manner described in Note 38.

b) Investments in debt instruments at FVTOCI

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

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

d) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and others, are measured at amortized cost, which equals to the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i. Purchased or originated credit-impaired financial asset, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii. Financial asset that has subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

a) Internal or external information show that the debtor is unlikely to pay its creditors.

b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

In addition to evaluating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, the Company will evaluate impairment loss, under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities and the Company's provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Company recognizes an impairment loss and reversal of impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Credits deemed uncollectible may be written off upon approval by the board of directors.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities (including any dividends or interest paid) are recognized in profit or loss. Fair value is determined in the manner described in Note 38.

b) Financial guarantee contracts

The Company measures financial guarantee contract issued at the higher of:

i. The amount of the loss allowance determined in accordance with IFRS 9; and

ii. The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts, assessment is also performed under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities, and the higher adequacy provision between the above regulations is recognized.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts, interest rate swaps and convertible bond asset swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

e. Modification of financial instruments

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

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Company elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Company first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Non-accrual Loans

Under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” issued by the Financial Supervisory Commission, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

If the Company is under a contract for which the unavoidable costs of meeting contract obligations exceed the economic benefits expected to be received from the contract, the contract is considered onerous. The present obligations arising under this onerous contract are recognized and related provisions are set made.

Revenue Recognition

Service fee income is recognized when a major part of the earnings process has been completed and cash has been collected. Interest revenues are recorded on an accrual basis.

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established and if it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest revenue from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest revenue is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable.

Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

<u>The Company as lessee</u>

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Employee and Retirement Benefits

a. Short-term employee benefits

   Liabilities recognized on short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under the retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

   According to the Income Tax Act, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

   Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured using applicable tax rates and laws that have been enacted or substantially enacted by the end of the reporting period in which the liability is settled or the asset realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, but when these taxes relate to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications and inflation and interest rate fluctuations when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Financial Guarantee Contracts

In accordance with the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt", the Company's assessment of the adequacy of reserve for guarantee liabilities is focused on whether or not, guarantee liabilities and related cash outflows are likely to occur. Evidences for making such judgment include observable data indicating adverse movement in payment status of the debtor or industry news relevant to the debtor's financial position. The Company periodically reviews judgment factors and assumptions in order to minimize the difference between estimated loss and actual loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Checking accounts and demand deposits	$ 557,558	$ 254,598

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

	December 31	
	2022	2021
Call loans and drafts to other banks	$ -	$ 300,000

As of December 31, 2021, the last due date was January 3, 2022, with interest rate of 0.1%.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
Financial assets mandatorily classified as at fair value through profit or loss		
Derivative financial instruments		
Purchase commitment contracts	$ 26,010	$ -
Currency swap contracts	32,916	7,731
Futures margins	24,710	-
Non-derivative financial instruments		
Investment in short-term bills	102,563,909	103,218,241
Bond investments	227,462	435,348
Domestic quoted shares	68,629	284,300
Securities investment trust funds	32,505	-
Fixed-rate commercial paper	9,781	51,607
Beneficiary securities	991,071	502,165
Hybrid financial assets		
Convertible bond asset swap contracts	7,508,377	9,979,347
Financial assets at fair value through profit or loss	$ 111,485,370	$ 114,478,739
Financial liabilities held for trading		
Derivative financial instruments		
Purchase commitment contracts	$ -	$ 40,404
Currency swap contracts	3,074	-
Non-derivative financial instruments		
Fixed-rate commercial paper	131,991	1,691
Benchmark interest rate commercial paper	87,515	-
When-issued trading	-	49,531
Financial liabilities at fair value through profit or loss	$ 222,580	$ 91,626

The contract amounts (or notional amounts) of outstanding derivative financial instruments as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Convertible bond asset swap contracts	$ 7,598,000	$ 9,990,100
Purchase commitment contracts	15,000,000	12,900,000
Currency swap contracts	2,395,224	1,024,530

The Company used transactions of derivative financial instruments to acquire fixed returns and reduce the cash flow risk arising from interest rate and exchange rate fluctuations.

As of December 31, 2022 and 2021, the face values of financial assets at fair value through profit or loss under repurchase agreements were $86,836,200 thousand and $78,572,100 thousand, respectively.

The profit and loss arising from financial assets and liabilities at fair value through profit and loss in 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	**2021**
Financial assets at fair value through profit or loss		
Realized (loss) profit	$ (50,413)	$ 217,369
Valuation loss	(164,163)	(27,284)
	$ (214,576)	$ 190,085
Financial liabilities at fair value through profit or loss		
Realized loss	$ (11,626)	$ (1,780)
Valuation loss	(180,485)	(2,842)
	$ (192,111)	$ (4,622)

Note 35 shows the financial assets at FVTPL that were classified as pledged assets.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	**2021**
Investments in equity instruments	$ 982,835	$ 1,548,293
Investments in debt instruments	87,014,352	105,078,737
	$ 87,997,187	$ 106,627,030

a. Investments in equity instruments

	December 31	
	2022	**2021**
Domestic investments		
Listed shares and emerging market shares	$ 528,960	$ 1,043,747
Unlisted shares	329,075	367,896
Beneficiary securities on real estate investment trust	124,800	136,650
	$ 982,835	$ 1,548,293

As of December 31, 2022 and 2021 domestic unlisted shares held by the Company were as follows:

	December 31	
	2022	2021
Domestic unlisted shares		
Taiwan Depository and Clearing Corporation	$ 148,185	$ 136,530
Taiwan Futures Exchange Corporation	108,924	101,413
Taiwan Asset Management Corporation	71,695	70,730
Core Pacific City Corporation	271	59,223
	$ 329,075	$ 367,896

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

The Company adjusted the capital adequacy ratio by disposal of shares classified as at FVTOCI. For the years ended December 31, 2022 and 2021, the fair value of shares disposed which classified as at FVTOCI were $645,217 thousand and $770,476 thousand and the accumulated gains related to the sold assets were $30,896 thousand and $149,107 thousand which were transferred from other equity to retained earnings, respectively.

Dividends of $139,218 thousand and 45,553 thousand were recognized during 2022 and 2021, and those related to investments held at the end of the reporting period were $123,963 thousand and $45,553 thousand, respectively.

b. Investments in debt instruments

	December 31	
	2022	2021
Domestic investments		
Government bonds	$ 11,495,204	$ 14,757,511
Corporate bonds	51,254,334	57,729,769
Bank debentures	5,901,233	9,759,216
Foreign investments		
Overseas government bonds	1,340,020	1,865,264
Overseas corporate bonds	6,746,238	8,974,548
Overseas bank debentures	10,277,323	11,992,429
	$ 87,014,352	$ 105,078,737

Refer to Note 11 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

Note 35 shows the investments in debt instruments at FVTOCI that were classified as pledged assets.

As of December 31, 2022 and 2021, the face value of financial instruments at FVTOCI under repurchase agreements was $79,496,237 thousand and $98,274,083 thousand, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2022	**2021**
Domestic investments		
Government bonds	$ 1,483,482	$ -

a. Refer to Note 11 for information relating to the credit risk management and impairment assessment of investments in debt instruments at amortized cost.

b. Note 35 shows the investments in debt instruments at amortized cost that were classified as pledged assets.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2022

	At FVTCOI	**At Amortized Cost**
Gross carrying amount	$ 90,145,678	$ 1,483,482
Less: Allowance for impairment loss	(21,848)	-
Amortized cost	90,123,830	$ 1,483,482
Adjustment to fair value	(3,109,478)	
	$ 87,014,352	

December 31, 2021

	At FVTCOI	**At Amortized Cost**
Gross carrying amount	$ 104,518,242	$ -
Less: Allowance for impairment loss	(29,915)	-
Amortized cost	104,488,327	$ -
Adjustment to fair value	590,410	
	$ 105,078,737	

The Company invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

In determining the expected credit losses for debt instrument investments, the Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast in estimating 12-month or lifetime expected credit losses.

The Company's current credit risk grading mechanism is as follows:

Category	**Description**	**Basis for Recognizing Expected Credit Losses (ECLs)**
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The gross carrying amounts of debt instrument investments by credit category were as follows:

	December 31	
Category	**2022**	**2021**
Performing	$ 91,229,160	$ 103,518,232
Doubtful	400,000	1,000,010
In default	-	-

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI and amortized cost were as follows:

	Credit Rating		
	Performing (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit - Impaired)**	**In Default (Lifetime ECLs - Credit - Impaired)**
Balance at January 1, 2022	$ 24,697	$ 5,218	$ -
New financial assets purchased	5,029	-	-
Derecognition	(6,086)	(2,284)	-
Change in model or risk parameters	(4,516)	(1,453)	-
Change in exchange rates or others	1,243	-	-
Balance at December 31, 2022	$ 20,367	$ 1,481	$ -
Balance at January 1, 2021	$ 29,431	$ 8,821	$ -
New financial assets purchased	4,319	-	-
Derecognition	(7,015)	-	-
Change in model or risk parameters	(1,693)	(3,603)	-
Change in exchange rates or others	(345)	-	-
Balance at December 31, 2021	$ 24,697	$ 5,218	$ -

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2022 and 2021, bonds and bills in the amounts of $3,951,998 thousand and $5,364,108 thousand purchased were under resell agreements were in the amounts of $3,954,765 thousand and $5,365,201 thousand before February 2023 and February 2022, respectively.

As of December 31, 2022 and 2021, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face values of $3,144,400 thousand and $5,330,000 thousand, respectively.

13. RECEIVABLES, NET

	December 31	
	2022	**2021**
Interest receivables, net	$ 599,215	$ 600,874
Receivables on bond sales	-	49,531
Receivables on settlement of asset swap	23,746	34,644
Other service fee income receivables	9,096	22,295
Others receivables	-	23,456
	$ 632,057	$ 730,800

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2022	**2021**
Repurchase agreement margins	$ 94,408	$ 19,885
Futures margins	-	24,230
	$ 94,408	$ 44,115

15. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Transportation Equipment	Machinery and Computer Equipment	Office and Other Equipment	Lease Improvement	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1, 2021	$ 83,337	$ 94,187	$ 10,352	$ 60,469	$ 17,994	$ 6,825	$ -	$ 273,164
Additions	-	-	1,721	1,588	181	-	2,780	6,270
Reclassification	-	-	-	1,880	-	-	(2,780)	(900)
Disposals	-	-	(1,494)	-	(242)	-	-	(1,736)
Balance at December 31, 2021	$ 83,337	$ 94,187	$ 10,579	$ 63,937	$ 17,933	$ 6,825	$ -	$ 276,798
Accumulated depreciation								
Balance at January 1, 2021	$ -	$ 51,836	$ 6,588	$ 40,549	$ 15,479	$ 5,626	$ -	$ 120,078
Disposals	-	-	(1,228)	-	(225)	-	-	(1,453)
Depreciation expense	-	1,663	820	3,882	248	16	-	6,629
Balance at December 31, 2021	$ -	$ 53,499	$ 6,180	$ 44,431	$ 15,502	$ 5,642	$ -	$ 125,254
Net amount at December 31, 2021	$ 83,337	$ 40,688	$ 4,399	$ 19,506	$ 2,431	$ 1,183	$ -	$ 151,544

(Continued)

	Land	Buildings	Transportation Equipment	Machinery and Computer Equipment	Office and Other Equipment	Lease Improvement	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1, 2022	$ 83,337	$ 94,187	$ 10,579	$ 63,937	$ 17,933	$ 6,825	$ -	$ 276,798
Additions	-	72	-	661	600	376	-	1,709
Disposals	-	-	-	-	(108)	-	-	(108)
Balance at December 31, 2022	$ 83,337	$ 94,259	$ 10,579	$ 64,598	$ 18,425	$ 7,201	$ -	$ 278,399
Accumulated depreciation								
Balance at January 1, 2022	$ -	$ 53,499	$ 6,180	$ 44,431	$ 15,502	$ 5,642	$ -	$ 125,254
Disposals	-	-	-	-	(92)	-	-	(92)
Depreciation expense	-	1,667	822	3,482	214	27	-	6,212
Balance at December 31, 2022	$ -	$ 55,166	$ 7,002	$ 47,913	$ 15,624	$ 5,669	$ -	$ 131,374
Net amount at December 31, 2022	$ 83,337	$ 39,093	$ 3,577	$ 16,685	$ 2,801	$ 1,532	$ -	$ 147,025

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	5-55 years
Transportation equipment	3-5 years
Machinery and computer equipment	3-8 years
Office and other equipment	3-8 years
Lease improvement	5 years

There were no property and equipment pledged by the Company to secure its borrowing or issued guarantees.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amounts		
Buildings	$ 30,813	$ -
Transportation equipment	1,456	2,800
Office equipment	136	541
	$ 32,405	$ 3,341

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	$ 44,206	$ 3,748
Depreciation charge for right-of-use assets		
Buildings	$ 13,393	$ 1,348
Transportation equipment	1,344	1,313
Office equipment	405	405
	$ 15,142	$ 3,066

Except for the aforementioned additions and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amounts	$ 32,620	$ 3,371

Discount rates for lease liabilities were as follows:

	December 31	
	2022	2021
Buildings	1.351%-1.729%	-
Transportation equipment	2.054%-2.171%	2.037%-2.171%
Office equipment	2.332%	2.332%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 1,323	$ 13,290
Expenses relating to low-value asset leases	$ 698	$ 1,120
Total cash outflow for leases	$ (17,501)	$ (17,557)

17. OTHER ASSETS, NET

	December 31	
	2022	2021
Refundable deposits	$ 561,406	$ 561,309
Long-term prepaid expenses	5,326	3,962
Prepaid expenses	2,200	8,053
Others	1,147	46
	$ 570,079	$ 573,370

As of December 31, 2022 and 2021, the refundable deposits were as follows:

	December 31	
	2022	2021
Deposits placed with the Over the Counter (OTC) exchange for OTC transactions	$ 1,000	$ 1,000
Deposits placed with bank overdrafts	525,000	525,000
Others	35,406	35,309
	$ 561,406	$ 561,309

The refundable deposits above were deposited in cash and time deposits.

18. CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS

As of December 31, 2022 and 2021, the balances of call loans from banks and overdrafts on banks amounted to $9,507,214 thousand and $9,096,125 thousand, respectively, with interest rate ranges from 1.27%-4.77% and 0.21%-0.35%, and the latest due date were January 2023 and January 2022, respectively.

As of December 31, 2022 and 2021, the credit lines of call loans from banks and overdrafts on banks were $162,679,220 thousand and $151,860,350 thousand, respectively.

19. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2022 and 2021, bonds and bills in the amounts of $171,870,770 thousand and $187,056,650 thousand, respectively, had been sold under repurchase agreements for $172,142,580 thousand and $187,122,588 thousand before their maturities in December 2023 and August 2022, respectively.

