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CHINA BILLS FINANCE CORPORATION

2021 ANNUAL REPORT

Printed on March 15,2022

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China Bills Finance Corporation(CBF) has operated since December 1, 1978. The principal activities of CBF include:

1.Certifying and underwriting Short-Term Bills;

2.Certifying and underwriting Bank Debentures;

3.Brokering and trading Short-Term Bills;

4.Brokering and trading Bank Debentures;

5.Brokering and trading Government Bonds;

6.Guaranteeing and endorsing Short-Term bills;

7.Providing financial consulting services to enterprises;

8.Dealing Inter-bank call loan;

9.Proprietary trading of Corporate Bonds;

10.Equity Investment;

11.Fixed income securities trading;

12.Proprietary trading service of Foreign Bonds;

13.Investment of Foreign Currency Bonds;

14.Other business as authorized by the Competent Authority.

Through the end of 2021, total assets amounted to NT$228,734 million, and the net worth NT$25,557 million.

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I. Message to Shareholders

One. Performance Report of 2021

I. Domestic and Global Economies in 2021

Despite the popularization of vaccination and persistent international economic recovery, the spread of the novel variants of the virus slowed down the growth momentum. According to the latest statistics released by IHS Markit, the global economic growth rate of 2021 was 5.68% and it is expected to be 4.06% for 2022 and 3.38% for 2023.

The World Bank (WB) indicated in the Global Economic Prospects released on January 11, 2022 that the global economic growth rate would slow down from 5.5% in 2021 to 4.1% in 2022 given the persistent COVID-19 pandemic, the continued decrease in supportive financial measures adopted by governments, and the supply bottleneck pending a breakthrough.

Risks and variables remain for the time being in the international economy and need to be closely watched, including the developments of the pandemic around the world, the trade and technology disputes between the US and Mainland China, the Russia–Ukraine war, the rising prices of crude oil and bulk commodities around the world, the heated inflation, the climbing risks associated with public debts around the world to further add to financial fragility, geopolitical politics, and climate change, all of which are affecting the outlook of international economy.

Increased vaccination coverage and gradually relaxed pandemic control measures in addition to stimulus measures promoted by the government are driving persistent recovery of spending power. In addition, semi-conductor manufacturers are advancing in their manufacturing processes to stand out globally, which further secures local investments of related supply chains. As the supply chains go through restructuring around the world, the speedy expansion in 5G, automobiles, high-speed computing, and IoT on the demand side will hopefully significantly contribute to exports in our country. According to the statistics of the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan, the economic growth rate was 6.45% in 2021 and is expected to be 4.42% in 2022.

The Company has to cope with challenges such as interference from the recurrent pandemic with economic recovery, withdrawn financial and monetary policies in the future, and fluctuating prices of assets in its business operation. In the future, under a belt-tightening monetary policy of the government, the rate hike will drive up the interest rate on the money market, increase the overall fund allocation cost, and squeeze the spread of originally deployed positions. The rate lifted by the Fed and end of quantitative easing support a powerful USD index and will affect the New Taiwan dollar exchange rate. Despite the fact that the stock market in Taiwan is known for its advantageous relatively low price-to-earning ratio of the fundamentals, the rapid flows of hot money from around the world are likely to lead to drastic fluctuations. Close attention will continue to be paid to industrial developments and market trends, and opportunities to invest in the stock market and bond market will be evaluated in an effort to strengthen and adjust the assets-liabilities structure, to advance risk control, and to boost the operational efficiency.

II. Change of the Organizational Structure

The Financial Supervisory Commission released the amended “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” through the FSC Yin-Guo-Zi No. 11002730311 order on September 23, 2021. It is added that, in order to further promote the “Financial Security Action Plan”, a financial institution or 100% online banking of a certain scale should set a Chief Information Security Officer, who is supposed to be a vice general manager or a higher-ranking person or their equivalent. The Chief Information Security Officer is to take charge of the promotion, coordination of information security policies and allocation of resources as it helps enhance the capability to address information security issues. Therefore, the Company set a Chief Information Security Officer in 2022, a concurrent post held by President Cheng-Hsiang Wei, so as to further implement the Information Security policy of the Company.

III. Implementation Status of the Business Plan and Operating Strategy

The pandemic spread quickly in mid-May 2021 and was curbed under joint efforts of our nationals and the government. To ensure continued implementation of its business plan and the health of its people, the Company also adopted the following measures to keep the pandemic at bay:

(I). Implementation of the remote backup office

(II). Rotational work-from-home for part of the staff

(III). Board of Directors meetings, Audit Committee meetings, and Remuneration Committee meetings held through video conferencing

(IV). Strict compliance with applicable guidelines and regulations of the Central Epidemic Command Center in offices

In the bills business, under the persistent pandemic, the continued easing policy adopted by the central government and the abundant financial liquidity on the market are in favor of the underwriting business.

As far as bonds are concerned, bond yield in Taiwan is at a historical low level. The supply–demand mismatch leads to the low yield; reinvestment opportunities are restricted. The US bond yield bottomed out in the first quarter, dropped in the second and third quarters, and bounced again in the fourth quarter while attention was paid to inflation on the market. The Fed continued with its low-interest-rate policy and US funds procurement went smoothly at a steady interest rate so that yielding business can be fulfilled to meet the expected goal.

In terms of stock investment, thanks to the easing of pandemic restrictions in Europe and America, returning demand, and transferred purchase orders, among other factors, domestic enterprises traded on the stock market saw significant growths in earnings; weighted indexes hit record highs. Convertible bonds and asset exchange income is good mainly because of the effective management over underwriter relationship and the properly operated transactional strategy of extended holding time. The large quantity of convertible bonds circulated on and the bullish outlook of the market also contributes to the growth in profits for the said business.

The Company's primary business overview of 2021 is below:

Unit: NTD million, USD million

Item	2021	2020	Increase/Decrease ratio (%)
Underwriting and initial purchase of various bills	2,650,692	2,379,764	11.38%
Trading of various bills	5,266,887	4,958,937	6.21%
Balance of guaranteed commercial papers	112,558	109,165	3.11%
Trading of various bonds in New Taiwan dollar	2,320,066	2,611,719	(11.17)%
Trading of various bonds in foreign currencies (USD)	10,530	10,816	(2.64)%

IV. Budget Implementation, Financial Income and Expenditures, and Profitability Analysis

For revenues, the Company's net income in 2021 was NT$2,847,301 thousand, the net interest income was NT$1,258,823 thousand, the net fee income was NT$1,301,059 thousand, the net income of financial assets and liabilities measured at fair value through profits or losses was NT$185,463 thousand, the net realized income of financial assets measured at fair value through other combined profits or losses was NT$115,437 thousand, and other net non-interest losses was NT$13,481 thousand.

In 2021, thanks to the dedication of all Company employees to the development of our main service clients, the volume of commercial papers underwritten and guaranteed grew continuously, and the operational performance of bond and stock positions improved significantly. Therefore, the net income after tax of the year exceeded the budget goal.

In terms of deposit/withdrawal operations, the various reversals were NT$6,936 thousand in 2021, primarily due to greater value of bad debts collected than the guarantee liability provisions this year. The operating expenses were NT$522,220 thousand. Under strict control, the expenditure was less than the budget.

As for profits, in 2021, the profit before tax was NT$2,332,017 thousand; the profit after tax was NT$1,857,666 thousand; the EPS was NT$1.38; and the budget fulfillment rate was 104%; with the addition of a gain of NT$149,107 thousand on disposal of "equity instruments measured at fair value through other combined profits or losses," the budget fulfillment rate was 108%.

V. Research and Development

The Company endeavored to promote the digitalization of various businesses with the results as follows:

(I) The Company has participated in the "Financial Blockchain Confirmation Service" which can reduce the labor and mailing costs of audit confirmation by accounting firms, avoid the risk of loss, forgery and tampering of the confirmation, and improve the overall operation efficiency and data security.

(II) Cooperate with Taiwan Depository & Clearing Corporation to switch the delivery of transaction documents in the secondary market of bills to electronic transmission.

(III) As for the introduction of inter-broker trading receipt and electronic bond passbook, currently, the Company is working with the Taiwan Depository & Clearing Corp. to introduce digitalization for the transactional documents and passbooks of bond for general investors.

(IV) Continue to create related systems and turn operations online in a strengthened effort to prevent against money laundering and fight against terrorism financing and to comply with regulatory requirements.

As for the employee training and education, in addition to inviting scholars and experts to give lectures to employees periodically, the Company also invites industry professionals to give courses related to their expertise, and establishes digital learning platforms, to change the internal training to online learning.

Besides this, in order to improve their professionalism and work efficiency, the Company also encourages employees to obtain financial licenses and attend various external courses held by institutions such as the Taiwan Academy of Banking and Finance. At the end of 2021, the number of employees trained was 154 and the total number of employee training sessions was 2,538 (5,272 hours), with an average of about 16 sessions (34 hours) per person.

Two. 2022 Business Plan Highlights

I. Operating Guidelines

- Proactively evaluate opportunities to take part in syndicated loans given the flourishing green energy industry and its promising market outlook; eliminate low-spread customers to maintain the balance and to prevent against a decline in income.
- Continue to increase the weights of fixed-rate bonds, adjust the credit structure of positions, and adequately extend their duration; wait for opportunities to maximize the scale of foreign currency bond positions and engage in band operation.
- Deepen the underwriter relationship to ensure access to sources of bonds and to strengthen the fundamental/technical research and to optimize the stipulation and implementation of investment policies for enhanced income from convertible bonds.
- Buy undervalued high-yield stocks at low-end and build up the FVTOCI stocks position; increase the number and weighting of stocks in the trading position and strengthen the market timing frequency of individual stocks.
- Flexibly adjust the ratios of various funds procurement instruments to bring down the cost of capital.

II. Expected Business Targets and Their Basis

Considering the domestic and external economic conditions and the industrial environment, the 2022 major business targets are estimated as follows:

- Annual average balance of guaranteed commercial papers issuance amounts to NT$108.5 billion.
- Annual average balance of short-term bills underwriting and initial purchase amounts to: NT$390.8 billion.
- Annual average balance of repo trading of bills and bonds amounts to NT$163.6 billion.
- Capital adequacy ratio will be not less than 12.5%.

III. key Operating Policies and Future Development Strategies

Please refer to Page 122 to 123 of this annual report for long-term and short-term business development plans.

Three. Impact from the external competitive environment, regulatory environment and general business environment

Domestically, the long-term monetary easing policy remains. Since the valued customers are a minority in quantity to strive for, it is expected the financial market will maintain intensive competition.

In order to keep in line with the international trend, the competent authority has successively implemented the new policies for personal information protection, anti-money laundering and countering of terrorism financing, and common reporting standards in the recent years. Besides, the competent authority focused on the legal compliance and corporate governance. Accordingly, the Company constructed and optimized various legal compliance mechanisms, and also invested additional resources, in order to upgrade the performance of legal compliance.

The global economy continued to recover with improved vaccination coverage and supportive financial and monetary policies in 2021. The supply chain bottleneck, however, impacted global inflation and variants of the virus slowed down the pace to recovery as a whole, too. In 2022, monetary policies of central banks around the world will make a turn, which will help hold down inflation; nevertheless, the belt-tightening policy is likely to take a toll on performance on the financial market and it is expected that global economic recovery will slow down.

The Company will continue to cultivate its own business, strengthen its risk control and capital utilization efficiency, and enhance its competitiveness and operational efficiency, so as to mitigate the impact of the external environment. Please refer to pages 119 to 123 and 246 to 249 of this annual report for each impact assessment.

Four. Latest credit rating result and the rating date

On May 25, 2021, Fitch Ratings Ltd., Taiwan affirmed the Company’s ratings as follow: domestic long-term credit rating at “A+ (twn)” and short-term credit rating at “F1 (twn),” both with a stable outlook.

Last but not least, we look forward to your continued support and encouragement for CBF and its employees.

Sincerely yours,

CHENG-CHUAN. CHANG

Cheng-Chuan Chang
Chairman

Cheng-Hsiang Wei
President

II. Company and Business Profile

One. Company Profile

By the Corporation Law and the Regulations Governing Short Term Bills Dealers as promulgated by the Ministry of Finance (MOF), the Company was duly incorporated in October 1978 to assist the government in establishing a monetary market, helping businesses with short-term financing needs and facilitating the transactions of bills and bonds in the economy. The Company has operated since December 1, 1978, and listed on Taiwan Stock Exchange (TSE) since October 1994.

The principal activities of CBF include:

1.Certifying and underwriting Short-Term Bills;

2.Certifying and underwriting Bank Debentures;

3.Brokering and trading Short-Term Bills;

4.Brokering and trading Bank Debentures;

5.Brokering and trading Government Bonds;

6.Guaranteeing and endorsing Short-Term bills;

7.Providing financial consulting services to enterprises;

8.Dealing Inter-bank call loan;

9.Proprietary trading of Corporate Bonds;

10.Equity Investment;

11.Fixed income securities trading;

12.Proprietary trading service of Foreign Bonds;

13.Investment of Foreign Currency Bonds;

14.Other business as authorized by the Competent Authority.

Two. Corporate Milestones

1976

• In February, the Ministry of Finance sent a letter to Bank of Communications asking the Bank to found Bills Finance Corporation.

1978

• On April 10, the Founding Taskforce Committee convened by the Bank of Communications applied with Ministry of Finance for founding Bills Finance Corporation.

• On July 13, the Ministry of Finance authorized in writing that the shareholders should consist of the 7 entities including Bank of Communications, Central Investment Holding, Taiwan Power Company, CPC Corporation, CHB, Cathay United Bank, and National Bank of Detroit, a US-based company, and also authorized said shareholders' share subscription percentages. The paid-in capital was NT$200 million.

• On September 6, the Company was named as "China Bills Finance Corporation" officially upon written authorization by Ministry of Finance. After the paid-in capital was fully paid, the Company held a shareholders' meeting to elect the directors and supervisors of 1st term. Mr. Hui-Fu Chen was elected as the Chairman and Mr. Zong-Han Zhang was elected as the President. Meanwhile, the company registration and business registration were completed.