20. PAYABLES

	December 31	
	2022	**2021**
Dividend payable	$ 163	$ 155
Payable for bonds purchased	-	22,318
Employee awards payable	114,299	160,787
Withholding tax payable held by prior parties	41,459	43,671
Interest payables	122,140	37,294
Compensation to directors and employees	24,516	59,796
Payable for shares purchased	-	47,544
Other service charge payable	46,459	22,295
Others	56,805	41,854
	$ 405,841	$ 435,714

21. OTHER FINANCIAL LIABILITIES

	December 31	
	2022	**2021**
Commercial paper issued	$ 1,999,167	$ 4,498,670
Repurchase agreement margins	12,929	-
	$ 2,012,096	$ 4,498,670
Commercial paper issued	$ 2,000,000	$ 4,500,000
Less: Discount on commercial paper issued	(833)	(1,330)
	$ 1,999,167	$ 4,498,670

As of December 31, 2022 and 2021, the latest due dates of commercial paper issued were January 11, 2023, February 9, 2022 with interest rate of 1.5% and 0.30%-0.37%, respectively.

22. PROVISIONS

	December 31	
	2022	2021
Reserve for losses on guarantees	$ 1,382,077	$ 1,382,077
Provision for employee benefits	12,940	51,847
	$ 1,395,017	$ 1,433,924

Reversals (provisions) were as follows:

	For the Year Ended December 31	
	2022	2021
Amounts collected from prior years' write-off	$ 22,783	$ 13,936
Amounts reserved for loss on guarantees	-	(7,000)
	$ 22,783	$ 6,936

23. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for the years ended December 31, 2022 and 2021 amounted to $8,406 thousand, and $8,237 thousand, respectively, were the contributions payable by the Company to the LPA plan at the specified rates.

According to the Company's retirement policies, when the managers meet the criteria stated in the retirement policies, the pension costs payable are calculated based on the total number of years of employment, in accordance with the LPA and Labor Standards Act.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts within the range of 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the pension fund balance is inadequate for the payment of the retirement benefits of employees who will qualify for retirement in the next year, the Company is required to fund the difference through an appropriation that should be made by the end of March of the next year. The pension fund is managed by the Bureau of Labor (the "Bureau") under Ministry of Labor; the Company has no right to influence the Bureau's fund investment policy and strategy.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	$ 200,188	$ 241,820
Fair value of plan assets	(187,248)	(189,973)
Net defined benefit liability	$ 12,940	$ 51,847

Movements of the net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2021	$ 252,855	$ (187,741)	$ 65,114
Service cost			
Current service cost	2,035	-	2,035
Net interest expense (revenue)	1,225	(933)	292
Recognized in profit or loss	3,260	(933)	2,327
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,290)	(2,290)
Actuarial loss - changes in demographic assumptions	5,895	-	5,895
Actuarial gain - changes in financial assumptions	(2,570)	-	(2,570)
Actuarial gain - experience adjustments	(444)	-	(444)
Others	-	149	149
Recognized in other comprehensive income	2,881	(2,141)	740
Contributions from the employer	-	(16,334)	(16,334)
Benefits paid	(17,176)	17,176	-
Balance at December 31, 2021	241,820	(189,973)	51,847
Service cost			
Current service cost	1,529	-	1,529
Net interest expense (revenue)	1,454	(1,183)	271
Recognized in profit or loss	2,983	(1,183)	1,800
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(14,274)	(14,274)
Actuarial gain - changes in financial assumptions	(13,198)	-	(13,198)
Actuarial gain - experience adjustments	(2,514)	-	(2,514)
Recognized in other comprehensive income	(15,712)	(14,274)	(29,986)
Contributions from the employer	-	(10,721)	(10,721)
Benefits paid	(28,903)	28,903	-
Balance at December 31, 2022	$ 200,188	$ (187,248)	$ 12,940

The Company is exposed to the following risks on its defined benefit plan:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is made at the discretion of the Bureau of Labor (BOL) or the BOL's designated investment manager. However, in accordance with relevant regulations, the return on plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Thus, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	**2021**
Discount rates	1.375%	0.625%
Expected rates of salary increase	2.500%	2.500%

If there is a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2022	**2021**
Discount rates		
0.25% increase	$ (4,141)	$ (5,128)
0.25% decrease	$ 4,267	$ 5,294
Expected rates of salary increase		
0.25% increase	$ 4,143	$ 5,108
0.25% decrease	$ (4,042)	$ (4,975)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation because it is unlikely that the change in assumptions would occur independently of each other as some of the assumptions may be correlated.

	December 31	
	2022	**2021**
The expected contributions to the plan for the next year	$ 10,989	$ 16,744
The average duration of the defined benefit obligation	8.5 years	8.7 years

24. EQUITY

a. Ordinary share

	December 31	
	2022	2021
Number of shares authorized (in thousands)	1,678,700	1,678,700
Shares authorized	$ 16,787,000	$ 16,787,000
Number of shares issued and fully paid (in thousands)	1,342,960	1,342,960
Shares issued	$ 13,429,600	$ 13,429,600

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	$ 2,474	$ 2,474
May only be used to offset a deficit		
Unclaimed dividends	9,253	7,757
	$ 11,727	$ 10,231

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income, less accumulated losses, should be appropriated as follows:

1) Legal reserve, 30%;

2) Special reserve, if needed; and

3) Dividends.

The Company's dividend policy is as follows:

1) The Company distributes a portion of the reserves in accordance with regulations, and the Company cannot distribute dividends if it has no earnings in the current period.

2) The Company is in a fiercely competitive financial industry, and its industrial growth has slowed down. As a result, dividends are distributed not only principally in cash, but also in stock and should be at least 40% of total dividends.

3) The Company has the right to adjust its dividend policy in accordance with economic conditions, industry developments, and the Company's demand for funds.

Information on the employees' compensation and remuneration of directors proposed by the Company's board of directors is referred to in Note 30.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The shareholders of the Company held their regular meeting on June 17, 2022 and resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the Articles is amended, the special reserve is appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2021 and 2020 which had been approved in the shareholders' meeting on June 17, 2022 and July 26, 2021, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2021	**2020**	**2021**	**2020**
Legal reserve	$ 601,854	$ 496,901		
Cash dividends	1,208,664	1,168,375	$ 0.90	$ 0.87

The appropriation of earnings for 2022 are subject to the proposal of the Company's board of directors and the resolution of the shareholders' meeting to be held in 2023.

d. Other equity items

Unrealized valuation gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	**2021**
Balance at January 1	$ 789,839	$ 1,521,329
Recognized during the period		
Unrealized gain or loss		
Debt instruments	(3,576,802)	(718,700)
Equity instruments	(104,453)	214,538
Adjustments of expected credit losses in debt instruments	(8,067)	(8,337)
Reclassification adjustments		
Disposal of investments in debt instruments	253,035	(69,884)
Other comprehensive income recognized in the period	(3,436,287)	(582,383)
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	(30,896)	(149,107)
Balance at December 31	$ (2,677,344)	$ 789,839

25. NET INTEREST

	For the Year Ended December 31	
	2022	2021
Interest revenue		
Bonds	$ 1,206,106	$ 1,211,028
Short-term bills	684,194	366,416
Convertible bond asset swap	133,847	129,057
Securities purchased under resell agreements	17,266	11,003
Others	5,307	1,999
	2,046,720	1,719,503
Interest expense		
Bonds sold under repurchase agreements	(620,318)	(263,856)
Bills sold under repurchase agreements	(443,586)	(161,339)
Call loans from banks	(122,087)	(22,038)
Convertible bond asset swap	(108)	(101)
Lease liabilities	(523)	(75)
Others	(20,867)	(13,271)
	(1,207,489)	(460,680)
	$ 839,231	$ 1,258,823

26. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2022	2021
Service fee income		
Guarantee business	$ 724,377	$ 778,083
Underwriting business	465,949	515,301
Others	25,902	41,898
	1,216,228	1,335,282
Service charge		
Others	(48,219)	(34,223)
	$ 1,168,009	$ 1,301,059

27. (LOSSES) GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT LOSS

	For the Year Ended December 31	
	2022	2021
Short-term bills	$ (338,828)	$ 91,848
Bonds	(15,315)	111,396
Stocks and mutual funds	(49,116)	25,701
Derivative financial instruments	(3,428)	(43,482)
	$ (406,687)	$ 185,463

28. REALIZED (LOSSES) GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2022	2021
Government bonds	$ (44,665)	$ 20,856
Corporate bonds	(128,585)	18,169
Bank debentures	(79,785)	30,859
Dividend revenues	139,218	45,553
	$ (113,817)	$ 115,437

29. FOREIGN EXCHANGE GAINS (LOSSES), NET

	For the Year Ended December 31	
	2022	2021
Gross amount of foreign currency exchange gains	$ 322,684	$ 71,236
Gross amount of foreign currency exchange losses	(191,120)	(93,375)
Net foreign exchange gains or losses	$ 131,564	$ (22,139)

30. EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2022	2021
Employee benefit		
Salaries and wages (include employees' compensation)	$ 240,557	$ 291,865
Labor insurance and national health insurance	15,259	15,173
Remuneration of directors	20,651	38,456
Pension (Note 23)	10,206	10,564
Others	26,384	27,356
Depreciation	21,354	9,695
Amortization	3,508	3,064

If the Company has profit in the year, the profit shall be reserved as employees' compensation and remuneration of directors and resolved with the consent of the majority of the directors present at the meeting attended by more than two-thirds of the total directors. However, in case of accumulated losses, profit shall first be reserved to cover the losses.

The Company's compensation policy is as follows:

a. Employees: 1% to 2.5% of the profit;

b. Directors: 2.5% of the profit as an upper limit. The independent directors do not participate in assignment of remuneration.

The profit mentioned above is net profit before income tax without employee's compensation and remuneration of directors.

The employees' compensation may be distributed by stock or cash. The remuneration of directors should only be distributed by cash. The appropriations of earnings for employees' compensation and the remuneration of directors should be approved by the Company's board of directors and reported to the shareholders in their meeting.

For the years ended December 31, 2022 and 2021, the accrual rates and amounts of employees' compensation and remuneration of directors were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	**2021**
Employees' compensation	1.00%	1.25%
Remuneration of directors	1.00%	1.25%

Amount

	For the Year Ended December 31	
	2022	**2021**
Employees' compensation	$ 12,258	$ 29,898
Remuneration of directors	$ 12,258	$ 29,898

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The employees' compensation and remuneration of directors for 2021 and 2020 resolved by the Company's board of directors on March 15, 2022 and February 25, 2021, respectively, were as below:

	For the Year Ended December 31	
	2021	**2020**
Employees' compensation - cash	$ 29,898	$ 25,535
Remuneration of directors	$ 29,898	$ 25,535

There was no significant difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

The employees' compensation and remuneration of directors of the Company for 2022 are subject to the approval of the board of directors.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2022	2021
Taxation	$ 63,348	$ 46,911
Rental	2,021	14,410
Annual fee and allocated	5,359	5,321
Donations	900	503
Stock service fee	4,632	5,685
Others	52,333	53,217
	$ 128,593	$ 126,047

32. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 246,247	$ 477,896
Income tax on unappropriated earnings	9,475	-
Adjustments for prior year	(218)	-
Deferred tax		
In respect of the current year	(94,492)	(3,545)
Income tax expense recognized in profit or loss	$ 161,012	$ 474,351

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	$ 1,201,294	$ 2,332,017
Income tax expense calculated at the statutory rate	$ 240,259	$ 466,403
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	6,179	29,821
Nondeductible expense in determining taxable income	9,833	37,566
Tax-exempt income	(95,230)	(49,756)
Income tax on unappropriated earnings	9,475	-
Unrecognized deductible temporary differences	(9,286)	(9,683)
Adjustments for prior years' tax	(218)	-
Income tax expense recognized in profit or loss	$ 161,012	$ 474,351

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2022	**2021**
Deferred tax		
Current period		
Unrealized gains or losses on financial assets at FVTOCI	$ (368,055)	$ (119,463)
Remeasurement of defined benefit plans	5,998	(148)
Income tax (benefit) expense recognized in other comprehensive income	$ (362,057)	$ (119,611)

c. Current tax assets and liabilities

	December 31	
	2022	**2021**
Current tax assets		
Tax refund receivable	$ 230,666	$ 141,516
Current tax liabilities		
Income tax payable	$ -	$ 129,536

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Financial assets at FVTPL	$ 3,280	$ 60,900	$ -	$ 64,180
Financial assets at FVTOCI	-	-	325,033	325,033
Reserve for losses on guarantees	51,068	35,370	-	86,438
Defined benefit obligation	10,371	(1,784)	(5,998)	2,589
	$ 64,719	$ 94,486	$ 319,035	$ 478,240
Deferred tax liabilities				
Temporary differences				
Financial assets at FVTPL	$ 6	$ (6)	$ -	$ -
Financial assets at FVTOCI	43,022	-	(43,022)	-
	$ 43,028	$ (6)	$ (43,022)	$ -

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Financial assets at FVTPL	$ -	$ 3,280	$ -	$ 3,280
Reserve for losses on guarantees	56,453	(5,385)	-	51,068
Defined benefit obligation	13,024	(2,801)	148	10,371
Asset impairment	4,339	(4,339)	-	-
	$ 73,816	$ (9,245)	$ 148	$ 64,719
Deferred tax liabilities				
Temporary differences				
Financial assets at FVTPL	$ 12,796	$ (12,790)	$ -	$ 6
Financial assets at FVTOCI	162,485	-	(119,463)	43,022
	$ 175,281	$ (12,790)	$ (119,463)	$ 43,028

e. Income tax assessments

The tax returns through 2019, except 2018, have been examined by the tax authorities.

33. EARNINGS PER SHARE

Earnings and weighted average number of ordinary shares used in calculating earnings per share were as follows:

	For the Year Ended December 31	
	2022	2021
Earnings used in the computation of basic earnings per share	$ 1,040,282	$ 1,857,666

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares in the computation of basic earnings per share	1,342,960	1,342,960
Effect of potentially dilutive ordinary shares:		
Employees’ compensation issued to employees	1,197	2,000
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,344,157	1,344,960

Unit: NT$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	$ 0.77	$ 1.38
Diluted earnings per share	$ 0.77	$ 1.38

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in stocks, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

34. RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Company are summarized as follows:

Related Party	Relationship with the Company
O-Bank	Parent of the Company
National Association of Police Friends R.O.C.	The Company's director is the director of association.
Criminal Investigation and Prevention Association, R.O.C. (CIPA)	The Company's director is the director of CIPA.
Others	The Company's chairman of the board is the director of the company, individuals and close relatives of the Company's key management, related party in substance.

b. The significant transactions and balances with the related parties are summarized as follows:

1) Security transactions under repurchase agreements

For the year ended December 31, 2022

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2022	Intervals of Interest Rate	Interest Expense
Others	$ 1,135,427	$ 102,261	0.25%-4.45%	$ 177

For the year ended December 31, 2021

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2021	Intervals of Interest Rate	Interest Expense
Others	$ 6,854,612	$ 5,689	0.15%-0.45%	$ 2,466

2) Bonds and short-term bills sold

For the year ended December 31, 2022

Related Party	Amounts	Gain (Loss) on Disposal of Financial Assets at Fair value Through Profit or Loss
Others	$ 1,797	$ 1

3) Lease arrangements

On September 8, 2021, the Company entered into lease agreements and acquired right-of-use assets from O-Bank for the use of O-Bank's building and parking lots. The lease period is from January 1, 2022 through December 31, 2024, and the monthly rental fee is $1,101 thousand.

In January 2021, the Company entered into operating lease agreements with O-Bank for the use of O-Bank's building and parking lots. The lease terms of the contracts were both 1 year. The rentals are based on similar asset's market rental rates and fixed lease payments are paid monthly.

	For the Year Ended December 31	
Related Party Category/Name	**2022**	**2021**
Acquisition of right-of-use assets		
Parent company		
O-Bank	$ 38,835	$ -

		December 31	
Line Item	**Related Party Category/Name**	**2022**	**2021**
Lease liabilities	Parent company		
	O-Bank	$ 26,064	$ -

	For the Year Ended December 31	
Related Party Category/Name	**2022**	**2021**
Interest expense		
Parent company		
O-Bank	$ 446	$ -
Lease expense (accounted as other operating expenses)		
Parent company		
O-Bank	$ -	$ 13,216

Lease expenses include expenses relating to short-term leases, low-value asset leases and variable lease payments that do not depend on an index or a rate. Future lease payables related to short-term leases and low-value asset leases are as follows:

	December 31	
	2022	2021
Total lease payments to be paid in the future	$ -	$ -

4) Donations

For the year ended December 31, 2022 and 2021, the Company's donation expense (recorded under other operating expense) to National Association of Police Friends R.O.C. and Criminal Investigation and Prevention Association, R.O.C. for fulfilling corporate social responsibility were $750 thousand and $300 thousand, respectively.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	$ 51,131	$ 76,590
Post-employment benefits	1,627	10,128
	$ 52,758	$ 86,718

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

35. PLEDGED ASSETS

The following assets were provided as collaterals for call loans from banks and overdrafts:

	December 31		
	2022	2021	Purposes
Financial assets at fair value through profit or loss			
Negotiable certificate of deposits	$ 100,342	$ 1,600,771	Credit line for loans
Negotiable certificate of deposits	701,330	700,098	Deposits placed with authorities to carry out bills finance businesses
Negotiable certificate of deposits	601,536	1,600,109	Deposits placed with bank overdrafts

(Continued)

	December 31		
	2022	2021	Purposes
Financial assets at fair value through other comprehensive income			
Government bonds	$ 92,325	$ 90,118	OTC online deposits refund
Government bonds	35,904	35,046	Deposits placed with authorities to operate as a security dealer
Government bonds	902,811	-	Deposits placed with bank overdrafts
Investments in debt instruments at amortized cost			
Government bonds	1,483,482	-	Credit line for loans
Other assets - refundable deposits			
Demand deposits	525,000	525,000	Deposits placed with bank overdrafts

(Concluded)

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2022 were as follows:

Bonds and bills sold under repurchase agreements (at repurchase price)	$ 172,142,580
Bonds and bills purchased under resell agreements (at resell price)	3,954,765
Guarantees on commercial paper	94,873,300
Fixed-rate commercial paper commitments	21,150,000
Benchmark interest rate commercial paper commitments	64,439,600
Purchase commitment contracts	15,000,000
Revolving insurance on commercial paper commitments	9,565,000

37. CAPITAL RISK MANAGEMENT

a. Overview

The basic goal of the Company's capital risk management is to maintain the regulatory capital and the capital adequacy ratio based on the minimum requirements of the authorities and the Basel Accords framework. For enhanced risk taking and an efficient and effective resource allocation, the Company evaluates its capital requirement in consideration of the nature of its risks and various risk scenarios.

b. Capital management process

The capital adequacy ratio is maintained by risk management department, fixed income products department and administration department based on the requirements of the authorities, which is reported to the Company's president in the assets and liabilities committee monthly and to the authorities quarterly.

c. Capital adequacy rate

(Unit: %)

Items		Year December 31, 2022	December 31, 2021
Eligible capital	Tier 1 capital	$ 21,523,754	$ 24,748,352
	Tier 2 capital	333,339	151,242
	Tier 3 capital	58,146	369,873
	Eligible capital	21,915,239	25,269,467
Risk-weighted assets	Credit risk	105,657,859	129,434,396
	Operational risk	4,605,970	4,062,412
	Market risk	53,767,610	66,290,668
	Total risk-weighted assets	164,031,439	199,787,476
Capital adequacy ratio (Note)		13.36	12.65
Ratio of Tier 1 capital to risk-weighted assets (Note)		13.12	12.39
Ratio of Tier 2 capital to risk-weighted assets (Note)		0.20	0.08
Ratio of Tier 3 capital to risk-weighted assets (Note)		0.04	0.18
Ratio of common shareholders' equity to total assets (Note)		6.47	5.87

Note: Formulas used were as follows:

1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

2) The amount of total assets used in the calculation refers to all assets in the balance sheets.

3) The capital adequacy ratios (CARs) should be computed at the end of June and December. The reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.

4) Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies."

38. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except for the following, financial assets and financial liabilities that are not measured at fair value, e.g., cash and cash equivalents, receivables, other financial assets, net, accounts payable and other financial liabilities, their carrying amounts as recognized in the financial statements approximate their fair values.

December 31, 2022

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Investment in debt instruments at amortized cost	$ 1,483,482	$ -	$ 1,506,844	$ -	$ 1,506,844

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Investment in debt instruments at amortized cost	$ -	$ -	$ -	$ -	$ -

The fair value of the financial assets in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

b. Definitions of the fair value hierarchy

1) Level 1 - inputs are quoted prices in active markets (for identical assets or liabilities that the Company can assess at the measurement date). Active markets feature all of the following conditions: (i) the products traded in the market are homogeneous, (ii) market participants anytime in the market, and (iii) price information that is available to the public. The investment in listed shares, beneficiary certificates, convertible bonds and derivative instruments with quoted prices in active markets belong to this level.

2) Level 2 - inputs are those other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). The investments in government bonds, corporate bonds, bank debentures and a part of derivative instruments belong to this level.

3) Level 3 - inputs are not based on observable market data (i.e., unobservable inputs). The investment in a part of a derivative instrument, a hybrid asset and an equity instrument belong to this level.

c. Valuation techniques and assumptions applied for the purpose of measuring the fair values

Financial instruments refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with those generally used by other market participants to price financial instruments.

If the market price quotation from a stock exchange, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm’s length, then a financial instrument is deemed to have an active market. If financial instruments do not satisfy the criteria above, they are regarded as not having active market. In general, significant price variance between the purchase price and selling price, or extremely low trading volume are all indicators of an inactive market.

Except for reference to quoted market prices, the fair value of financial instruments may be estimated also through the use of available valuation technique or counterparties. Fair value measured by a valuation technique is estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information available on the balance sheet date.

Fair values of derivative financial instruments are based on quoted market prices. If quoted market prices are not available, then the fair values are determined by the discounted cash flow method.

d. The fair value hierarchy of the financial instruments as of December 31, 2022 and 2021 was as follows:

1) The fair value hierarchy

Item	December 31, 2022 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 68,629	$ 68,629	$ -	$ -
Securities investment trust funds	32,505	32,505	-	-
Bonds	227,462	227,462	-	-
Bills	102,563,909	-	102,563,909	-
Fix-rate commercial paper	9,781	-	9,781	-
Beneficiary securities	991,071	-	991,071	-
Financial assets at FVTOCI				
Shares	858,035	528,960	-	329,075
Bonds	87,014,352	-	87,014,352	-
Beneficiary securities on real estate investment trust	124,800	124,800	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	219,506	-	219,506	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	7,592,013	24,710	58,926	7,508,377
Liabilities				
Financial liabilities at fair value through profit or loss	3,074	-	3,074	-

Item	December 31, 2021 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 284,300	$ 284,300	$ -	$ -
Bonds	435,348	435,348	-	-
Bills	103,218,241	-	103,218,241	-
Fix-rate commercial paper	51,607	-	51,607	-
Beneficiary securities	502,165	-	502,165	-
Financial assets at FVTOCI				
Shares	1,411,643	1,043,747	-	367,896
Bonds	105,078,737	-	105,078,737	-
Beneficiary securities on real estate investment trust	136,650	136,650	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	51,222	-	51,222	-

(Continued)

Item	December 31, 2021 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 9,987,078	$ -	$ 7,731	$ 9,979,347
Liabilities				
Financial liabilities at fair value through profit or loss	40,404	-	40,404	-

(Concluded)

2) The Company had no significant transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

3) Reconciliation of Level 3 items of financial instruments

For the year ended December 31, 2022

Financial Assets	Financial Assets at Fair Value Through Profit or Loss: Hybrid Financial Assets	Financial Assets at Fair Value Through Other Comprehensive Income: Equity Instruments	Total
Balance at January 1, 2022	$ 9,979,347	$ 367,896	$ 10,347,243
Recognized in profit or loss	(78,869)	-	(78,869)
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	(38,821)	(38,821)
Purchases	2,450,800	-	2,450,800
Sales	(4,842,901)	-	(4,842,901)
Balance at December 31, 2022	$ 7,508,377	$ 329,075	$ 7,837,452

For the year ended December 31, 2021

Financial Assets	Financial Assets at Fair Value Through Profit or Loss	Financial Assets at Fair Value Through Other Comprehensive Income	Total
	Hybrid Financial Assets	Equity Instruments	
Balance at January 1, 2021	$ 9,096,650	$ 376,096	$ 9,472,746
Recognized in profit or loss	(28,903)	-	(28,903)
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	40,513	40,513
Purchases	16,714,300	-	16,714,300
Sales	(15,802,700)	-	(15,802,700)
Proceeds from capital reduction	-	(48,713)	(48,713)
Balance at December 31, 2021	$ 9,979,347	$ 367,896	$ 10,347,243

Unrealized gain and loss recognized in profit or loss for the years ended December 31, 2022 and 2021 for the assets held on the balance sheet date amounted to net loss of $89,623 thousand and $10,753 thousand, respectively.

4) Quantitative information of Level 3 financial instruments

Level 3 items (those with unobservable inputs) included financial assets at fair value through profit or loss and derivative financial instruments. Level 3 items of the Company contain only one significant unobservable inputs.

The quantitative information of significant unobservable input was as follows:

	Fair Value at December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss					
Hybrid financial assets	$ 7,508,377	Discounted cash flow method	a) Discount rate	0.5837%-1.6195%	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
			b) Liquidity risk premium	39BP-220BP	
Financial assets at fair value through other comprehensive income					
Unlisted shares	329,075	Asset method	a) Lack of liquidity discount	10%	The higher of liquidity and control discount, the lower of fair value.
			b) Lack of control discount	10%	

	Fair Value at December 31, 2021	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss					
Hybrid financial assets	$ 9,979,347	Discounted cash flow method	a) Discount rate	0.1283%-0.7522%	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
			b) Liquidity risk premium	39BP-220BP	
Financial assets at fair value through other comprehensive income					
Unlisted shares	367,896	Asset method	a) Lack of liquidity discount	10%	The higher of liquidity and control discount, the lower of fair value.
			b) Lack of control discount	10%	

5) Process for valuation of Level 3 items

The team responsible for financial instrument valuation under the risk management division is responsible for determining fair value based on independent information on the market situation. To confirm the valuation result, the Company periodically reviews the valuation model, conducts back testing, updates valuation model parameters and adjusts each parameter, if necessary.

6) The sensitivity analysis of Level 3 items

The method for measuring the fair value of financial instruments is found to be reasonable. However, measurement parameters are subject to fluctuations or movements. The impact on income and other comprehensive income based on parameter movements was as follows:

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2022						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	$ -	$ 972	$ -	$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	40,627

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2021						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	$ -	$ 1,830	$ -	$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	45,419

Advantages and disadvantages refer to changes in fair value. The fair value was computed by valuation techniques using unobservable parameters in varying degrees. The table above refers to change in fair value as result of a single input. The correlation and variation of inputs were not considered in the table.

e. Transfers of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Company that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Company is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

The financial assets that were not fully derecognized and the associated financial liabilities were as follows:

December 31, 2022

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	$ 85,700,809	$ 85,784,753
Bonds sold under repurchase agreements	869,873	929,162
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	77,473,752	82,060,580
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	3,146,398	3,096,275

December 31, 2021

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	$ 77,979,560	$ 78,017,892
Bonds sold under repurchase agreements	502,343	534,588
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	99,999,630	102,877,569
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	5,334,108	5,626,601

f. Offsetting financial assets and financial liabilities

Certain transactions of the Company covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information of financial assets and financial liabilities on the balance sheets that had been offset or are covered by enforceable master netting arrangements or similar agreements.

December 31, 2022

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Derivative financial instruments	$ 57,626	$ -	$ 57,626	$ -	$ -	$ 57,626

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Derivative financial instruments	$ 3,074	$ -	$ 3,074	$ -	$ -	$ 3,074
Repurchase agreements	171,870,770	-	171,870,770	167,190,832	-	4,679,938
	$ 171,873,844	$ -	$ 171,873,844	$ 167,190,832	$ -	$ 4,683,012

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Derivative financial instruments	$ 7,731	$ -	$ 7,731	$ -	$ -	$ 7,731

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 187,056,650	$ -	$ 187,056,650	$ 183,815,641	$ -	$ 3,241,009

Note: Included non-cash financial collaterals.

39. FINANCIAL RISK MANAGEMENT

a. Overview

The main goals of risk management, besides meeting the requirements of authorities, are to manage risk assets and liabilities systematically, avoid financial crisis and pursue sustainable development. To attain these goals, the Company runs various risk management systems and promotes a culture toward risk management, with the approval of the board of directors and management. The Company’s risk management process covers various aspects of its operations and involves the efficient disclosure and control of operating risks through the implementation of procedures for risk identification, measurement, reporting, handling, and supervision.

b. Risk management framework and process

The board of directors occupies the highest level in the Company's risk management framework and supervises the implementation of risk management procedures. The general manager leads the business risk management and financial asset and liability management committee; the business evaluation committee and investment evaluation committee, which are under the president, deal with market, credit, and operational risks; and the internal auditing office supervises risk control.

The Company's risk management process involves the formulation of risk management policies and the implementation of risk management procedures, which consist of identifying, valuating, monitoring and reporting of risks. The board of directors determines the Company's risk threshold and sets authorization levels on risk acceptance, and the risk management department identifies and monitors various kinds of risks and reports these risks to the management for decision making.

c. Financial risk management policy

1) Credit risk

The Company manages credit quality of bills, bonds, equity investments and derivatives to maintain possible losses and liquidity risk arising from credit risk. The Company prepares a variety of report forms focusing on credit conditions, statics of business, risk exposure, risk management and reports to the management and the authority regularly.

2) Market risk

The Company evaluates market risk factors affecting bills, bonds, equity investments and derivatives for the impact of these factors on the Company's net worth and profit and loss and takes measures to control market risk. The management division summarizes stop-loss control report forms and makes daily reports to the management for ongoing risk supervision. It also summarizes value at risk, conclusions of interest rate stress tests and status of profit and loss on financial assets and gives related updates to the financial asset and liability management committee.

3) Operational risk

The operating, financial and information technology divisions conduct thorough general self-inspections once every six months and special self-inspection every month. The internal auditing office does a routine audit and a special audit at least annually of the operating, financial and information technology divisions and a special audit at least annually of other management divisions, and monitors the improvement of these divisions on the basis of audit results.