• On December 1, start business officially.

1980

• On September 11, cash capital increase by NT$75 million, recapitalization from earnings by NT$25 million, and paid-in capital amounting to NT$300 million.

1981

• On March 10, cash capital increase by NT$50 million, and paid-in capital amounting to NT$350 million.

• In July, cash capital increase by NT$50 million, and paid-in capital amounting to NT$400 million.

• On October 24, Kaohsiung Branch started business officially.

• In December, cash capital increase by NT$50 million, and paid-in capital amounting to NT$450 million.

1982

• On March 26, the authorized capital stock adjusted as NT$800 million, recapitalization from 1981 earnings by NT$134.75 million, and paid-in capital amounting to NT$584.75 million.

• On September 25, Taichung Branch started business officially.

• On November 15, Headquarters moved to the new premises at 6&7F of Taipei Financial Center, No. 64, Dunhua N. Rd., Taipei City

1983

• On March 23, recapitalization from 1982 earnings by NT$115.25 million, and paid-in capital amounting to NT$700 million.

• On June 18, Tainan Branch started business officially.

1984

• On February 1, the new Chairman, Mr. Song-Gao Gu, assumed the office.

1985

• On January 1, the new President, Mr. Tong-De Xu, assumed the office.

1986

• On March 25, recapitalization from 1985 earnings by NT$48 million, and paid-in capital amounting to NT$748 million.

1987

• On April 14, recapitalization from 1986 earnings by NT$52 million, and paid-in capital amounting to NT$800 million.

1988

• On April 12, the authorized capital stock adjusted as NT$1.2 billion, recapitalization from 1987 earnings by NT$100 million, and paid-in capital amounting to NT$900 million.

• On October 26, the equity of National Bank of Detroit was transferred to Mr. Wan-Cai Cai and Shen Yuan Investment Co., Ltd. wholly. The equity represented by Director Jui-Zhi Jan was transferred wholly. Therefore, he was discharged from the position as director pursuant to laws.

1989

• On April 1, the former Chairman, Mr. Song-Gao Gu, retired compulsorily. On the same day, the new Chairman, Mr. Long-Tao Qian, assumed the office.

• On April 17, recapitalization from 1988 earnings and special reserve by NT$215 million in total, and paid-in capital amounting to NT$1.115 billion.

• On June 17, Taoyuan Branch started business officially.

• On July 22, the Company rented 5F of Taipei Financial Center additionally to expand its business.

1990

• On May 4, Director Wan-Cai Cai transferred his equity to Zhong Xing Investment Co., Ltd. and Fubon Investment Co., Ltd. wholly. Therefore, he was discharged from the position as director pursuant to laws.

• On June 16, the authorized capital stock adjusted as NT$2.4 billion, recapitalization from 1989 earnings and special reserve by NT$385 million in total, and paid-in capital amounting to NT$1.5 billion.

• On July 25, Banqiao Branch started business officially.

1991

• On March 30, recapitalization from 1990 earnings by NT$500 million, and paid-in capital amounting to NT$2 billion.

• On May 1, the former President, Mr. Tong-De Xu, retired compulsorily. On the same day, Vice President, Mr. Run-Sun Fu, was promoted to assume the office of President.

• On August 1, Changhua Branch started business officially.

1992

• In February, in order to meet the operational needs and take care of the shareholders' equity, the Company appointed Grand Cathay Securities Corporation as the leading underwriter responsible for the pre-listing tutorship for the Company.

• On March 28, the authorized capital stock adjusted as NT$3.6 billion, recapitalization from 1991 earnings and special reserve by NT$700 million in total, and paid-in capital amounting to NT$2.7 billion.

• In July, the Company acquired the whole building situated at No. 14, Sec. 2, Dunhua S. Rd., Daan District, Taipei City as the Headquarters' new business place.

1993

• On April 28, recapitalization from 1992 earnings and special reserve by NT$700 million in total, and paid-in capital amounting to NT$3.4 billion.

• On September 1, the former Chairman, Mr. Long-Tao Qian, retired compulsorily. On the same day, Central Investment Holding reappointed Wei-Zhong Xue, Jun Zhang, Da-Hou Lin and Liang Zhang as its corporate shareholders' representatives, and nominated Mr. Wei-Zhong Xue as the candidate for managing director and Chairman of the Board. On the same day, the Board of Directors of 5th term held the first special directors'/supervisors' meeting to reelect the directors, Mr. Wei-Zhong Xue and Mr. Jun, Zhang as the managing directors, and held the managing directors' meeting to elect the managing director, Mr. Wei-Zhong Xue, to succeed to the position as Chairman.

1994

• On March 28, Headquarters moved to the China Bills Finance Corporation Building at No. 14, Sec. 2, Dunhua S. Rd., Taipei City to continue carrying out business.

• On April 23, recapitalization from 1993 earnings and special reserve by NT$650 million in total, and paid-in capital amounting to NT$4.05 billion.

• On May 24, TWSE Securities Listing Review Committee approved the Company's listing on TWSE.

• On October 24, the Company held the special shareholders'meeting to reelect directors/ supervisors. In order to satisfy the need for listing, the directors representing CP Corporation and Taiwan Power Company (TPC) offered a majority of their equity for public underwriting and, therefore, the directors were discharged from the position pursuant to laws. Mr. Ming-Xin Cai and Mr. Chuan-Jiong Zheng were reelected to succeed to the office. Meanwhile, the Company's largest shareholder, Development Fund Management Committee of Executive Yuan, redeemed the equity which the Central Investment Holding was initially appointed to invest in the Company in whole. As a result, the directors and supervisors representing the Central Investment Holding were re-appointed to represent the Development Fund Management Committee of Executive Yuan. Upon the election, all of them were also elected as directors and supervisors, and Mr. Wei-Zhong Xue and Mr. Jun Zhang were still elected as the managing directors. Managing Director Wei-Zhong Xue was elected by and among the directors as the Chairman of Board, and Mr. Da-Hou Lin as the standing supervisor. In other words, the entire management responsible for decision making remained with no material changes.

• On October 26, the Company started to trade on TWSE officially.

1995

• On April 17, recapitalization from 1994 earnings and capital surplus by NT$850 million in total, cash capital increase by NT$1 billion, and paid-in capital amounting to NT$5.9 billion.

1996

• On April 30, recapitalization from 1995 earnings and capital surplus by NT$1.1 billion in total, cash capital increase by NT$2 billion, and paid-in capital amounting to NT$9 billion.

1997

• On May 1, Bond Dept. was established and dedicated to the proprietary operations of government bonds.

• On May 28, recapitalization from 1996 earnings and capital surplus by NT$1.5 billion in total, cash capital increase by NT$2 billion, and paid-in capital amounting to NT$12.5 billion.

• On July 12, the Company was held qualified for participating in the tender submission for government bonds directly as a trader of Central Government Bonds (CGBs).

1998

• On March 12, Taiwan Ratings granted the Company's long-term credit rating as "twA", and short-term credit rating as "twA-2". The Company was the first bills financing corporation receiving the credit ratings from the credit ratings organization in Taiwan.

• On April 29, recapitalization from 1997 earnings and capital surplus by NT$1.95 billion in total, and paid-in capital amounting to NT$14.45 billion.

• On July 14, Ministry of Finance permitted the Company to engage in the hedging transactions against NTD IRS and NTD FRA. As a result, the Company held additional hedging tool and also became the first bills finance company permitted to engage in such operations in Taiwan.

• On December 1, the Company organized its 20th anniversary celebration party at Grand Hyatt, and published the "China Bills Finance Special Edition for 20th Anniversary" available to the various sectors by upholding the management philosophy for "Gratitude, Cherishment and Improvement".

1999

• On April 23, Taiwan Ratings announced its annual credit rating reports. The Company's long-term ratings remained as "twA" and short-term credit ratings as "twA-2".

• On May 20, recapitalization from 1998 earnings and capital surplus by NT$2.07 billion in total, and paid-in capital amounting to NT$16.52 billion.

2000

• On March 22, the former President, Mr. Run-Sun Fu, retired. The Vice President, Mr. Gao-Ming Cai, was promoted to assume the office as President.

• On May 8, Taiwan Ratings announced its annual credit rating reports. The Company's long-term ratings remained as "twA" and short-term credit ratings as "twA-2".

• On July 27, the Company adjusted its organizational structure and added Planning Department, Information Technology Department and Legal & Compliance Department.

• On September 7, recapitalization from 1999 earnings and capital surplus by NT$680 million in total, and paid-in capital amounting to NT$17.2 billion.

2001

• On February 1, Changhua Branch was terminated and consolidated to Taichung Branch.

• On March 14, treasury stock totaling 41,300,000 was annulled, and the capital decreased by NT$413 million in total. After that, the paid-in capital became NT$16.787 billion. The registration of changes was approved by Ministry of Economic Affairs via its letter under (99) Shang-Zi No. 09001083080, and the company license was re-issued accordingly.

• On June 5, Taiwan Ratings announced its annual credit rating reports. The Company's long-term ratings remained as "twA" and short-term credit ratings as "twA-2".

• On June 12, Mr. Guo-Xiong Zhuang, who was appointed as the Company's corporate shareholder's representative on behalf of the Bank of Communications and also the Company's director concurrently, was succeeded by Mr. Feng-Yi Huang. On June 14, he was elected as the managing director at the 1st special meeting of the Board of Directors of 8th term.

• On July 25, Mr. Wei-Zhong Xue, who was appointed to act as the Company's corporate shareholder's representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company's director concurrently, was succeeded by Mr. Jian-Cheng Zeng. On the same day, he was elected as the managing director and also Chairman of Board at the 2nd special meeting of the Board of Directors of 8th term and 1st special meeting of the Board of Managing Directors of 8th term.

• On July 25, Mr. Guo-Cheng Tu, who was appointed to act as the Company's corporate

shareholder's representative on behalf of National Development Fund of Executive Yuan and also the Company's supervisor concurrently, was discharged from the position, and his successor would be re-appointed in writing separately.

• On July 25, the former President, Mr. Gao-Ming Cai, and the former Vice President, Mr. Huang Jin-Dui, resigned. Then, Mr. Ji-Cun Li and Mr. Guo-Cheng Tu were appointed as the successors.

• On August 13, the Company's director, Mr. Jin-Dui Huang, resigned.

On October 20, Mr. Gwo-Cheng Tu, who was appointed to act as the Company's corporate shareholder's representative on behalf of the Development Fund Management Committee of Executive

Yuan and also the Company’s supervisor concurrently, was succeeded by Mr. Qing-Qi Lai.

• On December 19, the Company's director, Mr. Gao-Ming Cai, resigned.

• On December 28, Mr. Han-Liang Wu, who was appointed to act as the Company’s corporate shareholders’ representative on behalf of Cathay United Bank and also the Company’s director, was succeeded by Mr. Qian-Zhi Chen.

2002

• On March 6, the Company adjusted its organizational framework, added Operations Dept., and consolidated Accounting Department and Planning Department into Administration Department and Sales Department respectively.

• On April 3, Mr. Feng-Yi Huang and Ms. Zi-Fang Liu Yang, the Company's corporate shareholders’ representative on behalf of the Bank of Communications and also the Company’s directors, and Ms. Qing-Hui Cheng, the Company's corporate shareholder's representative on behalf of the Bank of Communications and also the Company's supervisor, were succeeded by Mr. Guo-Xiong Zhuang, Ms. Xiang-Li Yang and Mr. Zi-Ping Ren. On April 10, Mr. Guo-Xiong Zhuang was elected as the managing director at the 4th special meeting of the Board of Directors of 8th term.

• On April 24, Mr. Qian-Zhi Chen, who was appointed to act as the Company’s corporate shareholders’ representative on behalf of Cathay United Bank and also the Company’s director, resigned, and no successor was appointed for him.

• On April 25, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings were adjusted as “twA-” and short-term credit ratings remained as “twA-2”.

• On June 1, Mr. Teng-Cheng Liu, who was appointed to act as the Company's corporate

shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Jun-Hui He.

• On June 20, Mr. Qing-Qi Lai, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s supervisor concurrently, was succeeded by Ms. Jiao-Ying Yang.

2003

• On April 1, Mr. Jun-Hui He, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Zhong-Ying Hu.

• On April 23, Mr. Guo-Xiong Zhuang, who was appointed as the Company's corporate shareholder's representative on behalf of the Bank of Communications, Administration Division and also the Company's director concurrently, was succeeded by Mr. Wen-Xiong Sun. On the same day, he was elected as the managing director at the 37th meeting of the Board of Directors of 8th term.

• On May 29, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings remained as “twA-”, short-term credit ratings as “twA-2”, and the outlook rating changed from “negative” to “stable”.

• On June 6, the Company held the general shareholders’ meeting to elect 9 directors and 3 supervisors of 9th term.

• On September 19, the Central Bank announced the selection results for “Main Traders of Central Government Bonds (CGBs)”. As a result, the Company was selected as one of the nine major traders

2004

• On March 12, Ms. Yi Xi, who was appointed to act as the Company's corporate shareholder's representative on behalf of E-Li Trade Co., Ltd. and also the Company's director, was succeeded by Mr. Bing-Huang He.

• On April 19, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings remained as “twA-”, short-term credit ratings as “twA-2”, and the outlook rating remained as “stable”.

• On October 15, the Central Bank announced the additional selection results for “Main Traders of Central Government Bonds (CGBs)”. As a result, the Company was still selected as one of the 11 major traders

• On October 26, Mr. Wen-Xiong Sun, who was appointed as the Company's corporate shareholder's representative on behalf of the Bank of Communications, Administration Division and also the Company's director concurrently, was succeeded by Mr. Feng-Yi Huang.