4) Liquidity risk

The fixed return division is in charge of financial gap analysis, and the risk management division is responsible for the daily monitoring of total amounts of liabilities and performing liquidity stress tests regularly to control risk.

d. Resource and definition of risk

1) Credit risk

Credit risk refers to a debtor or a counterparty's failure to meet contract terms or to repay principal and interest. It includes (a) the issuer default risk arising from the Company's guaranteeing of bills and from the brokering and trading of bills and bonds, (b) the counterparty default risk on derivatives, and (c) default risk arising from the Company's own equity investments.

2) Market risk

Market risk pertains to the impact on the Company's net worth and profit and loss of changes in market factors affecting bills, bonds, equity investments and derivatives.

3) Operational risk

Operational risk refers to additional costs or expenses due to operating or internal management negligence or other reasons.

4) Liquidity risk

Liquidity risk pertains to losses the Company may suffer because of failure to finance its operations or to liquidate its assets fast enough to meet matured payment obligations or because of adverse changes in market rates. A liquidity gap occurs when liquid assets are not enough to cover any liabilities incurred by the Company.

e. Hedge policy and supervision

1) Credit risk

The "Loan Review System" is used to monitor debt accounts after the loan approval. In addition, the risk management division and relevant divisions determine the credit limit for each frequent borrower, and this limit is approved by the Company president. These divisions provide credit information periodically on the status of issuers of bonds and shares and guarantors as well as the credit-evaluation of counterparties to commodity derivative transactions so that the Company can measure each credit risk.

2) Market risk

The Company makes hedges against cash flow risks and adverse fluctuations of fair value through single or multiple portfolio hedge instruments to offset the effects of negative interest rate and price changes on the financial assets held by the Company. It uses interest rate swap contracts as hedging instruments and makes hedge effectiveness tests on an ongoing basis.

3) Operational risk

Mutual authentication of transactions is applied, i.e., the business division is responsible for authorizing and approving transactions, and the operating division is responsible for processing and recording transactions. In addition, through enhanced employee training, automation of operating processes and establishing standard operating procedures, the Company reduces operational risk effectively.

4) Liquidity risk

The Company has a mechanism for monitoring liquidity. It has also set up a financial gap limit per period, and the fixed return division is responsible for observing this limit. Under an authorized personnel's approval, the Company takes appropriate measures to ensure payment by a counterparty once the financial gap limit is exceeded. For unexpected liquidity risks, the Company has set up an emergency reaction plan.

f. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Company considers reasonable and supportable information (that can be obtained without incurring excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Company determines at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognizes expected credit losses according to which stage the asset belongs: No significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3).

The definition of each stage and the recognition of expected credit loss are as follows:

	Stage 1	**Stage 2**	**Stage 3**
Definition	Financial asset which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.	Credit risk of financial asset has significant increase since initial recognition but not impaired.	The credit of financial asset is impaired at reporting date.
Recognition of expected credit loss	12 months expected credit losses	The lifetime expected credit losses (ECLs)	The lifetime expected credit losses (ECLs)

In calculating expected credit losses under IFRS 9, the Company applies key judgment and assumptions as follows:

1) Determination of a significant increase in credit risk after initial recognition

The Company assesses the changes in default risk over the lifetime of credit assets, investments in debt instruments of financial assets at FVTOCI and at amortized cost to determine whether there has been a significant increase in credit risk.

a) Credit business

The main indicators of significant increase in credit risk of the Company’s credit business:

i. The repayment of principal and interest has been 1 to 3 months past due.

ii. The debtor only pays interest or initiates debt negotiations.

iii. The debtor was notified as a dishonored account.

iv. The debtor’s loans from other financial institutions have been delayed.

v. The debtor has other records of bad credit.

b) Bonds and bills investments

Indicators that the Company's bonds and bills investments have significant increase in credit risk are as follows:

i. The repayment including interests is over 30 days.

ii. Domestic currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from twA to between twA- and twCCC- or from between twA- and twBBB- to between twBB+ and twCCC-.

iii. Foreign currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from Baa3 to between Ba1 and Caa3 or from between Ba1 and Ba3 to between B1 and Caa3.

2) Definition of default and credit-impaired financial assets

a) Credit business

i. The balance of guarantees and endorsement credits has been 3 months overdue.

ii. The debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.

iii. The debtor has filed for reorganization and bankruptcy.

iv. The debtor has other records of bad credit.

b) Bonds and bills investments

The Company's bonds and bills investments with any item below are considered as credit-impaired:

i. The repayment including interests has been 3 months overdue.

ii. The credit is rated as in default at reporting date.

iii. The issuer has filed for the bankruptcy, reorganization or other procedure of debt redemptions.

3) Write-off policy

Under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt", the credit shall be written off as bad debt after deduction of the estimated recoverable portion:

a) All or part of the debt is unrecoverable due to the dissolution, flight, settlement, bankruptcy or other reason of the debtor.

b) The debt cannot be repaid, or no financial benefit would accrue from execution after deduction of senior mortgages on the collateral and the property of the primary and secondary debtor.

c) Where there are no buyers for the collateral and the property of the primary and secondary debtor after being auctioned at successively lower prices, and their assumption would bring no financial benefit for the bills finance company.

d) More than one year have elapsed since the maturity date of the non-performing or non-accrual credit and collection efforts have failed.

e) Any uncollateralized non-performing or non-accrual credit shall be written off as bad debt within six months after the maturity date, provided that this requirement shall not apply when it can be proven that a claim against the property of the primary or secondary debtor would yield benefit.

4) Measurement of expected credit losses

The model of expected credit losses is composed of probability of default, loss given default, and exposure at default.

a) Credit business

i. Probability of default:

i) Stage 1: Number of declining client in the current year ÷ number of client at the beginning of the year. The average of the current evaluation period is the probability of default since 2015.

ii) Stage 2: Number of default client in the current year ÷ number of Stage 2 client at the beginning of the year. The average of the current evaluation period is the probability of default since 2015. However, under the conservative principle, the higher rate between Stage 1 and Stage 2 will be used to calculate the expected credit losses.

ii. Loss given default (1 - Recovery rate), the way to calculate recovery rate is as follows:

To calculate 5 years recovery rate, the Company uses the effective interest rate (average of issued interest rate in primary market in the current year) to discount the client’s recovery amount who defaulted from 2008.

iii. Exposure at default: The amount of self-guarantee, which is an off balance sheet item and calculated by commercial paper guarantee contracts.

b) Bonds and bills investments

i. Probability of default: Adopt data of external credit ratings.

ii. Loss given default: Basel of credit risk of internal ratings, the loss given default based on foundation approach.

iii. Exposure at default: Total book cost (including interest receivables).

5) Consideration of forward-looking information

a) Credit business

i. Refer to major message of Market Observation Post System and external credit ratings.

ii. The Company’s credit contracts are all within a year, which adequately considered the comprehensive forward-looking information of clients’ background, financial situation, operation performance, investment performance, repayment ability, peer comparison, and industry development of internal credit process and internal credit rating.

b) Bonds and bills investments

The rating is forward-looking according to rating criteria refer to institution of external rating.

g. Material financial risk

1) Credit risk

The financial instruments held by the Company may give rise to losses if counterparties fail to meet their contract obligations. Thus, when guaranteeing commercial paper, the Company makes a careful credit evaluation, and if necessary, requires issuers to offer adequate collaterals. Collaterals are often cash, realty, securities or other assets. If counterparties default, the Company may compulsorily execute its rights to claim the collaterals to lower its credit risks effectively. However, in the disclosure of the maximum exposure to credit risks, the fair value of collaterals is not included.

For commercial paper, the Company may need to pay the paper holders on maturity if the issuers default. Thus, the contractual amounts do not represent actual future cash flows.

Assuming that a credit is completely used and the collaterals lose their values, the credit risk amount equals the contract amount, and a maximum exposure risk may arise.

a) The balances of commercial paper guarantee contracts, amounts used of guarantee contracts and ratios of guarantees with collateral, which are considered as off-balance sheet risks of the Company has are as follows:

i. As of December 31, 2022 and 2021, guarantees with collateral accounted for 57.34% and 57.19% respectively, of the total guarantees given by the Company.

ii. As of December 31, 2022 and 2021, balances of commercial paper guarantee contracts, which were off-balance sheet risks owned by the Company amounted to $200,361 million and $193,167 million (amounts used of guarantee contracts were $94,873 million and $112,558 million), respectively.

iii. The maximum exposures to credit risks on balance-sheet assets, without consideration of the related guarantees, approximate the assets’ carrying amounts. Refer to notes in the financial statements.

iv. The movements in reserve of guarantee liabilities

The movements in reserve of guarantee liabilities were as follows:

For the year ended December 31, 2022

	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs-Assessment Collectively)	Stage 3 Doubtful (Lifetime ECLs-Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	Total
Balance at January 1	$ 13,278	$ 13	$ -	$ 13,291	$ 1,368,786	$ 1,382,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(4,135)	(1)	-	(4,136)	-	(4,136)
Originated or purchased new credit assets	2,347	-	-	2,347	-	2,347
Recognition of impairment difference under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	-	-	-	-	3,698	3,698
Changes of model/risk parameter	(1,908)	(1)	-	(1,909)	-	(1,909)
Balance at December 31	$ 9,582	$ 11	$ -	$ 9,593	$ 1,372,484	$ 1,382,077

For the year ended December 31, 2021

	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs-Assessment Collectively)	Stage 3 Doubtful (Lifetime ECLs-Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	Total
Balance at January 1	$ 15,461	$ 16	$ -	$ 15,477	$ 1,359,600	$ 1,375,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(2,939)	(1)	-	(2,940)	-	(2,940)
Originated or purchased new credit assets	3,340	-	-	3,340	-	3,340
Recognition of impairment difference under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	-	-	-	-	9,186	9,186
Changes of model/risk parameter	(2,584)	(2)	-	(2,586)	-	(2,586)
Balance at December 31	$ 13,278	$ 13	$ -	$ 13,291	$ 1,368,786	$ 1,382,077

v. Exposure to credit risk

The amounts of the Company's maximum exposure to credit risk and impairment allowance were as follows:

December 31, 2022

	On- and off- Balance Sheet Credit Assets				
	Stage 1		Stage 3		
	Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs)	Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	Total
Rating level					
Internal rating 1-2	$ 94,793,811	$ 100,800	$ -	$ -	$ 94,894,611
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	$ 94,793,811	$ 100,800	$ -	$ -	$ 94,894,611
Impairment allowance	$ 9,582	$ 11	$ -	$ -	$ 9,593
Recognition of impairment under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	1,271,694	100,790	-	-	1,372,484
	$ 1,281,276	$ 100,801	$ -	$ -	$ 1,382,077

December 31, 2021

	On- and off- Balance Sheet Credit Assets				
	Stage 1		Stage 3		
	Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs)	Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	Total
Rating level					
Internal rating 1-2	$ 112,493,536	$ 105,900	$ -	$ -	$ 112,599,436
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	$ 112,493,536	$ 105,900	$ -	$ -	$ 112,599,436
Impairment allowance	$ 13,278	$ 13	$ -	$ -	$ 13,291
Recognition of impairment under the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt"	1,262,899	105,887	-	-	1,368,786
	$ 1,276,177	$ 105,900	$ -	$ -	$ 1,382,077

vi. The amounts of the Company's maximum exposure to credit risk of financial instruments were not applicable regulations of impairment and as follows:

	December 31	
	2022	**2021**
Financial assets at fair value through profit or loss		
Derivative financial instruments		
Purchase commitment contracts	$ 26,010	$ -
Currency swap contracts	32,916	7,731
Futures margins	24,710	-
Non-derivative financial instruments		
Investment in short-term bills	102,563,909	103,218,241
Bond investments	227,462	435,348
Domestic quoted shares	68,629	284,300
Securities investment trust funds	32,505	-
Fixed-rate commercial paper	9,781	51,607
Beneficiary securities	991,071	502,165
Hybrid financial assets		
Convertible bond asset swap contracts	7,508,377	9,979,347
	111,485,370	114,478,739
Financial assets at FVTOCI		
Investments in equity instruments	982,835	1,548,293
	$ 112,468,205	$ 116,027,032

b) Concentration of credit risk

Significant concentration of credit risk occurs when counterparties to financial asset transactions are individuals or a group of individuals engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The check for significant concentration of credit risk includes the nature of a counterparty's operating activity. Transactions the Company engaged in do not significantly concentrate on the same counterparty or customer.

As of December 31, 2022 and 2021, the Company's concentrations of credit risk arising from guaranteeing commercial paper were as follows (in millions of New Taiwan dollars):

i. By industry

	December 31			
	2022		2021	
Industry Sector	**Carrying Amounts**	**Maximum Amounts Exposed to Credit Risk**	**Carrying Amounts**	**Maximum Amounts Exposed to Credit Risk**
Finance and insurance	$ 27,722	$ 27,722	$ 34,732	$ 34,732
Real estate	26,275	26,275	30,002	30,002
Manufacturer	17,092	17,092	23,048	23,048
Wholesaling and retailing	10,252	10,252	12,493	12,493
Others	13,532	13,532	12,283	12,283
	$ 94,873	$ 94,873	$ 112,558	$ 112,558

ii. By collateral

Collateral Sector	December 31			
	2022		2021	
	Carrying Amounts	% to Total	Carrying Amounts	% to Total
Without collateral	$ 40,477	42.66	$ 48,189	42.81
With collateral				
Real estate	34,223	36.07	39,814	35.37
Shares	17,755	18.72	21,707	19.29
Bonds	2,093	2.21	2,081	1.85
Bills	325	0.34	767	0.68
	$ 94,873	100.00	$ 112,558	100.00

c) Credit quality

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, refundable deposits, operating deposits and clearing and settlement funds are regarded as very low credit risk owing to the good credit rating of counterparties. Except for the above, the risk levels of the Company's financial assets were as follows:

i. Low risk: Credit quality and contractual capacity is above average.

ii. Medium risk: Credit quality and contractual capacity is average.

iii. High risk: Credit quality and contractual capacity is lower than average.

iv. Each of these levels has internal and external credit rating equivalents in the following table. The "Risk Level" and "Rating" are not highly associated. This table is used for similarity matrix.

Risk Level	Rating
Low risk	twAAA to twBBB-
Medium risk	twBB+ to twBB
High risk	twBB- to twC

2) Market risk

Market risk refers to interest rate risk and fluctuation in shares price risk. The Company weighs market risk mainly by profit and loss analysis, through which profits and losses are evaluated individually on the basis of the nature of financial assets, such as interest rate futures, shares index futures and options. Other financial assets, such as interest rate swaps, convertible bond asset swaps and bond options, are evaluated by their theoretical prices and reference prices published by the authorities. The Company also observes daily the fluctuation of profits and losses on the financial assets. In addition, interest rate risk commodities are reviewed using sensitivity analysis tools which include duration, DV01, etc.

The Company enters into interest rate swap contracts to hedge against the future cash flow risk arising from floating interest rate assets and liabilities, which are exposed to market rate fluctuations, and manages risk from changes in fair value by using factor sensitivity measures. For related information, refer to Note 40.