2005

• On April 13, Fitch Ratings, Taiwan announced its annual credit rating reports. It granted the Company’s international long-term foreign currency ratings as “BBB”, international short-term foreign currency ratings as “F3”, domestic long-term rating as “A+(twn)”, foreign short-term ratings as “F1(twn)”, and long-term outlook ratings as “stable”.

• On May 1, Ms. Jiao-Ying Yang, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive

Yuan and also the Company’s supervisor concurrently, was succeeded by Mr. Cheng-Zhang Yuan.

• On September 20, FSC approved that the Company was allowed to invest in equity products.

• On November 18, the Central Bank announced the additional selection results for “Main Traders of Central Government Bonds (CGBs)”. As a result, the Company was still selected as one of the 13 major traders

2006

• On May 11, Fitch Ratings, Taiwan announced its annual credit rating reports. It granted the Company’s international long-term foreign currency ratings as “BBB”, international short-term foreign currency ratings as “F3”, domestic long-term rating as “A+(twn)”, foreign short-term ratings as “F1(twn)”, and long-term outlook ratings as “stable”.

• On June 9, the Company held the general shareholders’ meeting to elect 9 directors of 10th term (including 2 independent directors) and 3 supervisors, including 3 directors from Industrial Bank of Taiwan, and 3 directors and 1 supervisor from the Management Committee of National Development Fund, Executive Yuan. Meanwhile, Mr. Ming-Ji Li, who was appointed to act as the Company's corporate shareholders’ representative on behalf of Industrial Bank of Taiwan as the Chairman of Board.

• On October 1, Mr. Zun-Hua Shi, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Zong-Da Yan.

• On December 8, Ms. De-Pei Yu, who was appointed to act as the Company's corporate shareholder's representative on behalf of Industrial Bank of Taiwan and also the Company's director, was succeeded by Mr. Tian-Wang Cai.

2007

• On January 1, Mr. Wen-Xian Lai, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Jun-Hui He.

• On February 6, FSC approved that the Company was allowed to trade securitized products at its own business locations.

• On March 1, Ms. Man-Jin Guo, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Fan-Guan Zhan.

• On April 19, Mr. Ji-Cun Li, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company's director concurrently, was succeeded to by Mr. Cheng-Ching Wu.

• On April 26, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: long-term foreign currency IDR as “BBB”, short-term foreign currency ratings as “F3”, domestic long-term ratings as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On May 1, the former President, Mr. Ji-Cun Li, retired due to health problems. The vacancy left by him was filled by Mr. Cheng-Ching Wu as of May 16, and upon authorization by the competent authority pursuant to the relevant requirements.

• On June 15, Independent Director, Mr. Neng-Bai Lin, resigned for press of business.

• On September 1, the Company adjusted its organizational framework, added Equity Products Department, consolidated Trading Department and Bond Department and renamed it into Fixed Income Products Department. Meanwhile, Business Department was renamed into Corporate Finance Department, and Sales Department renamed into Risk Management Department and consolidated Legal & Compliance Department.

• On December 17, the Management Committee of National Development Fund, Executive Yuan sold a majority of the shares held by it. Accordingly, the directors/supervisors representing it were all discharged from the position.

• On December 18, Mr. Tian-Wang Cai, who was appointed to act as the Company's corporate shareholder's representative on behalf of Industrial Bank of Taiwan and also the Company's director, was succeeded by Mr. Cheng-Ching Wu.

2008

• On February 5, the Company held the first special general shareholders' meeting to reelect 4 directors (including 1 independent director) and 1 supervisor to fill the vacancies. The name list of elected directors included Mr. Yao-Zu Qian, Mr. Rui-Yi Yen and Mr. Jonathan C.H. Wei representing Industrial Bank of Taiwan as directors and Mr. Zhong Su-Shen representing the Bank as an independent director. The elected supervisor was Mr. David C.C. Chang representing Tai Yuan Technology Co., Ltd.

• On February 22, Independent Director Zhao-Cheng Mai resigned for his personal career planning.

• On April 17, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On May 1, The Company's Supervisor David C.C. Chang representing Tai Yuan Technology Co., Ltd. was succeeded by Mr. Ming-Yuan Lin.

• On June 13, the Company held the general shareholders' meeting to reelect 1 director (independent director) to fill the vacancy. As a result, Ms. Yi-Ru Liu was elected as the director.

• On August 22, the Company held the 2nd special shareholders' meeting and passed the motion for consolidation with Industrial Bank of Taiwan. The directors, Mr. Yao-Zu Qian, Mr. Rui-Yi Yen and Mr. Jonathan C.H. Wei, initially representing the Industrial Bank of Taiwan resigned because of press of business on June 25, 2008. In the meantime, the Industrial Bank of Taiwan waived the right to re-appoint its representatives. The resignation and waiver took effective from the date when the Company held the shareholders' meeting for reelection of directors pursuant to laws. At the same shareholders' meeting, three directors were reelected, who were Mr. David C.C. Chang representing the Industrial Bank of Taiwan and Ms. Mona I-Ru Lo and Mr. Ming-Fu Huang representing Mingsheng Investment Co., Ltd..

• On August 29, the 1st special meeting of the Board of Directors of 10th term resolved the application with Banking Bureau of FSC, Executive Yuan for the "consolidation" with the Industrial Bank of Taiwan, "change of the business entity to an industrial bank" and "rename".

• On November 21, the 2nd meeting of the Board of Directors of 10th term resolved to terminate the motion for consolidation and consolidation agreement subject to mutual agreement with the Industrial Bank of Taiwan, pursuant to Article 18.3 of the consolidation agreement.

• On December 16, Independent Director Yi-Ru Liu resigned for the press of business.

2009

• On April 15, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On June 19, the Company held the general shareholders' meeting to elect 9 directors of 11th term (including 2 independent directors) and 3 supervisors. As a result, the Industrial Bank of Taiwan won 6 director seats in the Board, and Mingshen Investment and Tai Yuan Technology won 1 supervisor seat, respectively. The corporate shareholder's representative from the Industrial Bank of Taiwan, Mr. Ming-Ji Li, was elected as the Chairman of Board.

• On June 19, the general shareholders' meeting resolved to pass the cash capital decrease by NT$3,357,400,000. In consideration of the stock offered in the past years totaling 1,678,700,000 common shares at the par value NT$10 per share, NT$16,787,000,000 should serve as the basis and the capital decrease would be by 20%. The paid-in capital upon the capital decrease was NT$13,429,600,000.

• On August 11, FSC approved that the Company was allowed to engage in the proprietary operations and investment of foreign currency bonds.

• On August 19, Mr. Ming-Yuan Lin representing Supervisor Tai Yuan Technology Co., Ltd., was succeeded by Mr. Ding-Kai Wu.

2010

• On January 6, the Company reported to the FSC that the cash capital decrease took effective.

• On January 29, the Ministry of Economic Affairs approved the registration of changes of the paid-in capital. After that, the Company's paid-in capital became NT$13,429,600,000.

• On March 30, the stocks were registered and offered in intangible form in whole.

• On March 31, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On August 12, the Central Bank approved that the Company was allowed to engage in the certification, underwriting, brokerage and proprietary operations of foreign currency bills domestically and overseas, and offer the services officially on December 6.

• On October 9, Mr. Ding-Kai Wu representing Supervisor Tai Yuan Technology Co., Ltd. was succeeded by Mr. Ji-Ming Chen.

2011

• On April 26, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On June 2, the shareholders' meeting resolved to pass the motion for sale by tender of the Headquarters' building (No. 14, Dunhua S. Rd., Taipei City).

• On June 14, Mr. Ming-Ji Li representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. David C.C. Chang.

• On June 14, Chairman Ming-Ji Li retired. At 24th meeting of the Board of Directors of 11th term, Mr. Cheng-Ching Wu, was elected to succeed to the position as Chairman of the Board. Meanwhile, he resigned from the position as President. The vacancy for the President was filled by Mr. Yao-Zu Qian. Said motion was also reported to the competent authority for authorization.

• On September 13, in order to enhance corporate governance and well found the Company's director, supervisor and managerial officer remuneration systems, the Company established the Remuneration Committee pursuant to laws.

• On September 28, the Company appointed DTZ to handle the sale by tender of the Headquarters' office. As a result, TING HO DEVELOPMENT CO., LTD. of Ting Hisin International Group was awarded the contract at the price of NT$4.629 billion.

• On September 29, the Company held the special directors' meeting to report the application documents for approval of the relocation with the competent authority and lease of 4F of the headquarters building of the Industrial Bank of Taiwan (No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City) as the Company's Headquarters office.

• On October 24, the Company's application with Banking Bureau of FSC, Executive Yuan for moving its Headquarters to 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City to continue its operation was approved.

• On December 19, the Company moved to 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City officially to continue its operation.

2012

• On April 2, Mr. Xing-Bang Wang representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. Jin-Yu Yang.

• On April 23, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On June 15, the Company held the general shareholders’ meeting to elect 11 directors of 12th term (including 3 independent directors). As a result, the Industrial Bank of Taiwan won 6 director seats in the Board, and Mingshen Investment won 1 director seat. The corporate shareholder's representative from the Industrial Bank of Taiwan, Mr. Cheng-Ching Wu, was elected as the Chairman of Board.

• On June 15, in order to enhance the corporate governance, upgrade the enterprise’s competitiveness, signifiy the investors’ protection and increase the Company's value, the 3 independent directors formed the Audit Committee.

2013

• On March 27, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

2014

• On January 10, Mr. Rui-Yi Yen representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. Xiong-Rong Chen.

• On March 20, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On September 26, Mr. Xiong-Rong Cheng representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. Yi-Feng Lin.

2015

• On February 1, according to Article 32 of the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” amended on August 8, 2014, the Company added the Legal & Compliance Department subordinated to the President and dedicated to planning, managing and executing the legal & compliance system. The chief compliance officer of the Headquarters shall not hold any other positions concurrently.

• On March 5, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On June 2, the Company held the general shareholders’ meeting to elect 11 directors of 13th term (including 3 independent directors). As a result, the Industrial Bank of Taiwan won 6 director seats in the Board, and Mingshen Investment won 1 director seat. The corporate shareholder's representative from the Industrial Bank of Taiwan, Mr. Cheng-Ching Wu, was elected as the Chairman of Board.

• On June 16, the former President, Mr. Yao-Zu Qian, retired compulsorily. The vacancy left by him would be filled by Mr. Chih-Ming Chien as of June 16. Said motion was also reported to the competent authority for authorization pursuant to the relevant requirements on July 20.

2016

• On March 4, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On July 28, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On December 13, the Company won the best bills finance distinguished honor award in the “Taiwan Banking and Finance Best Practice Awards” of 8th term organized by Taiwan Academy of Banking and Finance.

2017

• On July 26, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

2018

• On June 8, the Company held the general shareholders’ meeting to elect 11 directors of 14th term (including 3 independent directors). As a result, O-Bank won 5 director seats in the Board, Mingshen Investment won 1 director seat and Ho-Chu Investment Co., Ltd. won 2 director seats. The corporate shareholder's representative from the O-Bank, Mr. Cheng-Ching Wu, was elected as the Chairman of Board.

• On July 17, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On December 3, the corporate shareholders’ representative from Ho-Chu Investment Co., Ltd., Mr. Jian-Jie Dai, was succeeded by Mr. Ming-Sheng Zheng.

• On December 20, Mr. Jonathan C.H. Wei representing Corporate Director O-Bank was succeeded by Mr. Niel Chang.

2019

• On July 2, Fitch Ratings, Taiwan Branch confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On September 3, Mr. Yi-Feng Lin representing Corporate Shareholder of O-Bank was succeeded to by Mr. Cheng-Hsiang Wei.

2020

• On February 25, Mr. Chien, Chih-Ming, the former president, applied for retirement, and the vacancy left was filled by Mr. Cheng-Hsiang Wei from February 25, and was filed to and approved by the competent authority on June 18 in accordance with the regulations. In addition, Mr. Chien Chih-Ming, the former representative of the Company’s shareholder, O-Bank Co., Ltd. was replaced by Mr.Ying-Che Huang.

• On March 31, Mr. Min-Sheng Cheng, the former representative of the Company’s shareholder, Ho-Chu Investment Co., Ltd., was replaced by Mr. Chiu, Yu-Yuan.

• On June 8, 2020, FitchRatings Taiwan affirmed the Company’s domestic long-term credit rating at “A+ (twn)” and short-term credit rating at “F1 (twn),” both with a stable outlook.

• On December 1, Mr. Yu-Yuan Chiu, the former representative of the Company’s shareholder, Ho-Chu Investment Co., Ltd., was replaced by Mr. Min-Sheng Cheng.

2021

• On January 5, Mr. Min-Sheng Cheng, the former representative of the Company’s shareholder, Ho-Chu Investment Co., Ltd., was replaced by Mr. Tzu-Hou Peng.

• On March 23, Mr. Ying-Che Huang, the representative of the corporate shareholder O-Bank was succeeded to by Ms. Chih-You Hsiao.

• On May 25, Fitch Ratings, Taiwan confirmed the Company’s annual credit ratings as follows: domestic long-term rating as “A+(twn),” domestic short-term ratings as “F1(twn),” and all outlook ratings as “stable.”

• On July 26, the general shareholders’ meeting was held to elect eleven directors (including three independent directors) for the 15th Board of Directors. As a result, O-Bank secured five seats, Mingshen Investment one seat, and Ho-Chu Investment Co., Ltd. three seats. Mr. Cheng-Chuan Chang, the representative of the corporate shareholder O-Bank was elected as the Chairman of the Board.