The sensitivity analysis of interest rate-sensitive commodities assuming a 0.01% fluctuation in market rates is as follows:

December 31, 2022			
Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	$ 102,843,211	0.1453	$ 1,491
Bonds	100,116,211	3.352	32,680

December 31, 2021			
Financial Asset	Face Value	Average Duration (Year)	Influence to Fair Value Per 0.01 Fluctuation in Market Value
Bills	$ 103,317,336	0.1183	$ 1,221
Bonds	114,638,197	3.058	34,008

Effect of interest rate benchmark reform

The Company is exposed to USD LIBOR which is subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. There are key differences between USD LIBOR and SOFR. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Company revises the basic information of its foreign-currency-denominated floating-rate notes to the interest rate benchmark in accordance with each supplementary agreement. The revision is considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Company’s counterparties are not successfully concluded before the cessation of USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Company at December 31, 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

Non-Derivative Financial Instrument	Carrying Amount Financial Assets
3-month USD LIBOR	$ 1,044,713

3) Liquidity risk

a) There is no liquidity risk arising from non-performance of contractual obligations because capital and working capital are sufficient to cover all the contractual obligations. In addition, liquidity risk is quite low since cash requirement is not material on the maturity dates of derivative financial instruments.

The basic rule for the Company's operating and management activities is to handle assets and liabilities in the order of their maturities, considering the interest-rate and liquidity gap; however, assets and liabilities cannot be completely matched because of the differences in types and uncertainty of transaction terms, and these differences may affect profits and losses. The Company evaluates liquidity by maturity analysis, which is shown in the following table:

	December 31, 2022						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Assets							
Cash and cash equivalents	$ 557,558	$ -	$ -	$ -	$ -	$ -	$ 557,558
Financial assets at fair value through profit or loss	35,723,773	58,696,223	7,038,731	4,978,702	5,015,025	-	111,452,454
Securities purchased under resell agreements	2,853,262	1,101,503	-	-	-	-	3,954,765
Receivables	152,611	197,700	161,219	114,121	-	-	625,651
Financial assets at FVTOCI	199,783	600,385	2,677,086	5,097,727	73,684,740	5,737,466	87,997,187
Investment in debt instruments at amortized cost	-	-	-	18,750	1,575,000	-	1,593,750
Other financial assets	-	-	-	-	94,408	-	94,408
Refundable deposits	-	-	-	-	-	561,406	561,406
	39,486,987	60,595,811	9,877,036	10,209,300	80,369,173	6,298,872	206,837,179
Liabilities							
Call loans from banks and overdrafts on banks	9,230,842	276,372	-	-	-	-	9,507,214
Financial liabilities at fair value through profit or loss	-	-	362	2,714	216,430	-	219,506
Securities sold under repurchase agreements	129,531,050	39,400,300	2,076,989	1,134,241	-	-	172,142,580
Bills issued, net	2,000,000	-	-	-	-	-	2,000,000
Repurchase agreement margins	12,929	-	-	-	-	-	12,929
Accounts payable	147,283	22,000	67,434	15,422	35,683	-	287,822
Lease liabilities	-	2,914	4,107	8,073	18,032	-	33,126
	140,922,104	39,701,586	2,148,892	1,160,450	270,145	-	184,203,177
Net liquidity gap	$ (101,435,117)	$ 20,894,225	$ 7,728,144	$ 9,048,850	$ 80,099,028	$ 6,298,872	$ 22,634,002

	December 31, 2021						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Assets							
Cash and cash equivalents	$ 254,598	$ -	$ -	$ -	$ -	$ -	$ 254,598
Due from the central bank and call loans to banks	300,000	-	-	-	-	-	300,000
Financial assets at fair value through profit or loss	51,031,348	46,777,772	7,467,029	1,370,474	7,824,385	-	114,471,008
Securities purchased under resell agreements	4,864,971	500,230	-	-	-	-	5,365,201
Receivables	167,205	265,607	184,586	105,983	6,795	-	730,176
Financial assets at FVTOCI	1,999,756	2,221,331	4,706,573	10,932,414	76,509,570	10,257,386	106,627,030
Other financial assets	-	-	-	-	44,115	-	44,115
Refundable deposits	-	-	-	-	-	561,309	561,309
	58,617,878	49,764,940	12,358,188	12,408,871	84,384,865	10,818,695	228,353,437
Liabilities							
Call loans from banks and overdrafts on banks	9,096,125	-	-	-	-	-	9,096,125
Financial liabilities at fair value through profit or loss	-	49,531	-	1,266	40,829	-	91,626
Securities sold under repurchase agreements	145,250,897	39,034,647	2,721,818	115,226	-	-	187,122,588
Bills issued, net	2,000,000	2,500,000	-	-	-	-	4,500,000
Accounts payable	221,267	15,139	105,710	7,771	49,920	-	399,807
Lease liabilities	-	301	451	902	1,795	-	3,449
	156,568,289	41,599,618	2,827,979	125,165	92,544	-	201,213,595
Net liquidity gap	$ (97,950,411)	$ 8,165,322	$ 9,530,209	$ 12,283,706	$ 84,292,321	$ 10,818,695	$ 27,139,842

	December 31, 2022						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Currency swap							
Inflow	$ 748,265	$ 1,666,777	$ -	$ -	$ -	$ -	$ 2,415,042
Outflow	$ 736,208	$ 1,648,992	$ -	$ -	$ -	$ -	$ 2,385,200

	December 31, 2021						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Currency swap							
Inflow	$ 420,624	$ 611,685	$ -	$ -	$ -	$ -	$ 1,032,309
Outflow	$ 415,365	$ 609,213	$ -	$ -	$ -	$ -	$ 1,024,578

b) Maturity analysis of off-balance sheet items

The following table shows the Company's maturity analysis of off-balance sheet items based on residual maturity from the balance-sheet date to the contract maturity date. The amounts of guaranteed and endorsed commercial paper are included in accordance with the earliest date of performance obligation.

	1 Month	Over 1 Month - 3 Months	Over 3 Months - 6 Months	Over 6 Months - 1 Year	Over 1 Year	Total
December 31, 2022						
Off-balance sheet item						
Guaranteed commercial paper	$ 16,496,800	$ 77,577,700	$ 705,700	$ 93,100	$ -	$ 94,873,300
December 31, 2021						
Off-balance sheet item						
Guaranteed commercial paper	26,774,500	71,537,100	11,744,300	2,502,200	-	112,558,100

4) Foreign exchange risk

a) Foreign exchange risk faced by the Company refers to movements in fair values of foreign currency denominated assets less foreign currency denominated liability plus derivative position as a result of exchange rate fluctuations that may result in losses to the Company.

b) In terms of foreign exchange risk management, the Company mainly supervises position limits and loss limits on relevant businesses. Related control measures include daily supervision on exposure position, price assessment, and control over loss limits; and reporting to the Asset and Liability Management Committee monthly.

c) Company's foreign exchange risk exposure

	December 31, 2022	
	USD	**RMB**
Cash and cash equivalents	$ 9,642	$ 2
Financial assets at fair value through profit or loss	20,022	-
Financial assets at FVTOCI	18,363,568	-
Receivables, net	172,579	-
Other financial assets	94,396	-
Total assets	18,660,207	2
Call loans from banks and overdrafts on banks	1,397,214	-
Securities sold under repurchase agreements	16,031,019	-
Accounts payable	60,863	-
Other financial liabilities	12,929	-
Total liabilities	17,502,025	-
On-balance sheet foreign exchange gap	$ 1,158,182	$ 2
Off-balance sheet currency swaps	$ (2,395,224)	$ -
Exchange rate to NTD	30.708	4.4035
Foreign exchange gain	$ 131,564	$ -

	December 31, 2021	
	USD	RMB
Cash and cash equivalents	$ 26,499	$ 2
Financial assets at FVTOCI	22,832,233	-
Receivables, net	145,871	-
Other financial assets	39,431	-
Total assets	23,044,034	2
Call loans from banks and overdrafts on banks	346,125	-
Securities sold under repurchase agreements	20,185,982	-
Accounts payable	10,522	-
Total liabilities	20,542,629	-
On-balance sheet foreign exchange gap	$ 2,501,405	$ 2
Off-balance sheet currency swaps	$ (1,024,530)	$ -
Exchange rate to NTD	27.69	4.3476
Foreign exchange loss	$ (22,139)	$ -

d) Sensitivity analysis

		December 31, 2022	
Risky Financial Instruments of Primary Market	**Extent of Variation**	**Effect on Profit or Loss**	**Effect on Other Comprehensive Income**
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	$ 8,991	$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	(8,991)	-

		December 31, 2021	
Risky Financial Instruments of Primary Market	**Extent of Variation**	**Effect on Profit or Loss**	**Effect on Other Comprehensive Income**
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB appreciated by 1%	$ (14,339)	$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	14,339	-

5) Equity securities risk management

a) The Company's equity securities market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk coming from overall equity securities market price changes.

b) For equity securities risk management, the Company has set trading strategies for three categories of positions: (a) positions held for selling and earning capital gains in the short-term; (b) positions held for earning dividends; (c) positions held for earning capital gains derived from stocks that price in on promising industries or robust profitability in the long-term, and (d) setting annual loss limits to the tolerable scopes.

c) Related control measures include: Daily market price valuation to control loss limits and monthly reporting to the Risk Management Committee.

40. DISCLOSURES IN CONFORMITY WITH THE REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY PUBLICLY HELD BILLS FINANCE COMPANIES

a. Asset quality

Year / Item	December 31, 2022	December 31, 2021
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,176,048	1,375,981
Actual provision for credit losses and reserve for losses on guarantees	1,382,077	1,382,077

b. The principal operation

Year / Item	December 31, 2022	December 31, 2021
Balance of guarantees and endorsement securities	$ 94,873,300	$ 112,558,100
Ratio of guarantees and endorsement securities to net worth	3.96	4.71
Short-term bills and bonds sold under repurchase agreements	$ 172,142,580	$ 187,122,588
Ratio of short-term bills and bonds sold under repurchase agreements to net worth	7.18	7.83

c. Concentrations of credit extensions

Unit: %

Item \ **Year**	**December 31, 2022**		**December 31, 2021**	
Credit to common interest party	$ -		$ -	
Ratio of credit extensions to common interest parties	-		-	
Ratio of credit extensions secured by pledged shares	18.72		19.28	
Loan concentration by industry (ratio of top three industry to which credit line issued to credit extension balance)	**Type of Industry**	**%**	**Type of Industry**	**%**
	Finance and insurance industry	29.22	Finance and insurance industry	30.86
	Real estate industry	27.69	Real estate industry	26.65
	Manufacturing industry	18.02	Manufacturing industry	20.48

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged shares: Credit with shares pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

d. Concentrations of assets, liabilities and off-balance sheet items

Information on the concentrations of assets, liabilities and off-balance sheet items is shown in Note 39.

e. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

	December 31			
	2022		**2021**	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Cash and cash equivalents, other assets - refundable deposits	$ 811,375	0.10	$ 836,663	0.02
Call loans to banks	264,192	0.73	127,288	0.11
Financial assets at fair value through profit or loss - bonds and bills	94,630,559	0.74	99,956,081	0.38
Financial assets at fair value through other comprehensive income - bonds	96,349,592	1.24	100,745,035	1.19
Financial assets at fair value through profit or loss - hybrid financial assets	9,076,850	1.47	8,935,605	1.44
Investments in debt instruments at amortized cost	191,012	1.40	-	-
Securities purchased under resell agreements	4,674,231	0.37	6,411,458	0.17
Interest-bearing liabilities				
Due to other banks	13,841,460	0.88	9,077,356	0.24
Bank overdraft	1,680	0.77	955	1.50
Securities sold under repurchase agreements	164,406,330	0.65	178,797,692	0.24
Commercial paper issued, net	2,556,493	0.85	4,500,000	0.33

f. Information on interest rate sensitivity

December 31, 2022

In Millions of New Taiwan Dollars, %

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 98,177	$ 9,099	$ 9,672	$ 87,351	$ 204,299
Interest rate-sensitive liabilities	180,224	2,071	1,082	-	183,377
Interest rate sensitivity gap	(82,047)	7,028	8,590	87,351	20,922
Net worth					21,978
Ratio of interest rate-sensitive assets to liabilities					111.41
Ratio of interest rate sensitivity gap to net worth					95.20

December 31, 2021

In Millions of New Taiwan Dollars, %

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 106,430	$ 12,173	$ 11,795	$ 94,735	$ 225,133
Interest rate-sensitive liabilities	197,818	2,719	115	-	200,652
Interest rate sensitivity gap	(91,388)	9,454	11,680	94,735	24,481
Net worth					25,557
Ratio of interest rate-sensitive assets to liabilities					112.20
Ratio of interest rate sensitivity gap to net worth					95.79

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

g. Table of funding sources used

December 31, 2022

In Millions of New Taiwan Dollars

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Cash used in	Bills	$ 34,119	$ 58,322	$ 6,370	$ 3,753	$ -
	Bonds	424	802	2,729	5,919	87,351
	Due from banks	558	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	2,852	1,100	-	-	-
	Total	37,953	60,224	9,099	9,672	87,351
Cash provided by	Borrowing	11,230	276	-	-	-
	Securities sold under repurchase agreements	129,407	39,311	2,071	1,082	-
	Eligible capital	-	-	-	-	21,978
	Total	140,637	39,587	2,071	1,082	21,978
Net cash flows		(102,684)	20,637	7,028	8,590	65,373
Accumulated cash flows		(102,684)	(82,047)	(75,019)	(66,429)	(1,056)

December 31, 2021

In Millions of New Taiwan Dollars

Items		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Cash used in	Bills	$ 49,705	$ 46,434	$ 6,962	$ 117	$ -
	Bonds	2,050	2,322	5,211	11,678	94,735
	Due from banks	255	-	-	-	-
	Call loans	300	-	-	-	-
	Securities purchased under resell agreements	4,864	500	-	-	-
	Total	57,174	49,256	12,173	11,795	94,735
Cash provided by	Borrowing	11,096	2,499	-	-	-
	Securities sold under repurchase agreements	145,214	39,009	2,719	115	-
	Eligible capital	-	-	-	-	25,557
	Total	156,310	41,508	2,719	115	25,557
Net cash flows		(99,136)	7,748	9,454	11,680	69,178
Accumulated cash flows		(99,136)	(91,388)	(81,934)	(70,254)	(1,076)

h. Matters requiring special notation

Items	December 31, 2022	December 31, 2021
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on CBF for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Financial Supervisory Commission’s imposing strict corrective measures on CBF	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the “Guidelines for Maintenance of Soundness of Financial Institutions” which exceeded NT$50 million	None	None
Other	None	None

Note: The term “within the past year” means one year before the balance sheet date.

41. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2022

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Others	Closing Balance
Call loans from banks and overdrafts on banks	$ 9,096,125	$ 411,089	$ -	$ -	$ 9,507,214
Commercial paper issued, net	4,498,670	(2,500,000)	-	497	1,999,167
Lease liabilities	3,371	(15,480)	44,206	523	32,620
	$ 13,598,166	$ (2,104,391)	$ 44,206	$ 1,020	$ 11,539,001

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	$ 6,140,000	$ 2,956,125	$ -	$ -	$ 9,096,125
Commercial paper issued, net	4,499,227	-	-	(557)	4,498,670
Lease liabilities	2,695	(3,147)	3,748	75	3,371
	$ 10,641,922	$ 2,952,978	$ 3,748	$ (482)	$ 13,598,166

42. OTHER MATTERS

The outbreak of the COVID-19 pandemic has impacted global industries and economic activities. In response to the pandemic, the Company adopted flexible regulation of business operations, strengthened risk monitoring of the debtors and implemented management procedures after the loan approval. As of the date of release of the financial statements, the management assessed that the pandemic had no significant impact on the Company. The Company will continue to monitor the development of the pandemic, carefully evaluate and actively respond to the impact of the pandemic on the Company's financial status and operating performance.

43. INFORMATION ON SIGNIFICANT TRANSACTIONS AND INVESTEES AND PROPORTIONATE SHARE IN INVESTEES

a. Related information of significant transactions for the year ended December 31, 2022:

1) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

2) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

3) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

4) Allowance of service fees to related parties amounting to at least NT$5 million: None

5) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

6) Sale of nonperforming loans amounting to at least NT$300 million: None

7) Information on asset securitization under the "Regulations for Financial Asset Securitization": None

8) Intercompany relationships and significant intercompany transactions: None

9) Other significant transactions which may affect the decisions of users of financial reports: None

b. Name, locations and other information on investees: None

c. Investment in Mainland China: None

d. Information on major shareholders: Listing of all shareholders with ownership of 5% or greater showing the name of the shareholder, number of shares owned, and percentage of ownership of each shareholder: Table 1.

44. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on types of goods or services delivered or provided. The Company's reportable segments are as follows:

Segment Revenues and Results

An analysis of the Company's revenues and results by reportable segment is as follows:

	Segment Revenues and Results For the Year Ended December 31, 2022				
	Headquarters				
	Bills and Bonds	Equity Products	Others	Branches	Total
Bills	$ 426,482	$ -	$ -	$ 601,479	$ 1,027,961
Bonds	117,658	(2,578)	-	195,633	310,713
Shares and beneficiary certificates	-	(9,569)	93,733	-	84,164
Derivatives	9,024	54,874	-	-	63,898
Gain from reportable segments	553,164	42,727	93,733	797,112	1,486,736
Net revenues other than interest	152,774	-	-	(2,554)	150,220
Reversed impairment loss on assets	8,067	-	-	-	8,067
Reversal	22,739	-	-	44	22,783
Operating expenses	(212,604)	(33,963)	-	(219,945)	(466,512)
Income before income tax	$ 524,140	$ 8,764	$ 93,733	$ 574,657	$ 1,201,294

	Segment Revenues and Results For the Year Ended December 31, 2021				
	Headquarters				
	Bills and Bonds	Equity Products	Others	Branches	Total
Bills	$ 889,522	$ -	$ -	$ 685,720	$ 1,575,242
Bonds	743,384	112,635	-	276,415	1,132,434
Shares and beneficiary certificates	-	46,182	18,068	-	64,250
Derivatives	(11,196)	100,052	-	-	88,856
Gain from reportable segments	1,621,710	258,869	18,068	962,135	2,860,782
Net revenues other than interest	(19,424)	-	-	(2,394)	(21,818)
Reversed impairment loss on assets	8,337	-	-	-	8,337
Reversal	6,880	-	-	56	6,936
Operating expenses	(229,377)	(49,671)	-	(243,172)	(522,220)
Income before income tax	$ 1,388,126	$ 209,198	$ 18,068	$ 716,625	$ 2,332,017

Segment result is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Company’s branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung are categorized as single segment because they have the same type of products or services.

	Segment Assets	
	December 31	
	2022	2021
Headquarters	$ 165,560,652	$ 171,217,580
Branches	60,710,393	77,091,352
Write-off of internal transactions	(18,610,570)	(19,575,052)
Total assets	$ 207,660,475	$ 228,733,880

TABLE 1

CHINA BILLS FINANCE CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
O-Bank	380,981,600	28.36
PJ Asset Management Co., Ltd.	228,147,000	16.98
He Zhu Investment Co., Ltd.	77,084,000	5.73

Note 1: The information on major shareholders in this table is derived from Taiwan Depository and Clearing Corporation for shareholders holding more than 5% of the Company's ordinary shares and preferred stocks that have been delivered without physical registration (including treasury shares) on the last business day of the current quarter. The share capital recorded in the Company's financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property. Refer to the information on filing of insider ownership declaration at the Market Observation Post System website of the Taiwan Stock Exchange.

STATEMENT 1

CHINA BILLS FINANCE CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Description	Amounts
Checking accounts		$ 517,777
Demand deposits	Including US$314 thousand @30.708 and RMB0.465 thousand @4.4035	39,781
		$ 557,558

CHINA BILLS FINANCE CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Fair Value		Change in Fair Value Belong to Credit Risk	Remark
					Unit Price	Amount		
Bills								
Negotiable certificate of deposits	90 days and below	$ 7,100,000	0.84%-1.57%	$ 7,100,000	100.01	$ 7,100,482	$ -	Note 4
	180 days to 1 year	700,000	1.28%-1.30%	700,000	100.04	700,264	-	Note 4
Commercial paper 1	90 days and below	21,311	2.37%-2.82%	21,213	99.61	21,228	-	
Commercial paper 2	90 days and below	85,519,100	0.50%-1.85%	85,341,648	99.77	85,319,099	-	
	91 day-180 days	6,409,700	0.63%-1.63%	6,371,780	99.38	6,369,955	-	
	180 days to 1 year	3,093,100	0.60%-1.67%	3,068,318	98.70	3,052,881	-	
				$ 102,602,959		102,563,909	-	Note 1
Bonds								
Corporate bonds								
Less than 1 year	Principal and interest payment day from August 12, 2023 to December 24, 2023	46,000		$ 46,218	108.21	49,776	-	
More than 1 year and less than 5 years	Interest payment annually, principal and interest payment date from March 10, 2024 to June 13, 2027	179,000		179,875	99.27	177,686	-	
				$ 226,093		227,462		
Beneficiary securities								
More than 1 year and less than 5 years	Interest payment annually, principal and interest payment date on: December 11, 2026	500,000	1.30%	$ 500,000	99.75	498,731	-	
More than 5 year and less than 10 years	Interest payment annually, principal and interest payment date on: April 15, 2029	500,000	1.42%	500,000	98.47	492,340	-	
				$ 1,000,000		991,071	-	Note 1
Shares		800 thousand shares		$ 69,676		68,629	-	
Securities investment trust funds		5,500 thousand shares		$ 31,943		32,505	-	
Fixed-rate commercial paper								
	Within 6 months	4,200,000				-	-	
	Between 1 year (not included) and 3 years	1,300,000				7,756	-	
	Between 3 years (not included) and 5 years	1,000,000				2,025	-	
						9,781	-	Note 2
Benchmark interest rate commercial paper								
	Within 6 months	11,200,000				-	-	
	Between 6 months (not included) and 1 year	10,250,000				-	-	
	Between 1 years (not included) and 3 years	27,489,600				-	-	
	Between 3 years (not included) and 5 years	1,200,000				-	-	
						-	-	Notes 2 and 3

(Continued)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Fair Value Unit Price	Fair Value Amount	Change in Fair Value Belong to Credit Risk	Remark
Hybrid financial assets								
Convertible bond asset swap contracts								
	Within 6 months	$ 1,337,000		$ 1,337,000		$ 1,332,311	$ -	
	Between 6 months (not included) and 1 year	1,196,300		1,196,300		1,185,751	-	
	Between 1 year (not included) and 3 years	5,064,700		5,064,700		4,990,315	-	
				$ 7,598,000		7,508,377	-	Notes 1 and 2
Derivative financial instruments								
Purchase commitment contracts	Within 6 months	7,600,000				1,853	-	
	Between 6 months (not included) and 1 year	4,100,000				4,462	-	
	Between 1 year (not included) and 3 years	3,300,000				19,695	-	
						26,010	-	Note 2
Currency swap contracts	Within 6 months	1,811,722				32,916	-	Note 2
Futures margins	Within 6 months	-				24,710	-	
						$ 111,485,370	$ -	

Note 1: The face value of financial assets at fair value through profit or loss under repurchase agreements was $86,836,200 thousand.

Note 2: Total carrying value is the contract of notional amount.

Note 3: Benchmark interest rate commercial paper will be repriced before issued, the valuation amount is the same as the fair value.

Note 4: The information on pledged assets is in Note 35.

(Concluded)

CHINA BILLS FINANCE CORPORATION

STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Face Value/ Notional Amount	Fair Value
Currency swap contracts	Within 6 months	$ 583,452	$ 3,074
Fixed-rate commercial paper	Within 6 months	850,000	362
	Between 6 months (not included) and 1 year	1,400,000	1,780
	Between 1 year (not included) and 3 years	10,900,000	101,011
	Between 3 years (not included) and 5 years	1,500,000	28,838
Benchmark interest rate commercial paper (Note)	Between 6 months (not included) and 1 year	2,000,000	933
	Between 1 year (not included) and 3 years	1,300,000	961
	Between 3 years (not included) and 5 years	11,000,000	85,621
			$ 222,580

Note: Benchmark interest rate commercial papers will be repriced before issued, the valuation amount is the same as the fair value.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Accumulated Impairment Loss	Fair Value		Remark
						Unit Price	Amount	
Government bonds								
1 year and below	Principal and interest payment date from January 12, 2023 to October 16, 2023	$ 2,399,800	0.623-2.5	$ 2,399,412	$ -	99.6-100.21	$ 2,394,506	
Between 1 year (not included) and 5 years	Interest payment annually, principal and interest payment date from February 10, 2024 to September 23, 2027	6,300,000	0.50-3.00	6,327,898	-	96.99-103.45	6,262,830	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from June 14, 2029 to June 23, 2031	1,400,000	0.375-0.839	1,382,821	-	92.83-94.65	1,318,067	
Between 10 years (not included) and 20 years	Interest payment annually, principal and interest payment date from July 26, 2033 to July 31, 2034	1,250,000	1.875-2.125	1,340,736	-	105.37-108.10	1,338,585	
More than 20 years	Interest payment annually, principal and interest payment day on December 23, 2051	200,000	1.125	198,737	-	90.61	181,216	
Government bonds total				11,649,604	-		11,495,204	Notes 1 and 2
Bank debentures								
1 year and below	Principal and interest payment date from July 6, 2023	200,000	0.85	200,262	-	99.80	199,594	
Between 1 year (not included) and 5 years	Interest payment annually, principal and interest payment date from February 21, 2024 to July 22, 2025	4,850,000	0.69-2.10	4,884,771	1,463	98.66-100.98	4,849,347	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from May 10, 2029 to October 30, 2029	900,000	0.88-0.95	901,223	-	94.29-95.21	852,292	
Bank debentures total				5,986,256	1,463		5,901,233	Note 1
Corporate bonds								
1 year and below	Principal and interest payment date from February 6, 2023 to December 15, 2023	5,750,000	0.74-1.98	5,750,811	1,705	99.6-100.55	5,737,582	
Between 1 year (not included) and 5 years	Interest payment semi to annually, principal and interest payment date from January 7, 2024 to December 27, 2027	42,200,000	0.44-2.38	42,166,166	4,768	95.02-102.61	41,139,281	
Between 5 years (not included) and 10 years	Interest payment annually, principal and interest payment date from May 3, 2028 to August 26, 2029	4,620,000	0.48-2.40	4,605,610	214	93.27-103.22	4,377,471	
Corporate bonds total				52,522,587	6,687		51,254,334	Note 1
Overseas government bonds								
Between 1 year (not included) and 5 years	Interest payment semi-annually, principal and interest payment date on January 21, 2026	30,708	4.125	31,238	38	97.66	29,988	
Between 5 years (not included) and 10 years	Interest payment semi-annually, payment date from April 16, 2029 to April 16, 2030	1,412,568	3.25-4.50	1,488,546	1,378	87.42-98.89	1,310,032	
Overseas government bonds total				1,519,784	1,416		1,340,020	Note 1

(Continued)

Items	Description	Total Face Value/Share	Rate (%)	Acquisition Cost	Accumulated Impairment Loss	Fair Value		Remark
						Unit Price	Amount	
Overseas bank debentures								
1 year and below	Interest payment semi-annually and quarterly, principal and interest payment date from April 16, 2023 to October 2, 2023	$ 122,832	4.50-5.7538	$ 123,553	$ 102	99.43-100.20	$ 122,572	
Between 1 year (not included) and 5 years	Interest payment semi-annually and quarterly, principal and interest payment date from February 11, 2024 to September 11, 2027	5,466,024	1.792-5.815	5,610,346	5,768	86.21-100.25	5,276,753	
Between 5 years (not included) and 10 years	Interest payment semi-annually, and quarterly, principal and interest payment date from January 19, 2028 to October 22, 2030	4,636,908	2.013-6.296	4,585,693	2,874	76.32-103.35	4,170,491	
Between 10 years (not included) and 20 years	Interest payment semi-annually, principal and interest payment date from July 22, 2033 to November 17, 2033	706,284	5.015-6.27	719,506	329	95.36-103.87	707,507	
Overseas bank debentures total				11,039,098	9,073		10,277,323	Note 1
Overseas corporate bonds								
1 year and below	Interest payment semi-annually, principal and interest payment date on October 22, 2023	122,832	3.75	122,832	148	98.28	120,725	
Between 1 year (not included) and 5 years	Interest payment semi-annually and quarterly, principal and interest payment date from March 12, 2024 to June 8, 2027	2,404,099	1.50-5.8038	2,427,554	1,042	90.64-100.77	2,309,709	
Between 5 years (not included) and 10 years	Interest payment semi-annually, principal and interest payment date from June 15, 2028 to January 8, 2031	4,514,076	2.172-5.125	4,554,716	1,926	80.52-97.57	3,992,725	
Between 10 years (not included) and 20 years	Interest payment semi-annually, principal and interest payment date on October 18, 2033	307,080	6.342	323,247	93	105.21	323,079	
Overseas corporate bounds total				7,428,349	3,209		6,746,238	Note 1
Listed shares		8,722 thousand shares		588,216			528,960	
Beneficiary securities on real estate investment trust		150,000		150,000			124,800	
Unlisted shares								
Taiwan Asset Management Corporation		6,000 thousand shares		60,000			71,695	
Core Pacific City Corporation		49 thousand shares		71,287			271	
Taiwan Depository and Clearing Corporation		2,929 thousand shares		27,230			148,185	
Taiwan Futures Exchange Corporation		2,154 thousand shares		9,000			108,924	
				167,517			329,075	
				$ 91,021,411	$ 21,848		$ 87,997,187	

Note 1: The face value of financial assets at FVTOCI under repurchase agreements was $79,496,237 thousand.

Note 2: The information on pledged assets is in Note 35.