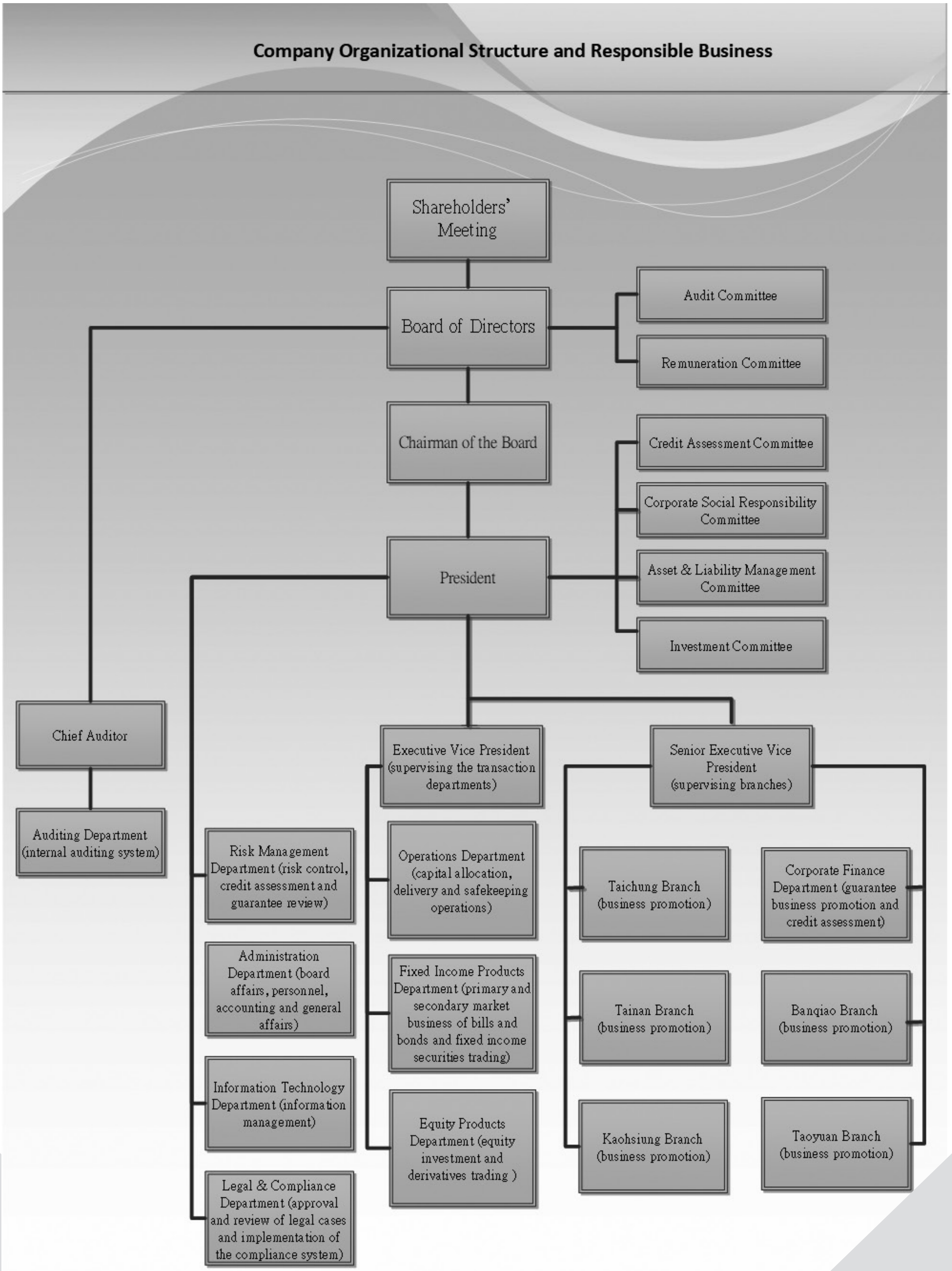
• On August 17, former Chairman Mr. Cheng-Ching Wu was hired to serve as the Company’s consultant, who will instruct and help promote various business operations and nurture outstanding financial talent.

2022

• On March 10, Mr. Wen-Feng Chang, the representative of the corporate shareholder O-Bank was succeeded by Mr. Chih-Yuan Hsu.

Corporate Governance Report

One. Organizational Structure



Two. Information concerning the director, president, vice presidents, assistant vice presidents, and department and branch managers

I. Information about directors

Record date: March 15, 2022

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Chairman	ROC	Cheng-Ching Wu (Representative of O-Bank)	Male/ 74	2018.6.8	2021.7.26 Resigned upon re-election	2007.12.8	380,982	28.36%	380,982	28.36%	None	None	None	None	Chairman of China Bills Finance Corporation President of Fubon Bills Finance Co., Ltd. EMBA of National Taiwan University	Independent Director of Motech Industries Inc.; Director of C-Tech United Corporation; Director of Jentech Precision Industrial Co., Ltd.	None	None	None
Chairman	ROC	Cheng-Chuan Chang (Representative of O-Bank)	Male/ 64	2021.7.26	3 years	2011.6.14	380,982	28.36%	380,982	28.36%	None	None	None	None	Executive Vice President and also Chief Operation Officer of O-Bank; Supervisor of IBT Leasing Co., Ltd Master of Business Administration (MBA), National Chengchi University	Chairman of China Bills Finance Corporation	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director and also President	ROC	Cheng Hsiang Wei (Representa-tive of O-Bank)	Male / 62	2021.7.26	3 years	2019.6.19	380,982	28.36%	380,982	28.36%	None	None	None	None	Senior Vice President and also Chief Strategy Officer of O-Bank MBA, the University of Texas at Arlington	President of China Bills Finance Corpor-ation	None	None	None
Director	ROC	Wen-Feng Chang (Representative of O-Bank)	Male/ 59	2021.7.26	Resigned upon re-appointment on 2022.3 . 10	Re-appointed on 2018.12.20	380,982	28.36%	380,982	28.36%	None	None	None	None	Senior Vice President and also Financial Market CEO of O-Bank Master of Business, National Taiwan University	None	None	None	None
Director	ROC	Chih-Yuan Hsu (Representative of O-Bank)	Male/ 45	2022.3.10	Three years	Re-appointed on 2022.3.10	380,982	28.36%	380,982	28.36%	None	None	None	None	Manager of Market Risk Management, Yuanta Commercial Bank Master of Commercial Mathematics, Soochow University	Senior Manager, O-Bank	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	ROC	Ying-Che Huang (Representative of O-Bank)	Male/ 59	2020.2.25	Resigned upon re-appointment on 2021.3.22	Re-appointed on 2020.2.25	380,982	28.36%	380,982	28.36%	None	None	None	None	Senior Vice President and also Chief Risk Officer of O-Bank Bachelor of Business Administration, National Cheng Kung University	None	None	None	None
Director	ROC	Chih-Yu Hsiao (Representative of O-Bank)	Female/ 40	2021.7.26	Three years	Re-appointed on 2021.3.22	380,982	28.36%	380,982	28.36%	None	None	None	None	Vice President and Chief Strategy Officer/Chief Human Resources Officer, O-Bank Master of International Relations, The Johns Hopkins University	Vice President and Director of Strategic Development Department, O-Bank	None	None	None
Director	ROC	Yi-Ru Lo (Representative of Mingshan Investment Co., Ltd.)	Female/ 43	2021.7.26	3 years	2012.6.15	1,510	0.11%	1,510	0.11%	None	None	None	None	Director of Mingshan Investment Co., Ltd. Univ.of California, Los Angeles, Master in Educational Psychology	Director of Mingshan Investment Co., Ltd.; Supervisor of Yi Chang Investment Co., Ltd.; Director of Tai Xuan Investment Co., Ltd.; Supervisor of Tai Ya Investment Co., Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	ROC	Si-Tsong Cheng (Representative of Ho-Chu Investment Co., Ltd.)	Male/ 46	2021.7.26	3 years	2018.6.8	77,084	5.73%	77,084	5.73%	None	None	None	None	Representative of Corporate Director COTA Commercial Bank Department of International Business, Fu Jen Catholic University	Director of Hong Yi Investment CO., Ltd.; Chairman of Yuan Tong Investment Co., Ltd.; Chairman of Rui Cheng Hao Investment Co., Ltd.; Chairman of DELPHA Construction Co., Ltd.;. Chairman of Huajian Development Co., Ltd.	None	None	None
Director	ROC	Ming-Sheng Cheng (Representative of Ho-Chu Investment Co., Ltd.)	Male/ 49	2018.12.3 Re-appointed to hold the position on 2020.12.1	Until 2020.3.31 resigned upon re-appoint-ment Until 2021.1.5 resigned upon re-appoint ment	Re-appointed to hold the position on 2018.12.3	77,084	5.73%	77,084	5.73%	None	None	None	None	Senior Assistant Vice President, Finance Department of KGI Bank Master in Finance, The City University of New York	Director of PJ Asset Management Co., Ltd.; Chairman of Genevia. Co, Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	ROC	Tzu-Hou Peng (representative of Ho-Chu Investment Co., Ltd.)	Male/ 40	2021.7.26	3 years	Re-appointment on 2021.1.5	77,084	5.73%	77,084	5.73%	None	None	None	None	Assistant Manager, Financial Product Department, International Bills Finance Corporation Master of Economics, National Taipei University	Manager, Investment Department, Ho-Chu Investment Co., Ltd.	None	None	None
Director	ROC	Tang-Hsuan Huang (representative of Ho-Chu Investment Co., Ltd.)	Male/ 41	2021.7.26 Newly elevted	3 years	2021.7.26	77,084	5.73%	77,084	5.73%	None	None	None	None	Manager, Business Department, KGI Securities Co. Ltd., Master of the Graduate institute of Business Administration,Chung Hsing University	Manager, Investment Department, Ho-Chu Investment Co., Ltd.; Director of Taiwan Calsonic Co., Ltd Supervisor of Ruicheng hao Investment Co., Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Independent Director	ROC	Wen-Ya Wu	Male/ 77	2021.7.26	3 years	2015.6.2	None	None	None	None	None	None	None	None	Secretary General of BCSD Taiwan; Vice Chairman of Taiwan External Trade Develop-ment Council (TAITRA);REpresentative of Taipei Representative Office, Bratislava; Representative of Taipei Economic and Cultural Office in Malaysia; Director General of Bureau of Foreign Trade; Supervisor of Commercial Division, Taipei Economic and Cultural Office in Los Angeles, MBA, Texas A&M University	None	None	None	None
Independent Director	ROC	Chung-Ho Chen	Male/ 75	2018.6.8	2021.7.26 Resigned upon re-election	2018.6.8	None	None	None	None	None	None	None	None	Supervisor of Shin Kong Bank Taichung Second Senior High School	None	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Independent Director	ROC	An-Wei Su	Male/ 65	2018.6.8	2021.7.26 Resigned upon re-election	2018.6.8	None	None	None	None	None	None	None	None	Vice President of Taiwan Cooperative Bills Finance Corporation Department of Finance, National Chengchi University	Director of Qiwei Management Consulting Company	None	None	None
Independent Director	ROC	Chung-Ming Kuo	Male/ 60	2021.7.26 Newly elected	3 years	2021.7.26	None	None	None	None	None	None	None	None	Vice President, PwC Taiwan; Chief CPA of High-value Asset Family Enterprise Inheritance Consulting Service, PwC Taiwan; Chief Operating Officer of Taxation Law Service, PwC Taiwan; Chief CPA of Cultural and Creative Industries Promotion Program, PwC Taiwan; Director, Taiwan Provincial CPA Association Master, Graduate Institute of Accounting In-service Program, National Taiwan University	Independent Director, XAVI Technologies Corporation; Supervisor, Commonlife Publishing Co., Ltd.; Supervisor, Common Wealth Magazine Co., Ltd.; Supervisor, Screenworks Asia Ltd.; Supervisor, Tung Hua Book Co., Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender / Age	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Independent Director	ROC	Horng-Dar Lin	Male/ 53	2021.7.26 Newly elected	3 years	2021.7.26	None	None	None	None	None	None	None	None	Independent Director, Taiwan Liposome Company; Chairman, GTM Management Co., Ltd.; Director, CHO Pharma Inc.; Partner, Sovereign Law Office; Judge, Taiwan Taipei District Court Master, Graduate School of Law, Columbia University	None	None	None	None

(I) Major shareholders of corporate shareholders

Record date: December 31, 2021

Name of corporate shareholder	Major shareholders of corporate shareholders (Note)
O-Bank Co., Ltd.	Ming Shan Investment Co., Ltd. (12.74%), Yi Chang Investment Co., Ltd. (9.53%), Tai Hsuan Investment Co., Ltd. (9.47%), Heng Tong Machinery Co., Ltd. (4.89%), Cheng You Corporation (3.64%), China Steel Corporation (3.42%), Chailease Finance Co., Ltd. (3.06%), Tai Ya Investment Co., Ltd. (2.99%), Hung Sheng Construction Co., Ltd. (1.96%), The Great Taipei Gas Corp. (1.87%)
Ho-Chu Investment Co., Ltd.	Chia-Hung Lin (100%)
Mingshan Investment Co., Ltd.	KC Investments Corp. (86.11%), Kenneth C.M. Lo (3.73%), Hong-Chu Investment Co., Ltd. (3.63%), Shih-Tze Chen (3.62%), Tina Y. Lo (2.91%)

Note: The major shareholders refer to the top ten shareholders (for the equity including common stock and preferred stock).