(Concluded)

CHINA BILLS FINANCE CORPORATION

STATEMENT OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Number of Sheets	Total Face Value/Share	Rate (%)	Accumulated Impairment Loss	Unamortized (Discount) Premium	Carrying Amount	Remark
Government bonds								
Between 1 year (not included) and 5 years	Interest payment annually, principal and interest payment date on September 23, 2027		$ 1,500,000	1.25	$ -	$ (16,518)	$ 1,483,482	Note

Note: The information on pledged assets is in Note 35.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF SECURITIES PURCHASED UNDER RESELL AGREEMENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Face Value	Amounts
30 days and below	$ 2,400,000	$ 2,401,541
31 days to 60 days	1,450,000	1,450,301
61 days to 90 days	100,000	100,156
	$ 3,950,000	$ 3,951,998

Note: Securities purchased under resell agreements were sold under repurchase agreements in the face values of $3,144,400 thousand.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF RECEIVABLE, NET
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Amounts
Interest receivables, net		$ 599,215
Receivables on settlement of asset swap		23,746
Other service fee income receivables		9,096
		$ 632,057

CHINA BILLS FINANCE CORPORATION

STATEMENT OF CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Name	Balance, End of Year	Contract Period	Call Loans Period	Range of Interest Rate	Loan Commitments	Guarantee or Collateral
Call loans from banks						
Taipei Fubon Bank	$ 2,240,000	January 1, 2022 to December 31, 2022	December 20, 2022 to January 6, 2023	1.27%-1.29%	$ 3,000,000	No
Taiwan Business Bank	600,000	January 1, 2022 to December 31, 2022	December 29, 2022 to January 5, 2023	1.27%	12,300,000	No
First Commercial Bank	4,520,000	January 1, 2022 to December 31, 2022	December 19, 2022 to January 12, 2023	1.30%	10,000,000	No
Mega International Commercial Bank	834,956	October 30, 2022 to October 29, 2023	December 12, 2022 to January 31, 2023	1.30%-4.77%	3,684,960	Note 2
Jih Sun International Commercial Bank	598,098	January 1, 2022 to December 31, 2022	December 19, 2022 to January 9, 2023	1.30%-4.56%	3,000,000	No
Bank of Sinopac	253,540	January 1, 2022 to March 31, 2023	December 28, 2022 to January 31, 2023	1.28%-4.54%	6,921,240	No
Hwatai Bank	460,620	January 1, 2022 to December 31, 2022	December 22, 2022 to January 6, 2023	4.55%-4.57%	3,460,620	No
	$ 9,507,214					

Note 1: The financial assets at fair value through profit or loss $100,342 thousand negotiable certificate of deposits and investments in debt instruments at amortized cost $1,483,482 thousand of government bounds were pledged as the guaranteed credit line for loan of NT$2,000,000 thousand granted by Bank of Taiwan.

Note 2: The financial assets at fair value through profit of loss $601,536 thousand negotiable certificate of deposits, the financial assets at fair value through other comprehensive income $902,811 thousand of government bonds and other assets - $525,000 thousand of refundable deposits were pledged as guaranteed credit line for overdraft of NT$1,500,000 thousand and US$50,000 thousand granted by Mega International Commercial Bank.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Carrying Value	Turnover
30 days and below	$ 129,673,117	$ 131,411,127
31 days to 60 days	31,374,687	31,753,090
61 days to 90 days	5,241,590	5,574,004
91 days to 180 days	1,972,037	2,050,463
Over 181 days	1,215,406	1,082,086
		$ 171,870,770

STATEMENT 10

CHINA BILLS FINANCE CORPORATION

STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Bonds	$ 1,206,106
Short-term bills	684,194
Convertible bonds asset swap	133,847
Bonds purchased under resell agreements	17,266
Others (Note)	5,307
	$ 2,046,720

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 11

CHINA BILLS FINANCE CORPORATION

STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Bonds sold under repurchase agreements	$ 620,318
Bills sold under repurchase agreements	443,586
Call loans from banks	122,087
Convertible bonds asset swap	108
Lease liabilities	523
Others (Note)	20,867
	$ 1,207,489

Note: The amount of each item in others does not exceed 5% of the account balance.

CHINA BILLS FINANCE CORPORATION

STATEMENT OF SERVICE FEE INCOME, NET
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Service fee income from guarantee business	$ 724,377
Service fee income from underwriting business	465,949
Others, net (Note)	(22,317)
	$ 1,168,009

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 13

CHINA BILLS FINANCE CORPORATION

STATEMENT OF GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Dividends revenue	$ 1,646
(Loss) gain on disposal of financial assets and liabilities at fair value through profit or loss	
Short-term bills	(63,007)
Bonds	40,108
Stocks and mutual funds	(27,703)
Derivative financial instruments	(13,083)
	(63,685)
(Loss) gain on valuation of financial assets and liabilities at fair value through profit or loss	
Short-term bills	(275,821)
Bonds	(55,423)
Stocks and mutual funds	(23,059)
Derivative financial instruments	9,655
	(344,648)
	$ (406,687)

CHINA BILLS FINANCE CORPORATION

STATEMENT OF REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Government bonds	$ (44,665)
Corporate bonds	(128,585)
Bank debentures	(79,785)
Dividend revenue	139,218
	$ (113,817)

CHINA BILLS FINANCE CORPORATION

STATEMENT OF (PROVISION) REVERSAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Amounts collected from prior years' write-off	$ 22,783
Amounts reserved for loss on guarantees	-
	$ 22,783

STATEMENT 16

CHINA BILLS FINANCE CORPORATION

STATEMENT OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Employee Benefits Expenses	Other Non-interest Gains	Other Operating Expenses	Total	Remark
Salaries and wages	$ 240,557	$ -	$ -	$ 240,557	
Labor insurance and national health insurance	15,259	-	-	15,259	
Pension	10,206	-	-	10,206	
Remuneration to directors	20,651	-	-	20,651	
Others	26,384	-	-	26,384	Note 1
	$ 313,057	$ -	$ -	$ 313,057	

Note 1: The amount of each items in others does not exceed 5% of the account balance.

Note 2: For the years ended December 31, 2022 and 2021, the Company had 165 and 164 average employees of which there were 9 and 9 non-employee directors, respectively.

Note 3: The average employee benefits expense for the current year was $1,874 thousand [(Total personnel expenses - Remuneration to directors) ÷ (Total employees - Non-employee directors)]

The average employee benefits expense for the prior year was $2,226 thousand [(Total personnel expenses for the prior year - Remuneration to directors) ÷ (Total employees for the prior year - Non-employee directors)]

Note 4: The average salaries and wages for the current year was $1,542 thousand [Total salaries and wages ÷ (Total employees - Non-employee director)]

The average salaries and wages for the prior year was $1,883 thousand [Total salaries and wages for the prior year ÷ (Total employees for the prior year - Non-employee directors)]

Note 5: The change in the average salaries and wages is 18.11% decrease. [(Total average salaries and wages - The average salaries and wages for the prior year) ÷ The average salaries and wages for the prior year]

Note 6: As of December 31, 2022 and 2021, the Company had $0 and $0 of remuneration to supervisor.

(Continued)

Note 7: The Company's policy on compensation and remuneration (including directors, supervisors, managers and employees) are as follow:

In addition to the monthly remuneration and transportation allowance (to be paid subject to the actual attendance of meeting), the remuneration of directors would be allocated pursuant to the articles of incorporation, subject to the profit status for the year, and the allocation, if any, shall be reported to the remuneration committee, and approved upon resolution made by the directors' meeting and reported to the shareholders' meeting. Notwithstanding, independent directors should be excluded from the allocation of remuneration.

The remuneration to the Company's chairman, president, vice presidents and managers should be subject to the review and approval by the remuneration committee on a yearly basis.

Compensation of employees is decided according to the Company's personnel administration regulation. The determination of the compensation is based on the average level of the domestic financial industry. The Company responds to the transformation in the industrial environment (future risks) and implements the spirit of bonus and performance linkage by assessing the differential contribution and individual performance of employees. The trading and non-trading business performance bonus is allocated depending on the profitability of the year to encourage employees to develop work potential and pursue outstanding performance.

(Concluded)

STATEMENT 17

CHINA BILLS FINANCE CORPORATION

STATEMENT OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Taxation	$ 63,348
Rental	2,021
Annual fee and allocated	5,359
Stock service fee	4,632
Donation	900
Others (Note)	52,333
	$ 128,593

Note: The amount of each item in others does not exceed 5% of the account balance.

China Bills Finance Corporation

Securities Department Disclosure
Years Ended December 31, 2022 and 2021

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Financial assets at fair value through profit or loss - current (Notes 4 and 6)	$ 8,779,840	9	$ 10,924,591	9
Bonds purchased under resell agreements (Notes 4 and 10)	3,951,998	4	5,364,108	4
Receivable, net (Note 4)	536,436	-	651,088	1
Current tax assets (Note 4)	398,326	-	85,423	-
Total current assets	13,666,600	13	17,025,210	14
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7, 9 and 15)	87,014,352	85	105,078,737	86
Financial assets at amortized cost - non-current (Notes 4, 8, 9 and 15)	1,483,482	2	-	-
Other financial assets, net (Note 4)	94,408	-	1,656	-
Refundable deposits	1,759	-	39,424	-
Total non-current assets	88,594,001	87	105,119,817	86
TOTAL	$ 102,260,601	100	$ 122,145,027	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 4 and 6)	$ 3,074	-	$ 49,531	-
Bonds sold under repurchase agreements (Notes 4 and 11)	86,086,017	85	109,038,758	89
Accounts payable, net	144,447	-	110,243	-
Current tax liabilities (Note 4)	26,585	-	275,974	-
Total current liabilities	86,260,123	85	109,474,506	89
NON-CURRENT LIABILITIES				
Internal office accounts (Note 14)	17,738,544	17	10,607,638	9
Total liabilities	103,998,667	102	120,082,144	98
EQUITY				
Appropriated working capital (Note 1)	550,000	1	550,000	1
Retained earnings				
Special reserve	71,306	-	71,306	-
Unappropriated earnings	425,074	-	894,189	1
Total retained earnings	496,380	-	965,495	1
Other equity	(2,784,446)	(3)	547,388	-
Total equity	(1,738,066)	(2)	2,062,883	2
TOTAL	$ 102,260,601	100	$ 122,145,027	100

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
	Amount	**%**	**Amount**	**%**
REVENUES AND GAINS				
Gains on sale of securities held for operations - dealing	$ (226,009)	(19)	$ 148,418	10
Interest revenue (Notes 4 and 12)	1,357,219	117	1,351,088	91
Reversal of impairment loss (impairment losses) (Notes 4 and 9)	8,067	1	8,337	1
Gains on securities held for operations - dealing (Note 4)	(112,181)	(10)	(7,237)	-
Foreign exchange gains or losses, net (Note 4)	131,564	11	(22,139)	(2)
Total revenues and gains	1,158,660	100	1,478,467	100
EXPENSES AND LOSSES				
Service charge (Note 4)	(10,214)	(1)	(10,284)	(1)
Interest expense (Notes 4 and 13)	(620,426)	(53)	(263,957)	(18)
Employee benefit expenses (Note 4)	(41,618)	(4)	(49,322)	(3)
Other operating expenses	(34,743)	(3)	(27,769)	(2)
Total expenses and losses	(707,001)	(61)	(351,332)	(24)
INCOME BEFORE INCOME TAX	451,659	39	1,127,135	76
INCOME TAX EXPENSE (Note 4)	(26,585)	(2)	(232,946)	(15)
NET INCOME FOR THE YEAR	425,074	37	894,189	61
OTHER COMPREHENSIVE (LOSS) INCOME				
Components of other comprehensive (loss) income that will be reclassified to profit or loss:				
Losses from investments in debt instruments at fair value through other comprehensive income (Note 4)	(3,699,889)	(320)	(916,384)	(62)
Income tax related components of other comprehensive income reclassified to profit or loss (Note 4)	368,055	32	119,463	8
Other comprehensive (loss) income for the year, net of income tax	(3,331,834)	(288)	(796,921)	(54)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (2,906,760)	(251)	$ 97,268	7

1. GENERAL INFORMATION

The Department obtained from the competent authority the approval for its proprietary trading of government bonds on July 12, 1997. The Department obtained from the competent authority the corporate bonds of proprietary business license to deal corporate bonds on July 28, 2003. The Department obtained from the competent authority the proprietary business license to deal bonds and securitization commodity (limited to fixed-income security) on May 17, 2007.

As of December 31, 2022 and 2021, the Department had working capital of $550,000 thousand.

As of December 31, 2022 and 2021, the Department had 20 and 21 employees included adjunct employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 23, 2023.

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

The Department application of new, amended and revised standards and interpretations is the same as disclosed in the Company’s financial statements for the year ended December 31, 2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The Company’s dual status of securities firm’s segment assets, liabilities, revenues and expenses, which be identified and be reasonable attribution of items is the calculation basis.

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into the following Levels 1 to 3 based on the degree at which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

Bonds Purchased/Sold Under Resell/Repurchase Agreements

Bonds purchased under resell agreements and bonds sold under repurchase agreements are treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized on an accrual basis.

Financial Instruments

Financial assets and financial liabilities are recognized when the Department becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   1) Measurement category

      Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), investments in debt instruments and equity instruments at fair value through other comprehensive income (FVTOCI), and financial assets at amortized cost.

a) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets (including any dividends or interest earned) are recognized in profit or loss.

b) Investments in debt instruments at FVTOCI

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

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

c) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and others, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i. Purchased or originated credit-impaired financial asset, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii. Financial asset that has subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of the financial asset.

2) Impairment of financial assets

The Department recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, as well as contract assets.

The Department always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Department recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Department measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Department determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Department):

a) Internal or external information shows that the debtor is unlikely to pay its creditors.

b) When a financial asset is more than 90 days past due unless the Department has reasonable and corroborative information to support a more lagged default criterion.

In addition to evaluating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, the Department will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the Department’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Department recognizes an impairment loss and reversal of impairment in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

Credits deemed uncollectible may be written off upon approval by the board of directors.

3) Derecognition of financial assets

The Department derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On the full derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities are recognized in profit or loss.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c. Derivative financial instruments

The Department enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts, interest rate swaps and convertible bond asset swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

d. Modification of financial instruments

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

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Department elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Department first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

Revenue Recognition

Interest revenues are estimated on an accrual basis.

Interest revenue from a financial asset is recognized when it is probable that the economic benefits will flow to the Department and the amount of income can be measured reliably. Interest revenue is accrued on a timely basis by reference to the principal outstanding and at the effective interest rate applicable.

Employee Benefits

Liabilities recognized on short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense for the period is shared pro rata on gain of reportable segments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Department's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Department considers the recent development of the COVID-19 in Taiwan and its economic environment implications and inflation and interest rate fluctuations when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2022	2021
Financial assets mandatorily classified as at fair value through profit or loss		
Derivative financial instruments		
Currency swap contracts	$ 32,916	$ 7,731
Futures margins	20,014	-
Non-derivative financial instruments		
Bond investments	227,462	435,348
Beneficiary securities	991,071	502,165
Hybrid financial assets		
Convertible bond asset swap contracts	7,508,377	9,979,347
Financial assets at fair value through profit or loss	$ 8,779,840	$ 10,924,591

(Continued)

	December 31	
	2022	2021
Financial liabilities held for trading		
Derivative financial instruments		
Currency swap contracts	$ 3,074	$ -
When-issued trading	-	49,531
Financial liabilities at fair value through profit or loss	$ 3,074	$ 49,531

(Concluded)

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2022 and 2021 were as follows:

	December 31	
	2022	2021
Convertible bond assets swap contracts	$ 7,598,000	$ 9,990,100
Currency swap contracts	2,395,224	1,024,530

As of December 31, 2022 and 2021, the face value of financial instruments at fair value through profit or loss under repurchase agreements was $880,000 thousand and $500,000 thousand, respectively.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2022	2021
Domestic investments		
Government bonds	$ 11,495,204	$ 14,757,511
Corporate bonds	51,254,334	57,729,769
Bank debentures	5,901,233	9,759,216
Overseas investments		
Overseas government bonds	1,340,020	1,865,264
Overseas corporate bonds	6,746,238	8,974,548
Overseas bank debentures	10,277,323	11,992,429
	$ 87,014,352	$ 105,078,737

Refer to Note 9 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

Note 15 shows the investment in debt instruments at FVTOCI that were classified as pledged assets.

As of December 31, 2022 and 2021, the face value of financial instruments at FVTOCI under repurchase agreements was $79,496,237 thousand and $98,274,083 thousand, respectively.

8. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2022	2021
Domestic investments		
Government bonds	$ 1,483,482	$ -

a. Refer to Note 9 for information relating to the credit risk management and impairment assessment about these investment in debt instruments at amortized cost.

b. Note 15 shows the investment in debt instruments at amortized cost that were classified as pledged assets.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2022

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 90,145,678	$ 1,483,482
Less: Allowance for impairment loss	(21,848)	-
Amortized cost	90,123,830	$ 1,483,482
Adjustment to fair value	(3,109,478)	
	$ 87,014,352	

December 31, 2021

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 104,518,242	$ -
Less: Allowance for impairment loss	(29,915)	-
Amortized cost	104,488,327	$ -
Adjustment to fair value	590,410	
	$ 105,078,737	

The Department invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Department's exposure and the external credit ratings are continuously monitored. The Department reviews changes in bond yield and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Department has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information to rate the debtors.

In determining the expected credit losses for debt instrument investments, the Department considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast in estimating 12-month or lifetime expected credit losses.

The Department's current credit risk grading mechanism is as follows:

Category	**Description**	**Basis for Recognizing Expected Credit Losses (ECLs)**
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

	December 31	
Category	**2022**	**2021**
Performing	$ 91,229,160	$ 103,518,232
Doubtful	400,000	1,000,010
In default	-	-

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI and amortized cost were as follows:

	Credit Rating		
	Performing (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**In Default (Lifetime ECLs - Credit-impaired)**
Balance at January 1, 2022	$ 24,697	$ 5,218	$ -
New financial assets purchased	5,029	-	-
Derecognition	(6,086)	(2,284)	-
Change in model or risk parameters	(4,516)	(1,453)	-
Change in exchange rates or others	1,243	-	-
Balance at December 31, 2022	$ 20,367	$ 1,481	$ -
Balance at January 1, 2021	$ 29,431	$ 8,821	$ -
New financial assets purchased	4,319	-	-
Derecognition	(7,015)	-	-
Change in model or risk parameters	(1,693)	(3,603)	-
Change in exchange rates or others	(345)	-	-
Balance at December 31, 2021	$ 24,697	$ 5,218	$ -

10. BONDS PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2022 and 2021, bonds and bills in the amounts of $3,951,998 thousand and $5,364,108 thousand purchased were under resell agreements were in the amounts of $3,954,765 thousand and $5,365,201 thousand before February 2022 and February 2021, respectively.

As of December 31, 2022 and 2021, bonds purchased under resell agreements were sold under repurchase agreements in the face values of $3,144,400 thousand and $5,330,000 thousand, respectively.

11. BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2022 and 2021, bonds in the amounts of $86,086,017 thousand and $109,038,758 thousand had been sold under repurchase agreements for $86,290,918 thousand and $109,086,188 thousand before their maturities in December 2023 and August 2022, respectively.

12. INTEREST REVENUE

	For the Year Ended December 31	
	2022	**2021**
Bonds	$ 1,206,106	$ 1,211,028
Convertible bonds asset swap	133,847	129,057
Bonds purchased under resell agreements	17,266	11,003
	$ 1,357,219	$ 1,351,088

13. INTEREST EXPENSE

	For the Year Ended December 31	
	2022	**2021**
Bonds sold under repurchase agreements	$ 620,318	$ 263,856
Convertible bonds asset swap	108	101
	$ 620,426	$ 263,957

14. RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Department are summarized as follows:

Related Party	Relationship with the Department
China Bills Financial Corporation (China Bills)	Headquarters of the Department

b. The significant transactions and balances with the related parties are summarized as follows:

		December 31	
Related Party	**Item**	**2022**	**2021**
China Bills	Internal office accounts	$ 17,738,544	$ 10,607,638

15. PLEDGED ASSETS

The following assets were provided as collaterals for call loans from banks and overdrafts:

	December 31		Purposes
	2022	2021	
Financial assets at fair value through other comprehensive income			
Government bonds	$ 92,325	$ 90,118	OTC online deposits refund
Government bonds	35,904	35,046	Deposits placed with authorities to operate as a security dealer
Government bonds	902,811	-	Deposits placed with bank overdrafts
Investments in debt instruments at amortized cost			
Governments bonds	1,483,482	-	Credit lines for loans

16. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Department as of December 31, 2022 were as follows:

Bonds sold under repurchase agreements (at repurchase price)	$ 86,290,918
Bonds purchased under resell agreements (at resell price)	3,954,765

17. SIGNIFICANT LOSSES FROM DISASTERS: NONE

18. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

19. FINANCIAL INSTRUMENTS

The objectives of and policies of financial instruments follows the rules of the Company. Refer to the Company’s financial statements for the year ended December 31, 2022.

20. FINANCIAL RISK MANAGEMENT

The objectives of and policies of financial risk management follows the rules of the Company. Refer to the Company’s financial statements for the year ended December 31, 2022.

21. INFORMATION ON SIGNIFICANT TRANSACTIONS WITH INVESTEES AND PROPORTIONATE SHARE IN INVESTEES

a. Related information on significant transactions for the year ended December 31, 2022:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

4) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

5) Service fees to related parties amounting to at least NT$5 million: None

6) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

7) Intercompany relationships and significant intercompany transactions: None

b. Information on investees: None

c. Information on establishment of foreign branches and representatives abroad: None

d. Investment in Mainland China: None

e. Information on major shareholders: Listing of all shareholders with ownership of 5% or greater showing the name of the shareholder, number of shares owned, and percentage of ownership of each shareholder: Table 1.

22. OPERATING SEGMENTS: NONE

23. OTHERS

The impact assessments of COVID-19 pandemic refer to the Company's financial statements for the year ended December 31, 2022.

TABLE 1

CHINA BILLS FINANCE CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2022

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
O-Bank	380,981,600	28.36
PJ Asset Management Co., Ltd.	228,147,000	16.98
He Zhu Investment Co., Ltd.	77,084,000	5.73

Note 1: The information on major shareholders in this table is derived from Taiwan Depository and Clearing Corporation for shareholders holding more than 5% of the Company’s ordinary shares and preferred stocks that have been delivered without physical registration (including treasury shares) on the last business day of the current quarter. The share capital recorded in the Company’s financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property. Refer to the information on filing of insider ownership declaration at the Market Observation Post System website of the Taiwan Stock Exchange.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS)
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Description	Face Value	Rate (%)	Acquisition Cost	Fair Value Unit Price	Fair Value Total Amount	Change in Fair Value Belong to Credit Risk	Remark
Bonds								
Corporate bonds								
58711	Expiration date: December 16, 2024	$ 83,900		$ 84,320	98.01	$ 82,230	$ -	
27481	Expiration date: December 24, 2023	30,200		30,260	113.19	34,183	-	
66131	Expiration date: December 12, 2025	22,000		22,220	106.22	23,368	-	
30336	Expiration date: June 1, 2027	15,000		15,000	98.99	14,849	-	
33465	Expiration date: December 28, 2025	15,000		15,000	98.95	14,843	-	
Others (Note 2)	Expiration date from: August 12, 2023 to June 13, 2027	58,900		59,293	98.45	57,989	-	Note 2
				$ 226,093		227,462	-	
Beneficiary securities								
01111S	Expiration date: December 11, 2026	500,000	1.30	$ 500,000	99.75	498,731	-	
01113S	Expiration date: April 15, 2029	500,000	1.42	500,000	98.47	492,340	-	
		1,000,000		$ 1,000,000		991,071	-	Note 1
Hybrid financial assets								
Ennoconn 3 Asset Swap	Expiration date: February 16, 2024	475,700	1.80	$ 475,700		474,785	-	
Shin Kong Financial Holdings 5 Asset Swap	Expiration date: December 17, 2023	425,900	0.80-0.90	425,900		421,574	-	
Merry Electronics 3 Asset Swap	Expiration date: August 11, 2024	382,000	1.10-1.30	382,000		377,326	-	
Others (Note 2)		6,314,400		6,314,400		6,234,692	-	Note 2
				$ 7,598,000		7,508,377	-	Note 1
						$ 8,726,910	$ -	

Note 1: The face value of financial instruments at fair value through profit or loss under repurchase agreements was $880,000 thousand.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - DERIVATIVE FINANCIAL INSTRUMENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Description	Fair Value	Remark
Derivative financial assets	Within 6 months		
Currency swap contracts		$ 32,916	Note
Futures			
Futures exchange margins - owned fund		20,014	
		$ 52,930	

Note: The notional amount is $1,811,772 thousand.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF BONDS PURCHASED UNDER RESELL AGREEMENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

	Transaction Condition			Bonds		
Client Name	**Start Date**	**Expiration Date**	**Rate (%)**	**Item**	**Face Value**	**Turnover**
Sunny Bank	November 25, 2022	January 8, 2023	0.80-0.84	A98102	$ 900,000	$ 900,834
King’s Town Bank	November 29, 2022	February 2, 2023	0.78-0.80	A06104R	500,000	500,847
King’s Town Bank	December 16, 2022	February 7, 2023	0.70-0.88	A05111	650,000	650,000
JihSun Commercial Bank	December 27, 2022	January 17, 2023	0.80	A96107	400,000	400,000
JihSun Commercial Bank	December 27, 2022	February 10, 2023	0.85	A03113	350,000	350,000
Suny Bank	December 7, 2022	January 16, 2023	0.80-0.81	A05111	300,000	300,054
JihSun Commercial Bank	December 15, 2022	February 13, 2023	0.80	A93109	300,000	300,000
JihSun Commercial Bank	December 28, 2022	January 6, 2023	0.83	A04105	200,000	200,168
JihSun Commercial Bank	December 27, 2022	January 6, 2023	0.80	A10201	200,000	200,000
Others (Note 2)					150,000	150,095
Total (Note 1)					$ 3,950,000	$ 3,951,998

Note 1: Bonds purchased under resell agreements were sold under repurchase agreements in the face values of $3,144,000 thousand.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Balance at January 1, 2022		Additions		Disposals		Balance at December 31, 2022		Allowance Loss	Guarantee and Collateral	Remark
	Face Value	Fair Value	Face Value	Amounts	Face Value	Amounts	Face Value	Fair Value			
Government bonds	$ 14,580,800	$ 14,757,511	$ -	$ -	$ 3,031,000	$ 3,262,307	$ 11,549,800	$ 11,495,204	$ -	Note 1	
Overseas government bonds	1,716,780	1,865,264	-	-	273,504	525,244	1,443,276	1,340,020	1,416	-	
Bank debentures	9,600,000	9,759,216	-	-	3,650,000	3,857,983	5,950,000	5,901,233	1,463	-	
Overseas bank debentures	11,588,265	11,992,429	-	-	656,217	1,715,107	10,932,048	10,277,322	9,073	-	
Corporate bonds	57,545,000	57,729,769	-	-	4,975,000	6,475,435	52,570,000	51,254,334	6,687	-	
Overseas corporate bonds	8,730,352	8,974,548	-	-	1,382,265	2,228,309	7,348,087	6,746,239	3,209	-	
	$ 103,761,197	$ 105,078,737	$ -	$ -	$ 13,967,986	$ 18,064,385	$ 89,793,211	$ 87,014,352	$ 21,848		Note 2

Note 1 Refer to Note 15 for the information that the bonds with fair value of $1,031,040 thousand are pledged as OTC online deposits for refund, deposits placed with authorities to operate as a security dealer and credit lines for loans.

Note 2: The face value of financial assets at FVTOCI under repurchase agreements was $79,496,237 thousand.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2022		Additions		Disposals		Balance at December 31, 2022			
Items	Face Value	Carrying Amount	Face Value	Amounts	Face Value	Amounts	Face Value	Carrying Amount	Allowance Loss	Guarantee and Collateral
Government bonds										
A11108	$ -	$ -	$ 1,500,000	$ 1,483,482	$ -	$ -	$ 1,500,000	$ 1,483,482	$ -	Note

Note: Refer to Note 15 for the information that the bonds with carrying amount of $1,483,482 thousand are pledged as credit lines for loans.

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF BONDS SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Start Date	Expiration Date	Rate (%)	Face Value	Turnover
Government bonds					
HB0802	October 18, 2022	June 7, 2023	0.38-0.82	$ 2,225,600	$ 2,322,084
HB0805	October 17, 2022	April 13, 2023	0.38-0.80	1,010,000	1,061,248
HB0701	October 18, 2022	April 12, 2023	0.38-0.70	987,000	1,027,915
A98102	December 7, 2022	January 18, 2023	0.69-0.73	900,000	928,100
HB0806	October 20, 2022	April 12, 2023	0.38-0.78	891,300	912,884
A05111	December 9, 2022	January 11, 2023	0.48-0.72	650,000	682,179
Others (Note)				6,568,672	6,953,468
				13,232,572	13,887,878
Bank debentures					
G13105	November 16, 2022	May 17, 2023	0.45-1.23	1,000,000	1,023,424
BCHINA 5 11/13/24	November 9, 2022	March 2, 2023	3.88-4.92	872,322	881,794
G13318	October 12, 2022	May 26, 2023	0.45-1.18	800,000	826,962
G139AE	October 3, 2022	February 24, 2023	0.48-0.98	700,000	726,354
Others (Note)				10,749,935	10,608,525
				14,122,257	14,067,059
Corporate bonds					
Others (Note)				55,665,808	57,581,927
Beneficiary securities					
01113S	October 28, 2022	January 11, 2023	0.48-0.55	500,000	549,153
				$ 83,520,637	$ 86,086,017

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 7

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Bonds	$ 1,206,106
Convertible bonds asset swap	133,847
Bonds purchased under resell agreements	17,266
	$ 1,357,219

CHINA BILLS FINANCE CORPORATION
SECURITIES DEPARTMENT

STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Items	Amounts
Bonds sold under repurchase agreements	$ 620,318
Convertible bonds asset swap	108
	$ 620,426