(II) Major shareholders of corporate shareholders who are representatives of the corporate shareholders

1. O-Bank

Record date: December 31, 2021

Name of corporate shareholder	Major shareholder of corporate shareholder
Mingshan Investment Co., Ltd.	KC Investments Corp. (86.11%), Kenneth C.M. Lo (3.73%), Hong-Chu Investment Co., Ltd. (3.63%), Shih-Tze Chen (3.62%), Tina Y. Lo (2.91%)
Yi Chang Investment Co., Ltd.	Shen-Feng Investment Co., Ltd. (55.77%), Triple Ace Management Co., Ltd.(42.80%), Nina Lo (1.43%)
Tai Xuan Investment Co., Ltd.	Sky Capital International Group Inc. (63.10%), Kenneth C.M. Lo (35.71%), Yi-Ru Lo (1.19%)
Heng Tong Machinery Co., Ltd.	Heng Tin Feng Invest Development Co., Ltd.(17.78%), Tong Chuan Invest Development Co., Ltd. (15.16%), Bai Tong Investment Co., Ltd. (13.62%), Teng-Yu Tseng (10.92%), Chia Wheel Enterprises Co., (10.05%), Heng Jih song Accurate Industries CO., Ltd. (7.68%), Teng-Ke Tseng (6.53%), Chang Yan Investment Co., Ltd.(6.52%), Siang Tai Investment Co., Ltd. (5.16%), Hong Da Investment Co., Ltd. (3.64%)
China Steel Co., Ltd.	Ministry of Economic Affairs (20.00%), Employee's Stock Ownership Trust of China Steel Structure Co., Ltd. under the custody of Mega International Commercial Bank Co., Ltd. (2.53%), Fubon Life Insurance Co., Ltd. (2.50%), Transglory Investment Corporation (1.63%), New Labor Pension Fund (1.47%), Old Labor Pension Fund (1.10%),Vanguard Emerging Markets Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.08%), Winning Investment Corporation (1.01%), Vanguard Total International Stock Index Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch (1.01%), Public Service Pension Fund Management Board (0.74%)
Cheng You Corporation	Jiqian Corporation (52.36%), ADI Corporation (21.15%), Chengju Industrial Corporation (19.79%), Abacus Display Infinity Corporation (1.75%), Mei Wang (1.24%), Yu Wang (1.17%), Xien-Ming Meng (1.12%), Zhao-Nien Meng (0.65%), James & David Corporation (0.50%), Rui Wang (0.26%)
Chailease Finance Co., Ltd.	Chailease International Company (UK) Limited (100%)
Tai-Ya Investment Co., Ltd.	Crystal Lake Global Limited (65.91%), Shih-Tze Chen (34.09%)
Hung Sheng Construction Co., Ltd.	Hongtai Life Insurance Co., Ltd. (6.00%), Quan Yi Investment Co., Ltd. (5.67%), Hann Bau Co., Ltd. (5.42%), Bau Ching Investment Co., Ltd. (5.33%), Wang Xing Enterprise Co., Ltd. (4.55%), The Fist Insurance Co., Ltd. (3.28%), Yu Chung Enterprise Co., Ltd. (3.00%), Yu Bau Enterprise Co., Ltd.(2.21%), Hung Gia Investment Co., Ltd. (1.97%), Yin Feng Enterprise Co., Ltd.(1.41%)
The Great Taipei Gas Corp.	Shin Kong Life Insurance Co., Ltd. (6.68%), Wu Dong Jin (6.06%), Shin Kong Memorial Wu Ho-Su Hospital (5.54%), Yue Xing Hua Investment Ltd. (5.18%), ShinKong Synthetic Fibers Corp. (3.91%), Shin-Hu Natural Gas Co., Ltd. (3.38%), Pioneer Chemical Corp. (3%), Ru Ying Industrial Co., Ltd. (2.7%), Shin Kong Life Real Estate Service Co., Ltd. (2.29%), Shin Kong Textile Co., Ltd. (2.08%)

2. Ho-Chu Investment Co., Ltd.

Name of corporate shareholder	Major shareholder of corporate shareholder (Note)
None	None

3. Mingshan Investment Co., Ltd.

Name of corporate shareholder	Major shareholder of corporate shareholder (Note)
KC Investments Corp	Paradise Palms Ltd. (100%)
Hong-Chu Investment Co., Ltd.	Tina Y. Lo (91.66%), Kenneth C.M. Lo(4.17%), Shih-Tze Chen (4.17%)

Note: The major shareholders refer to the top ten shareholders

(III) Disclosure of Professionalism of Directors and Supervisors and Independence of Independent Directors:

Base Date: March 15, 2022

Qualification / Name	Professionalism and Experience			Independence (Note 2)	Number of positions as an Independent Director in other public listed companies concurrently
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties		
Cheng-Chuan Chang	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●9 years as Executive Vice President at O-Bank			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Cheng-Hsiang Wei	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●6 years as Senior Vice President at O-Bank			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Chih-Yuan Hsu	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●1 year and above as Senior Manager at O-Bank ●6 years as Market Risk Manager at Yuanta Commercial Bank			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Chih-Yu Hsiao	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●10 years and above as Vice President at O-Bank			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Yi-Ru Lo	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●12 years and above as Director at Mingshan Investment Co., Ltd.			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Si-Tsong Cheng	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●2 years as representative of corporate director at COTA Bank			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Tzu-Hou Peng	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●2 years and above as manager at the Investment Department of Ho Chu Investment Co., Ltd. ●3 years and above as Associate Manager at the Department of Financial Instruments of International Bills Finance Corporation			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Tang-Hsuan Huang	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●11 years and above as sales manager at President Securities Corporation			The provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0

Wen-Ya Wu	With the work experience required for commerce, legal affairs, financial affairs, accounting, or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●7 years as Secretary-General at BCSD Taiwan ●2 years and above as Director-General of Bureau of Foreign Trade, Ministry of Economic Affairs	The declaration about respective sub-paragraphs as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" is fulfilled and the provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Chung-Ming Kuo	National CPA certification, with work experience required for accounting or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●2 years as Vice President of PwC Taiwan ●11 years as Chief CPA of High-value Asset Family Enterprise Inheritance Consulting Service, PwC Taiwan	The declaration about respective sub-paragraphs as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" is fulfilled and the provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	1
Horng-Dar Lin	National lawyer certification, with work experience required for legal affairs or corporate operations and absence of any of the conditions under Article 30 of the Company Act ●3 years as senior lawyer at Winston & Strawn LLP ●5 years as judge at Taiwan Taipei District Court	The declaration about respective sub-paragraphs as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" is fulfilled and the provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0

(IV) Diversification of Board of Directors:

For the Company's Board of Directors diversification policy, goal, and fulfillment, refer to I. Operation of the Board of Directors under Three. Status of Corporate Governance of Company's Annual Report (Pages 48–49).

II. Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers

Record date: March 15, 2022

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
President and also Chief Information Security Officer, CISO(2022.3.1)	ROC	Cheng Hsiang Wei	Male	2020.2. 25	None	None	None	None	None	None	Senior Vice President and also Chief Strategy Officer of O-Bank MBA, the University of Texas at Arlington	None	None	None	None
Senior Executive Vice President, Head of Corporate Banking Dept. and also Spokesperson	ROC	Gwo-Cheng Tu	Male	2001.7. 25	None	None	None	None	None	None	Deputy Supervisor of National Development Fund, Executive Yuan Master of Graduate Institute of International Business, Chinese Culture University	None	None	None	None
Chief Auditor (Retired compulsorily on 2022.2.1)	ROC	Chao-Ku Wang	Male	2017.7.1	238,558	0.02%	28,361	0.00%	None	None	Vice President, Operations Department of the Company Department of Accounting, National Taipei College of Business	None	None	None	None
Chief Auditor (appointed on 2022.2.1)	ROC	Su-Tzu Hsu	female	2022.2.1	8,000	0.00%	None	None	None	None	Vice President, Auditing Department Department of Economics, National Taiwan University	None	None	None	None
Executive Vice President of Fixed Income Product Department and also Financial Officer (2021.1.1)	ROC	Yi-Tien Chen	Male	2015.9. 23	509	0.00%	None	None	None	None	Vice President, Banqiao Branch of the Company Master in Finance, Louisiana State University	Director of Tung Jinn Abrasive Co., Ltd	None	None	None

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
Vice President of Equity Product Department	ROC	I-Chih Chou	Male	2011.11.1	None	None	None	None	None	None	Manager of O-Bank Department of Management Science, Ming Chuan University	None	None	None	None
Vice President of Risk Management Department and also Corporate Governance Officer (2021.1.1)	ROC	Yi-Chang Kan	Male	2017.2.1	None	None	None	None	None	None	Senior Manager, Risk Management Dept. of the Company In-Service Graduate Programs, Department of Economics, Soochow University	None	None	None	None
Manager of Operation Dept.	ROC	Ming-Mei Huang	Female	2017.7.1	None	None	None	None	None	None	Project Manager, Operations Department of the Company Department of Electronic and Computer Engineering, Ming Chuan University	None	None	None	None
Vice President of Adminstration Dept. and also Corporate Governance Officer (Retired compulsorily on 2021.2.1)	ROC	Hou-Sheng Yu	Male	2015.9. 23	3,727	0.00%	None	None	None	None	Project Manager, Operations Department of the Company Department of Bank Insurance, Takming University of Science and Technology	None	None	None	None
Vice President of Adminstration Dept. , Accounting Supervisor and also Acting Spokesperson (2021.1.1) (Promoted on 2021.2.1)	Republic of China	Po-Chun Chen	Male	February 1, 2021	None	None	None	None	None	None	Senior Manager, Adminstration Dept. MBA, Illinois State University	None	None	None	None

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
Vice President of Information Technology Department	ROC	Hung-Ta Chou	Male	2017.1. 18	58	0.00%	None	None	None	None	Senior Manager, Information Technology Department of the Company Department of Computer Science and Information Engineering Tamkang University	None	None	None	None
Vice President of Legal Compliance Department	ROC	Chen-Cheng Hsieh	Male	2015.9. 23	None	None	None	None	None	None	Manager, Legal Affairs Section of Risk Management Dept. of the Company Department of Law, National Taiwan University	None	None	None	None
Vice President of Kaohsiung Branch (Transfered on 2022.1.1)	ROC	Ming-Chi Chou	Male	2022.1.1	None	None	None	None	None	None	Vice President, Tainan Branch of the Company NSYSU Master's Degree for Business Management	None	None	None	None
Vice President of Tainan Branch (Transfered on 2022.1.1)	ROC	Jui-Wen Tseng	Male	2022.1.1	29,255	0.00%	None	None	None	None	Vice President, Kaohsiung Branch of the Company NSYSU Master's Degree for Financial Management	None	None	None	None
Vice President of Taichung Branch	ROC	Wei-Ming Cho	Male	2016.1.1	None	None	None	None	None	None	Senior Manager, Corporate Banking Department of the Company NCCU Department of Business Administration	None	None	None	None

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
Vice President of Taoyuan Branch	ROC	Jen-Chieh Chen	Male	2012.1.1	None	None	86,000	0.00%	None	None	Senior Manager, Taoyuan Branch of the Company Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Vice President of Banqiao Branch	ROC	Chung-Hsien Tsao	Male	2018.5.1	719	0.00%	None	None	None	None	Senior Manager, Fixed Income Products Department of the Company EMBA, Soochow University	None	None	None	None

III. Consultants who are retired Chairman and Vice President of the Company or any of its affiliates

Base Date: December 31, 2021

Position	Nationality	Name	Gender	Date of Election (Appointment) Nationality		Date Working as Consultant	Hiring Purpose (Note 1)	Responsibilities (Note 1)	Remuneration (Note 2)	Ratio of remuneration to after-tax net profit (Notes 2 and 3)
				Institution and Job Title	Date of Retirement					
Consultant	ROC	Cheng-Ching Wu	Male	Chairman of the Company	2021.7.25	2021.7.26	1. Direct and assist in sales development. 2. Provide advice in professional fields from time to time. 3. Boost exchange with finance-related sectors to maximize collaboration.	Individual who provides professional consulting service independently as authorized by the Company and is not in a labor–management relationship with the Company.	NTD 519 thousand	0.028%

Note 1: In accordance with the FSC Banking Act No. 10240001560 letter dated May 17, 2013, the banks shall have the operating procedure defined for the hiring of consultants that show the basis, purpose, hiring process, responsibilities, remuneration payment criteria, extension of appointment rating and evaluation and recusal upon conflicting interests, among others and have it approved by the Board of Directors so that it may be precisely enforced.

Note 2: If a bank is found with the conditions in Article 10 Sub-paragraph 3 Item 2, the remuneration payable to the consultant shall be disclosed separately. Otherwise, the remuneration and the ratio of remuneration to after-tax net profit can be combined and disclosed together.

Note 3: After-tax net profit refers to that shown in the parent company-only or individual financial statement of the past year.

III. Remuneration paid to directors, independent directors, presidents and vice presidents, and compensation paid to employees in the most recent year

(I) Remuneration to directors and independent directors

Unit: NT$ thousand

Record date: December 31, 2021

Job Title	Name	Remuneration to directors: Remuneration (A): the Company	Remuneration to directors: Remuneration (A): Companies included into the financial statement	Remuneration to directors: Pension upon retirement (B): the Company	Remuneration to directors: Pension upon retirement (B): Companies included into the financial statement	Remuneration to directors: Remuneration to director (C): the Company	Remuneration to directors: Remuneration to director (C): Companies included into the financial statement	Remuneration to directors: Service Expenses (D): the Company	Remuneration to directors: Service Expenses (D): Companies included into the financial statement	Sum of A, B, C, and D and its percentage of net income: the Company	Sum of A, B, C, and D and its percentage of net income: Companies included into the financial statement	Remuneration from concurrently servings as employees: Wages, bonuses, and special allowances, etc. (E): the Company	Remuneration from concurrently servings as employees: Wages, bonuses, and special allowances, etc. (E): Companies included into the financial statement	Remuneration from concurrently servings as employees: Pension upon retirement (F): the Company	Remuneration from concurrently servings as employees: Pension upon retirement (F): Companies included into the financial statement	Remuneration from concurrently servings as employees: Employee Compensation (G): the Company: Cash	Remuneration from concurrently servings as employees: Employee Compensation (G): the Company: Stock	Remuneration from concurrently servings as employees: Employee Compensation (G): Companies included into the financial statement: Cash	Remuneration from concurrently servings as employees: Employee Compensation (G): Companies included into the financial statement: Stock	Sum of A, B, C, D, E, F, and G and its percentage of net income: the Company	Sum of A, B, C, D, E, F, and G and its percentage of net income: Companies included into the financial statement	Remuneration from invested non-subsidiary enterprise(s)
Director	O-Bank Co., Ltd.	616	616	Nil	Nil	17,058	17,058	236	236	17,910 (0.96%	17,910 (0.96%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	17,910 (0.96%	17,910 (0.96%	Nil
	Mingshan Investment Co., Ltd.	12,768	12,768	Nil	Nil	12,840	12,840	804	804	26,412 (1.42%)	26,412 (1.42%)	7,678	7,678	Nil	Nil	1,377	Nil	1,377	Nil	35,467 (1.91%)	35,467 (1.91%)	23,747
	Ho-Chu Investment Co., Ltd																					
	Cheng-Ching Wu (Representative of O-Bank Co., Ltd.) (Resigned upon re-election on 2021.7.26)																					
	Cheng-Chuan Chang (Representative of O-Bank Co., Ltd.)																					
	Cheng Hsiang Wei (Representative of O-Bank Co., Ltd.)																					
	Wen-Feng Chang (Representative of O-Bank Co., Ltd.)																					

Job Title	Name	Remuneration to directors								Sum of A, B, C, and D and its percentage of net income		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F, and G and its percentage of net income		Remuneration from invested non-subsidiary enterprise(s)
		Remuneration (A)		Pension upon retirement (B)		Remuneration to director (C)		Service Expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Employee Compensation (G)						
		the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company		Companies included into the financial statement		the Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
	Chih-Yu Hsiao (Representative of O-Bank) (Reappointed on 2021.3.22)																					
	Ying-Che Huang (Representative of O-Bank Co., Ltd.) (Resigned upon re-appointment on 2021.3.22)																					
	Yi-Ru Lo Director, (Representative of Ming Shan Investment Co., Ltd.)																					
	Si-Tsong Cheng (Representative of Ho-Chu Investment Co., Ltd.)																					
	Ming-Sheng Cheng (Representative of Ho-Chu Investment Co., Ltd.) (Resigned upon re-appointment on 2021.1.5)																					
	Tzu-Hou Peng (Representative of Ho-Chu Investment Co., Ltd.) (Reappointed on 2021.1.5)																					

Job Title	Name	Remuneration to directors: Remuneration (A): the Company	Remuneration to directors: Remuneration (A): Companies included into the financial statement	Remuneration to directors: Pension upon retirement (B): the Company	Remuneration to directors: Pension upon retirement (B): Companies included into the financial statement	Remuneration to directors: Remuneration to director (C): the Company	Remuneration to directors: Remuneration to director (C): Companies included into the financial statement	Remuneration to directors: Service Expenses (D): the Company	Remuneration to directors: Service Expenses (D): Companies included into the financial statement	Sum of A, B, C, and D and its percentage of net income: the Company	Sum of A, B, C, and D and its percentage of net income: Companies included into the financial statement	Remuneration from concurrently servings as employees: Wages, bonuses, and special allowances, etc. (E): the Company	Wages, bonuses, and special allowances, etc. (E): Companies included into the financial statement	Pension upon retirement (F): the Company	Pension upon retirement (F): Companies included into the financial statement	Employee Compensation (G): the Company: Cash	Employee Compensation (G): the Company: Stock	Employee Compensation (G): Companies included into the financial statement: Cash	Employee Compensation (G): Companies included into the financial statement: Stock	Sum of A, B, C, D, E, F, and G and its percentage of net income: the Company	Sum of A, B, C, D, E, F, and G and its percentage of net income: Companies included into the financial statement	Remuneration from invested non-subsidiary enterprise(s)
	Tang-Hsuan Huang (Represent-ative of Ho-Chu Investment Co., Ltd.) (Newly elected on 2021.7.26)																					
Independ-ent Director	Wen-Ya Wu	5,400	5,400	Nil	Nil	Nil	Nil	678	678	6,078 (0.33%)	6,078 (0.33%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	6,078 (0.33%)	6,078 (0.33%)	Nil
Independ-ent Director	Chung-Ho Chen (Resigned upon reelection on 2021.7.26)																					
Independ-ent Director	An-Wei Su (Resigned upon reelection on 2021.7.26)																					
Independ-ent Director	Chung-Ming Kuo (Newly elected on 2021.7.26)																					
Independ-ent Director	Horng-Dar Lin (Newly elected on 2021.7.26)																					
Total		18,784	18,784	Nil	Nil	29,898	29,898	1,718	1,718	50,400 (2.71%)	50,400 (2.71%)	7,678	7,678	Nil	Nil	1,377	Nil	1,377	Nil	59,455 (3.2%)	59,455 (3.2%)	23,746

Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors:The company's independent directors' remuneration policy does not participate in the distribution of remuneration in accordance with the company's articles of association, and has a higher monthly remuneration than general directors, and the attendance fee shall be paid in accordance with the duties of his independence, and the payment amount shall be given in accordance with the actual attendance situation.

Note: Directors' remuneration for concurrently serving as employees and compensation paid to employees were disclosed based on the actual allocated figures and estimated figures.

Breakdown of Remuneration

Breakdown of remuneration to directors (NT$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement
Below 2,000,000	Cheng Hsiang Wen, Feng Chang, Yi-Ru Lo, Si-Tsong Cheng, Ming-Sheng Cheng, Tzu-Hou Peng, Tang-Hsuan Huang, Ying-Che Huang, Chih-Yu Hsiao, Chung-Ho Chen, An-Wei Su, Chung-Ming Kuo, Horng-Dar Lin	Cheng Hsiang Wen, Feng Chang, Yi-Ru Lo, Si-Tsong Cheng, Ming-Sheng Cheng, Tzu-Hou Peng, Tang-Hsuan Huang, Ying-Che Huang, Chih-Yu Hsiao, Chung-Ho Chen, An-Wei Su, Chung-Ming Kuo, Horng-Dar Lin	Wen Feng Chang, Yi-Ru Lo, Si-Tsong Cheng, Ming-Sheng Cheng, Tzu-Hou Peng, Tang-Hsuan Huang, Ying-Che Huang, Chih-Yu Hsiao, Chung-Ho Chen, An-Wei Su, Chung-Ming Kuo, Horng-Dar Lin	Wen Feng Chang, Yi-Ru Lo, Si-Tsong Cheng, Ming-Sheng Cheng, Tzu-Hou Peng, Tang-Hsuan Huang, Ying-Che Huang, Chih-Yu Hsiao, Chung-Ho Chen, An-Wei Su, Chung-Ming Kuo, Horng-Dar Lin
2,000,000 (inclusive) ~ 5,000,000	Mingshan Investment, Wen-Ya Wu	Mingshan Investment, Wen-Ya Wu	Mingshan Investment, Wen-Ya Wu	Mingshan Investment, Wen-Ya Wu
5,000,000 (inclusive) ~ 10,000,000	Cheng-Ching Wu, Cheng-Chuan Chang, Ho-Chu Investment	Cheng-Ching Wu, Cheng-Chuan Chang, Ho-Chu Investment nt	Cheng-Ching Wu, Cheng-Chuan Chang, Cheng Hsiang Wei, Ho-Chu Investment	Cheng-Ching Wu, Cheng-Chuan Chang, Cheng Hsiang Wei, Ho-Chu Investment
10,000,000 (inclusive) ~ 15,000,000	Nil	Nil	Nil	Nil
15,000,000 (inclusive) ~ 30,000,000	O-Bank	O-Bank	O-Bank	O-Bank
30,000,000 (inclusive) ~ 50,000,000	Nil	Nil	Nil	Nil
50,000,000 (inclusive) ~ 100,000,000	Nil	Nil	Nil	Nil
Above 100,000,000	Nil	Nil	Nil	Nil
Total	19 persons	19 persons	19 persons	19 persons

Table, 2021 Directors' (including Independent Directors') vehicles and estimated annual rent

Unit: NT$ thousand

Baseline date: December 31, 2021

Position	User	Imputed annual rent	Oil subsidy	Remarks
Director	Cheng-Ching Wu	1,032	75	Rented
	Cheng-Chuan Chang			
	Cheng Hsiang Wei			

Note: The total amount of driver's salary and overtime expenses during the directors' term of office in 2021 was NT$1,227 thousand.

(II) Remuneration to president and vice presidents this year

Unit: NT$ thousand

Record date: December 31, 2021

Job Title	Name	Wages (A)		Pension upon retirement (B)		Bonuses and special allowances, etc. (C)		Employee Compensation (D)				Sum of A, B, C, and D as percentage of net income		Remuneration from invested non-subsidiary enterprise(s)
		the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company		Companies included into the financial statement		the Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
President	Cheng Hsiang Wei	10,777	10,777	Nil	Nil	11,810	11,810	3,824	Nil	3,824	Nil	26,411 (1.42%)	26,411 (1.42%)	Nil
Senior Executive Vice President	Gwo-Cheng Tu													
Chief Auditor	Chao-Ku Wang													
Executive Vice President	Yi-Tien Chen													

Note: Retirees retirement pension is paid by the employee pension fund management committee.The pension upon retirement was allocated as NT$9,803,675 in 2021. Bonus and employee compensation were disclosed based on the actual allocated figures and estimated figures.

Remuneration scale

Breakdown of remuneration to president and vice presidents (NT$)	President and vice presidents	
	the Company	Companies included into the financial statement
Below 2,000,000	Nil	Nil
2,000,000 (inclusive) ~ 5,000,000	Chao-Ku Wang	Chao-Ku Wang
5,000,000 (inclusive) ~ 10,000,000	Cheng Hsiang Wei, Gwo-Cheng Tu, Yi-Tien Chen	Cheng Hsiang Wei, Gwo-Cheng Tu, Yi-Tien Chen
10,000,000 (inclusive) ~ 15,000,000	Nil	Nil
15,000,000 (inclusive) ~ 30,000,000	Nil	Nil
30,000,000 (inclusive) ~ 50,000,000	Nil	Nil
50,000,000 (inclusive) ~ 100,000,000	Nil	Nil
Above 100,000,000	Nil	Nil
Total	4 persons	4 persons

Schedule. Vehicles of president/vice president and imputed rent in 2021

Unit: NT$ thousand

Record date: December 31, 2021

<table>
<tr><th>Job Title</th><th>User</th><th>Imputed annual rent</th><th>Oil subsidy</th><th>Remarks</th></tr>
<tr><td>President</td><td>Cheng Hsiang Wei</td><td rowspan="2">830</td><td rowspan="2">76</td><td rowspan="2">Rented</td></tr>
<tr><td>Senior Executive Vice President</td><td>Guo-Cheng Tu</td></tr>
</table>

Note: The driver’s salary and overtime pay totaled NT$ 625 thousand when the President took the office in 2021.

(III) Managers receiving employee compensation and state of distribution

Unit: NT$ thousand

Record date: December 31, 2021

	Job Title	Name	Stock	Cash	Total	The sum as percentage of net income (%)
Managers	President	Cheng Hsiang Wei	Nil	8,250	8,250	0.44%
	Senior Executive Vice President & Chief, Corporate Finance Department and also spokesman	Gwo-Cheng Tu				
	Chief Auditor	Chao-Ku Wang				
	Executive Vice President, Fixed Income Products Department	Yi-Tien Chen				
	Vice President, Equity Products Department	I-Chih Chou				
	Vice President,Risk Management Department	Yi-Chang Kan				
	Manager,Operation Department	Min-Mei Huang				
	Vice President, Administration Department (Promoted on 2021.2.1)	Po-Chun Chen				
	Vice President, Information Technology Department	Hung-Ta Chou				
	Vice President, Legal & Compliance Department	Chen-Cheng Hsieh				
	Vice President, Kaohsiung Branch	Ruiwen Zeng				
	Vice President, Tainan Branch	Ming-Chi Chou				
	Vice President, Taichung Branch	Wei-Min Cho				
	Vice President, Taoyuan Branch	Jen-Chien Chen				
	Vice President, Banqiao Branch	Chung-Hsien Tsao				

Note:The employee compensation was disclosed based on the estimated figures.

IV. Ratio of directors’, presidents’ and vice presidents' remuneration to net income after tax of the entity or individual financial report in the most recent two years, and remuneration policies, standards and packages; procedures for determining remuneration and its connection with business performance and future risk exposure.

(1) Ratio of directors’, presidents’ and vice presidents' remuneration to net income after tax:

Ratio of directors’, presidents’ and vice presidents' remuneration to net income after tax of the entity or individual financial report in 2021 is 4.67%.

Ratio of directors’, presidents’ and vice presidents' remuneration to net income after tax of the entity or individual financial report in 2020 is 4.69%.

(2) Remuneration policies, standards and packages; procedures for determining remuneration and its connection with business performance and future risk exposure:

In addition to the monthly remuneration and transportation allowance (to be paid subject to the actual attendance of meeting), the directors' remuneration would be allocated pursuant to the Articles of incorporation, subject to the profit status for then year, and the allocation, if any, shall be reported to the remuneration committee, and approved upon resolution made by a directors' meeting and reported to a 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. The bonus was allocated in the manner referred to in the “regulations governing provision and allocation of year-end bonus” passed upon resolution by a directors' meeting, which were established in line with the transformation in the industrial environment (future risks) and in order to practice the spirit in linking bonus with performance. The bonus was categorized into trading and non-trading business performance bonus. The trading business performance bonus was allocated or written off subject to the accumulated earnings. The non-trading business performance bonus was allocated or written off subject to the accumulated ROE before tax. Both were allocated physically together with employee bonus at the end of the year.

Three. Status of Corporate Governance

I. Operation of the Board of Directors

(I) Board member diversity policy

1. Board member diversity policy

The Company has enacted its Board member diversity policy, expressly provided in Article 33 of its “Corporate Governance Best-Practice Principles” that the composition of the Board members shall take a diversity policy into consideration and that the Company shall formulate an appropriate policy on diversity based on the Company’s business operations, business type and development needs, preferably including but not limited to the criteria in terms of the following two elements:

(1) Basic requirements and values: Gender, age, nationality and culture, et al.

(2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

2. Management target and achievement thereof

(1)The Company’s Board of Directors shall enforce gender diversification and consist of both male and female members; there shall be at least one director of the opposite sex.

(2)The Company’s Board of Directors shall consist of members specializing in different fields. Their expertise is specified in Article 33 of the Company’s Corporate Governance Best-Practice Principles and provided below.

In order to achieve the targets desired by the Company's corporate governance, the Board member shall hold the following abilities:

(1) Ability to make judgments about operations.

(2) Accounting and financial analysis ability

(3) Business management ability

(4) Risk management ability

(5) Crisis management ability

(6) Industry knowledge

(7) International market perspective.

(8) Leadership ability.

(9) Decision-making ability.

The Company has expressly defined the functions to be held by the entire Board of Directors. For details, please refer to the "Corporate Governance Best-Practice Principles of China Bills Finance Corporation."

So far, the Company has practiced the diversity principles about directors based on such basic requirements as gender, age, nationality and culture. Each member holds different industry experience and professional abilities and is considered holding the necessary knowledge, skills and experience needed to perform their duties. Therefore, the Board member diversity policy should be considered as achieved.

3. Diversity of Board members

The Company’s directors who hold the position as employees accounted for 9% of the whole directors, and 27% of the independent directors. Female directors accounted for 18% thereof. Two independent directors served the term of office less than one year. One independent directors served the term of office for six years. One director’ age range from 71 to 80 years old. Two directors’ ages range from 61 to 70 years old. Two directors’ ages range from 51 to 60 years old. Four directors’ ages range from 41 to 50 years old. Two directors’ ages range from 31 to 40 years old.

Status of practice about diversity of Board members

Record date: March 15, 2022

Item / Name	Gender	Ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Industrial area	International market perspective	Leadership ability	Decision-making ability
Cheng-Chuan Chang	Male	V	V	V	V	V	V	V
Cheng Hsiang Wei	Male	V	V	V	V	V	V	V
Chih-Yuan Hsu	Male	V	-	V	V	V	V	V
Chih-Yu Hsiao	Female	V	-	V	V	V	V	V
Yi-Ru Lo	Female	V	-	V	V	V	V	V
Si-Tsong Cheng	Male	V	V	V	V	V	V	V
Tzu-Hou Peng	Male	V	-	V	-	V	V	V
Tang-Hsuan Huang	Male	V	-	V	-	V	V	V
Wen-Ya Wu	Male	V	-	V	-	V	V	V
Chung-Ming Kuo	Male	V	V	V	V	V	V	V
Horng-Dar Lin	Male	V	-	V	V	V	V	V

(II) Status of members' attendance

The Board held 16(A) meetings in the most recent year. The attendance of directors is summarized as follows:

Record date: March 15, 2022

Job Title	Name	Actual presence (attendance) counts (B)	Counts of presence by proxy	Actual presence (attendance) rate (%) (B/A)	Remarks
Chairman (2021.7.26 resigned)	Cheng-Ching Wu (O-Bank)	7	0	100%	2021.7.26 resigned upon re-election after term expired
Chairman (2021.7.26 assumed office)	Cheng-Chuan Chang (O-Bank)	16	0	100%	
Director and President	Cheng-Hsiang Wei (O-Bank)	16	0	100%	
Director	Wen-Feng Chang (O-Bank)	15	0	100%	2022.3.10 resigned upon re-appointment; 15 meetings were held during term of office
Director	Chih-Yuan Hsu (O-Bank)	1	0	100%	2022.3.10 re-appointed to suceed to the position; 1 meeting was held during term of office
Director	Ying-Che Huang (O-Bank)	3	0	100%	2021.3.22 resigned upon re-appointment; 3 meetings were held during term of office
Director	Chih-Yu Hsiao	13	0	100%	2021.3.22 re-appointed to suceed to the position; 13 meetings were held during term of office
Director	Yi-Ru Lo (Mingshan Investment)	16	0	100%	
Director	Si-Tsong Cheng (Ho-Chu Investment)	16	0	100%	
Director	Tzu-Hou Peng (Ho-Chu Investment)	16	0	100%	2021.1.5 re-appointed to succeed to the position
Director	Tang-Hsuan Huang (Ho-Chu Investment)	9	0	100%	2021.7.26 assumed office upon re-election; 9 meetings were held during term of office
Independent Director	Wen-Ya Wu	16	0	100%	
Independent Director	Chung-Ho Chen	7	0	100%	2021.7.26 resigned upon re-election; 7 meetings were held during term of office
Independent Director	An-Wei Su	7	0	100%	2021.7.26 resigned upon re-election; 7 meetings were held during term of office
Independent Director	Chung-Ming Kuo	9	0	100%	2021.7.26 succeeded upon re-election; 9 meetings were held during term of office.
Independent Director	Horng-Dar Lin	9	0	100%	2021.7.26 succeeded upon re-election; 9 meetings were held during term of office.

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: See the following schedule.

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: See the following schedule.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: See the following chart.

Date/No. of Meeting/ Intake of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
2021.1.26 34th meeting of the Board of Directors of 14th term	2020 Distribution of Performance Bonuses for Managers and Above; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except the Chairman Cheng-Ching Wu and Director Cheng-Hsiang Wei, who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None
2021.2.25 35th meeting of the Board of Directors of 14th term	Distribution of 2020 remuneration to employees and that to directors; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: The proposal was agreed upon by all attending directors unanimously.	✓	None
	Continued authorization of "Deloitte Taiwan" for 2021 financial and taxation auditing and related services; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: The proposal was agreed upon by all attending directors unanimously.	✓	None
2021.4.27 37th meeting of the Board of Directors of 14th term	List of director candidates nominated by the Board of Directors (including independent directors); it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: Except for those who needed to excuse themselves from the discussion due to conflict of interest (Candidate Cheng-Chuan. Chang excused himself while his eligibility was being discussed; Candidate Cheng-Hsiang Wei excused himself while his eligibility was being discussed; Candidate Wen-Feng Chang excused himself while his eligibility was being discussed; Candidate Chih-Yu Hsiao excused herself while her eligibility was being discussed; Candidate Yi-Ru Lo excused herself while her eligibility was being discussed; Candidate Si-Tsong Cheng excused himself while his eligibility was being discussed; Candidate Tzu-Hou Peng excused himself while his eligibility was being discussed; Candidate Wen-Ya Wu excused himself while his eligibility was being discussed), the other attending directors discussed the eligibilities of candidates on the nomination list and all met applicable requirements. The list of director (independent director) candidates is included in the agenda for the General Shareholders' Meeting this year (2021).	✓	None

Date/No. of Meeting/ Intake of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
	Distribution of 2020 remuneration to directors; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except for the representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Cheng-Hsiang Wei, Cheng-Chuan Chang, Wen-Feng Chang, and Chih-Yu Hsiao), the representative of Mingshan Investment (Yi-Ru Lo), and the representatives of Ho-Chu Investment (Si-Tsong Cheng and Tzu-Hou Peng), who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was agreed upon by all attending directors unanimously.	✓	None
	Increase of employee salaries by a maximum of 2.0% of total salaries with reference to the salary adjustment level in the financial sector starting from April 1, 2021; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except the Chairman Cheng-Ching Wu and Director Cheng-Hsiang Wei, who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None
	Distribution of 2020 remuneration to the President, departmental/branch supervisors, and higher-ranking managers and employees; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: Except for Director and President Cheng-Hsiang Wei, who excused himself by law from discussion and voting due to conflict of interest, the proposal was approved by all attending directors unanimously.	✓	None

Date/No. of Meeting/ Intake of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
2021.5.18 38th meeting of the Board of Directors of 14th term	Donation of NTD 300,000 to the "Criminal Investigation and Prevention Association" in order to fulfill corporate social responsibilities, to support the police work, and to encourage the morale of police officers; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except the representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Cheng-Chuan Chang, Cheng-Hsiang Wei, Wen-Feng Chang, and Chih-Yu Hsiao), and Director Yi-Ru Lo (a lineal relative by blood within the 2nd degree of kinship of Deputy Chairman of O-Bank, Lo, Tina Y.), who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None
	Salary schedules of the Chairman and managers; it is brought forth for discussion and proposal. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except for the Chairman Cheng-Ching Wu and Director Cheng-Hsiang Wei, who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None
2021.7.20 40th meeting of the Board of Directors of 14th term	A three-year lease to be signed for 4F of the O-Bank Building with O-Bank; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except for the representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Cheng-Chuan Chang, Cheng-Hsiang Wei, Wen-Feng Chang, and Chih-Yu Hsiao), and Director Yi-Ru Lo (a blood relative within the 2nd degree of kinship of Chairman Tina Y. Lo), who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None

Date/No. of Meeting/ Intake of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
2021.7.26 1st meeting of the Board of Directors of 15th term	Please elect the Chairman. How the Company addressed opinions from independent directors? None. (Chaired by Independent Director Wen-Ya Wu) Resolution: It was approved by all attending directors unanimously that Director Cheng-Chuan Chang would serve as Chairman.	✓	None
	Proposed by the Chairman: Extended term in office of President Cheng-Hsiang Wei as President immediately that expires on July 25, 2024 to go with the new term in office of directors of the 15th intake, with related hiring criteria remaining unchanged; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: Except for Director and President Cheng-Hsiang Wei, who excused himself by law from discussion and voting due to conflict of interest, the proposal was approved by all attending directors unanimously.		
2021.12.23 6th meeting of the Board of Directors of 15th term	Subscription for the negotiable term deposit certificate and financial bonds offered by O-Bank and underwriting of interbank loans/ deposit operations for the total positions no more than NTD 4 billion in 2022 to be in line with the business planning; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Chaired by Independent Director Wen-Ya Wu) Resolution: Except for the representatives of the corporate shareholder, O-Bank (Cheng-Chuan Chang, Cheng-Hsiang Wei, Wen-Feng Chang, and Chih-Yu Hsiao), and Director I-Ru Lo (a blood relative within the 2nd degree of kinship of Chairman Tina Y. Lo), who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None
	Proposed by the Chairman: Promotion of Assistant Vice President Sutzu Hsu to be Chief Auditor due to imminent retirement of incumbent Chief Auditor Chao-Gu Wang on February 1, 2022 and submission for approval by the competent authority as required; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: The proposal was approved by all attending directors unanimously.	✓	None
2022.1.25 7th meeting of the Board of Directors of 15th term	2021 Distribution of performance bonuses for managers and above; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. (Chaired by Independent Director Wen-Ya Wu) Resolution: Except for Chairman Cheng-Chuan Chang, Director and President Cheng-Hsiang Wei, who excused himself by law from discussion and voting due to conflict of interest, the proposal was approved by all attending directors unanimously.	✓	None

Date/No. of Meeting/ Intake of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
2022.2.24 8th meeting of the Board of Directors of 15th term	Continued authorization of "Deloitte Taiwan" for 2022 financial and taxation auditing and related services; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: The proposal was approved by all attending directors unanimously.	✓	None
	In order to support police work, encourage police morale, and perform corporate social responsibility, the Company planned to donate NTD 750,000 to the "Friends of the Police Association of R.O.C." Accordingly, the motion was submitted for review and approval. How the Company addressed opinions from independent directors? None. (Independent Director Wayne Wen-Ya Wu acting as chairperson) Resolution: Except for the representatives of the corporate shareholder, O-Bank (Cheng-Chuan Chang, Cheng-Hsiang Wei, Wen-Feng Chang, and Chih-Yu Hsiao), and Director Yi-Ru Lo (a blood relative within the 2nd degree of kinship of Chairman Tina Y. Lo), who excused themselves from the discussion and voting for conflict of interest pursuant to laws, the proposal was approved by all attending directors unanimously.	✓	None
	Revisions to some articles of the "Regulations Governing Internal Control System and Self-Audit"; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: The proposal was approved by all attending directors unanimously.	✓	None
	Continued authorization of "Deloitte Taiwan" for 2021 financial and taxation auditing and related services; it is brought forth for discussion and approval. How the Company addressed opinions from independent directors? None. Resolution: The proposal was approved by all attending directors unanimously.	✓	None
2022.3.15 9th meeting of the Board of Directors of 15th term	The motion for allocation of the remuneration to employees and directors in 2022 was submitted for review and approval. Resolution: The proposal was approved by all attending directors unanimously.	✓	None

III. Appraisal on the Board of Directors: See the following schedule.

Appraisal cycle	Period of assessment	Scope of assessment	Method of assessment	Contents of assessment
Once per year	January 1, 2021–December 31, 2021	The performance appraisal on the Board of Directors, individual Board members and functional committees	The internal self-assessment by the Board of Directors, self-assessment by the Board members, and internal self-assessment by the functional committees were carried out in the form of questionnaire.	(1) The performance appraisal on the Board of Directors: Participation in the operation of the Company, quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, internal control, etc. (2) The performance appraisal on individual Board members: Alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the Director's professionalism and continuing education, internal control, etc. (3) The performance appraisal on the committees: Participation in the operation of the Company, awareness of the duties of the functional committee, quality of decisions made by the functional committee, composition of the functional committee and election of its members, internal control, etc. Evaluation Result: For the overall performance appraisals on the Company's Board of Directors, Board members and functional committees in 2021, the average score of each question in the three questionnaires was 4.9 (the highest score was 5). The overall assessment result is excellent, which means that the Board of Directors operated effectively and in line with the spirit of corporate governance.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

Please refer to the Company's annual report, "Three. Status of Corporate Governance", II. Operation of the Audit Committee (Pages 58~63) and V. Composition, Duties and Operations of the Remuneration Committee (Pages 73~75).

II. Annual highlights and operations of Audit Committee

(I) The highlights of annual review include:

Review on internal control system and related policies	Appraisal on the validity of internal control system
Review on annual internal audit plan	Corporate risk management
Major acquisition or disposition of assets	Review on motions involving directors' own interests
Review on major assets or derivatives transactions	Review on raising, offering or private placement of equity securities
Review on appointment, dismissal or fees of independent directors	Review on appointment/dismissal of financial, accounting or internal audit officers
Review on annual financial statements or semi-annual financial statements	Review on implementation of the compliance system

(II) The audit committee held 11 (A) meetings in the most recent year. The attendance of independent directors is summarized as follows:

Record date: March 15, 2022

Job Title	Name	Actual presence (attendance) counts (B)	Counts of presence by proxy	Actual presence (attendance) rate (%) (B/A)	Remarks
Independent Director	Chung-Ho Chen	5	0	100%	2021.7.26 resigned upon re-election
Independent Director	Wen-Ya Wu	11	0	100%	2021.7.26 succeeded upon re-election
Independent Director	An-Wei Su	5	0	100%	2021.7.26 resigned upon re-election
Independent Director	Chung-Ming Kuo	6	0	100%	2021.7.26 newly elected.
Independent Director	Horng-Dar Lin	6	0	100%	2021.7.26 newly elected.

Note 1: In the event that independent directors resign before the end of a fiscal year, the date of resignation shall be indicated in the remarks field. The Actual attendance rate (%), on the other hand, is calculated by the frequency the Audit Committee met while in office and the attendance in person.

Note 2: In the event that independent directors are re-elected before the end of a fiscal year, both the new and old independent directors shall be listed and whether one is new or old or is serving a second term and the date of the re-election shall be indicated in the remarks field. The ratio of attendance (seated) in person (%), on the other hand, is calculated by the frequency the Audit Committee met while in office and the attendance in person.

Other items to be stated:

I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, Audit Committee's resolution and the Company's resolution of Audit Committee's opinions:

(I) The circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Date of Board of Directors Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
2021.2.25	35th meeting of the Board of Directors of 14th term	23rd meeting of the Third Intake on 2/18/2021 1. The report on the Company's execution of the anti-money laundering and countering of terrorism financing operations from July 1, 2020 to December 31, 2020; it is brought forth for your review. 2. Presented for review on the audit report on the implementation of the legal compliance system for the first half of 2020 for each unit of the Company. The audit results are all in compliance with the law and related regulations. 3. Review feedback about each unit by the Audit Department and the KPI Review Report; it is brought forth for review. 4. Summary of improvements on the parts pending follow-up of review feedback about each unit by the Audit Department and review feedback from external units for October through December 2020; it is brought forth for review. 5. 2020 Settled Financial Report; it is brought forth for discussion and approval. 6. 2020 Business Report as attached; it is brought forth for discussion and approval. 7. Distribution of 2020 earnings; it is brought forth for discussion and approval. 8. Continued authorization of "Deloitte Taiwan" for 2021 financial and taxation auditing and related services; it is brought forth for discussion and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.
2021.3.16	36th meeting of the Board of Directors of 14th term	24th meeting of the 3rd intake on 3/11/2021 1. 2020 "Declaration of AML/CFT Internal Control System" (Appendix 1) and its disclosure on the Company's website and announcement and filing on other websites designated by the competent authority; it is brought forth for discussion and approval. 2. 2020 "Declaration of AML/CFT Internal Control System" and "Client Declaration" and provision to Deloitte Taiwan after approval as the basis for auditing; they are brought forth for discussion and approval. 3. 2020 Declaration of Overall Information Security Implementation and the Overall Information Security Implementation Report; they are brought forth for discussion and approval. 4. 2020 Declaration of Internal Control System; it is brought forth for discussion and approval. 5. Amendment to some articles of the "Policy on the Management of the Liquidity Risk of Fund"; it is brought forth for discussion and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.

Date of Board of Directors Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
		25th meeting of the 3rd intake on 3/16/2021 1. Correction to the 2021 Internal Audit Plan, with addition of the exceptional audit for "real estate loans management and risk control" and supplementation of its selection criteria and audit highlights; it is brought forth for discussion and approval.	It was approved by all attending members unanimously.	No additional opinions or major advice.
2021.5.18	38th meeting of the Board of Directors of 14th term	26th meeting of the 3rd intake on 5/6/2021 1. Summary of improvements on the parts pending follow-up of review feedback about each unit by the Audit Department and review feedback from external units for January through March 2021; it is brought forth for review. 2. Draft "Management Regulations for Hiring Consultants"; it is brought forth for discussion and approval. 3. Donation of NTD 300,000 to the "Criminal Investigation and Prevention Association" in order to fulfill corporate social responsibilities, to support the police work, and to encourage the morale of police officers; it is brought forth for discussion and approval.	Approved or acknowledged by all attending directors except for Proposal No. 2; wordings of Article 4 were revised as per members' opinions.	Wordings were revised for Proposal No. 2; there were no additional opinions or major advice for the other proposals.
2021.7.20	40th meeting of the Board of Directors of 14th term	27th meeting of the 3rd intake on 7/8/2021 1. Summary of improvements on the parts pending follow-up of review feedback about each unit by the Audit Department and review feedback from external units for April through June 2021; it is brought forth for review. 2. Amendment to some articles of the "Procedure for Processing Pending Long-term Fixed-rate Promissory Notes"; it is brought forth for discussion and approval. 3. A three-year lease to be signed for 4F of the O-Bank Building with O-Bank; it is brought forth for discussion and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.
2021.8.17	2th meeting of the Board of Directors of 15th term	2nd meeting of the 4th intake on 8/5/2021 1. Report on the Implementation of Anti-money Laundering and Counter-Terrorism financing Operations from January 1, 2021 to June 30, 2021; it is brought forth for review. 2. Compliance System Implementation Review Report for the first half of 2021; all audit results are compliant with laws and applicable requirements; it is brought forth for review. 3. Settled Financial Statement for the second quarter of 2021; it is brought forth for discussion and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.
2021.9.14	3th meeting of the Board of Directors of 15th term	3rd meeting of the 4th intake on 9/9/2021 1. Amendment to some articles of the "Policy on the Management of the Liquidity Risk of Fund"; it is brought forth for discussion and approval.	It was approved by all attending members unanimously.	No additional opinions or major advice.

Date of Board of Directors Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
2021.12.23	6th meeting of the Board of Directors of 15th term	4th meeting of the 4th intake on 12/2/2021 1. 2022 "Anti-Money Laundering and Counter-Terrorism Financing Plan" (AML/CTF Plan); it is brought forth for review. 2. Newly revised "Standard Operating Procedure for Anti-money Laundering and Counter-Terrorism Financing" as attached; it is brought forth for review. 3. Summary of improvements on the parts pending follow-up of review feedback about each unit by the Audit Department and review feedback from external units for July through September 2021; it is brought forth for review. 4. 2022 Internal Audit Plan; it is brought forth for review and approval. 5. Authorization of "Deloitte Taiwan" for auditing the 2021 Anti-money Laundering and Counter-terrorism Financing Project; it is brought forth for review and approval. 6. Amendment to some articles of the "Operating Procedure for Processing of Pending/Long-Term Promissory Notes"; it is brought forth for review and approval. 7. Amendment to some articles of the "Guidelines for Processing Foreign Currency Interbank Loans and Borrowings in Foreign Currency"; it is brought forth for review and approval. 8. Subscription for the negotiable term deposit certificate and financial bonds offered by O-Bank and underwriting of interbank loans/ deposit operations for the total positions no more than NTD 4 billion in 2022 to be in line with the business planning; it is brought forth for discussion and approval. 9. Amendment to some articles of the "Policy on the Management of the Liquidity Risk of Fund"; it is brought forth for discussion and approval. 10. Amendment to some provisions of the "Articles of Incorporation"; it is brought forth for review and approval. 11. The motion for amendments to certain articles of the Company's "Corporate Governance Best-Practice Principles" was submitted for review and approval. 12. Proposed by the Chairman: Promotion of Assistant Vice President Sutzu Hsu to be Chief Auditor due to imminent retirement of incumbent Chief Auditor Chao-Gu Wang on February 1, 2022 and submission for approval by the competent authority as required; it is brought forth for discussion and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.

Date of Board of Directors Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
2022.2.24	8th meeting of the Board of Directors of 15th term	5th meeting of the 4th intake on 2/21/2022 1. Report on the Implementation of Anti-money Laundering and Counter-Terrorism financing Operations from July 1, 2021 to December 31, 2021; it is brought forth for review. 2. Compliance System Implementation Review Report for the second half of 2021; all audit results are compliant with laws and applicable requirements; it is brought forth for review. 3. Summary of improvements on the parts pending follow-up of review feedback about each unit by the Audit Department and review feedback from external units for October through December 2021; it is brought forth for review. 4. Financial Supervisory Commission General Inspection Report of September 2021 (No. 110S039); it is brought forth for review. 5. Financial Supervisory Commission "Inspection Opinions Improvement Report (Form B)" of Exceptional Inspection Report (No. 110S039); it is brought forth for review. 6. Reports processed by the Audit Office in 2021; it is brought forth for review. 7. Some articles of the "Regulations Governing Internal Control System and Self-Audit"; it is brought forth for discussion and approval. 8. Draft amendment to some articles of the "Regulation on the Security and Maintenance of Personal Data and Files"; it is brought forth for review and approval. 9. Draft amendment to some articles of the "Information Security Policy"; it is brought forth for review and approval. 10. 2021 Settled Financial Statement; it is brought forth for review and approval. 11. 2021 Business Report as attached; it is brought forth for discussion and approval. 12. Continued authorization of "Deloitte Taiwan" for 2022 financial and taxation auditing and related services; it is brought forth for discussion and approval. 13. In order to support police work, encourage police morale, and perform corporate social responsibility, the Company planned to donate NTD 750,000 to the "Friends of the Police Association of R.O.C." Accordingly, the motion was submitted for review and approval. 14. Proposed by the Chairman: Appointment of President Cheng-Hsiang Wei to also serve as the Company's Chief Information Security Officer in order to meet operational demand, which is to take effect on March 1, 2022; it is brought forth for review and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.

Date of Board of Directors Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
2022.3.15	9th meeting of the Board of Directors of 15th term	6th meeting of the 4th intake on 3/14/2022 1. 2021 "Declaration of AML/CFT Internal Control System" (Appendix 1) and its disclosure on the Company's website and announcement and filing on other websites designated by the competent authority; it is brought forth for discussion and approval. 2. 2021 "Declaration of AML/CFT Internal Control System" and "Client Declaration" and provision to Deloitte Taiwan after approval as the basis for auditing; they are brought forth for discussion and approval. 3. 2021 Declaration of Internal Control System; it is brought forth for discussion and approval. 4. Distribution of 2021 earnings; it is brought forth for discussion and approval. 5. Amendment to some provisions of the "Articles of Incorporation"; it is brought forth for review and approval. 6. Revisions made to some articles of the "Rules of Procedure for Shareholders' Meetings"; it is brought forth for review and approval. 7. Revisions made to some articles of the "Board Directors Election Regulations"; it is brought forth for review and approval. 8. Revisions made to some articles of the "Sustainable Development Best-Practice Principles"; it is brought forth for review and approval.	It was approved or acknowledged by all attending members unanimously.	No additional opinions or major advice for each of the proposals.

(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None.

III. Communication between independent directors and internal auditing officers as well as CPAs:

Auditing Department will prepare and send various reports (e.g. the general inspection report and project inspection report) to independent directors and Audit Committee for review pursuant to laws on a monthly basis. Meanwhile, the chief internal audit officer will summarize the report at a directors' meeting. The independent directors will communicate with the CPAs, in writing or via conference, for the key audit matters and mode of audit adopted by the CPAs with respect to the financial statements annually and semi-annually and also arrange the CPAs to attend the Audit Committee meeting at the time of the annual audit. Accordingly, the communication between all parties is fair.

III. Items to be disclosed in accordance with the Corporate Governance Best-Practice Principles for Bills Finance Corporations

The related items to be disclosed pursuant to laws, including the Company's finance, business, insiders' shareholdings and corporate governance matters, are all disclosed on the Company's website at http://www.cbf.com.tw, and also disclosed at the MOPS at http://mops.twse.com.tw

IV. Status of the Company's corporate governance, departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and reasons for such departures

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof
	Yes	No	Summary	
I. Equity structure and shareholders' rights of bills finance corporation (I) Whether the bills finance corporation formulates SOP for dealing with suggestions, questions, disputes and legal actions from shareholders adequately and follows the procedure?	✓		(I) In order to ensure the shareholders' equity, the Company formulates the Corporate Governance Best Practice Principles and has the dedicated personnel from Adminstration Department responsible for dealing with the suggestions or disputes from shareholders.	(I) Compliance
(II) Whether the bills finance corporation controls a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders?	✓		(II) The Company appoints dedicated personnel to deal with the relevant shareholders service matters, and follows up and verifies the register of the major shareholders and the persons with ultimate control from time to time.	(II) Compliance
(III) Whether the bills finance corporation establishes or implements some risk control and firewall mechanisms between it and its affiliates?	✓		(III) The guarantee business and any transactions other than guarantee business transactions between the Company and its affiliates are controlled in accordance with the related operating procedures and regulations established by the various units in accordance with the Act Governing Bills Finance Business and the Banking Act of The Republic of China.	(III) Compliance

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof
	Yes	No	Summary	
II. Composition and responsibilities of Board of Directors (I) Does the board have a diversity policy and specific management goals?	✓		(I) The Company has expressly defined the functions to be held by the entire Board of Directors. For details, please refer to ppxx~xx Board member diversity policy and status of practice about diversity of Board members.	(I) Compliance
(II) Apart from the Remuneration committee and Audit Committee pursuant to laws, whether the bills finance company establishes any other functional committees?	✓		(I) The Company has three independent directors. For the time being, the Company establishesthe Remuneration Committee and Audit Committee pursuant to laws. Apart from this, there are no other functional committees.	(II) Compliance
(III) Whether a TWSE/TPEx listed bills finance company established its Regulations Governing Performance Appraisal on the Board of Directors and the methodology for appraisal and conducted such on an annual basis? Have the results of the performance appraisal been reported to the Board of Directors and used as a reference for individual director's salary compensation and nomination for reappointment?	✓		(III) The Company's Regulations Governing Performance Appraisal on the Board of Directors was approved by the Board of Directors in February 2020 and amended by the approval of the Board of Directors in August 2020.The 2020 appraisal on directors' performance was completed in January 2021, and the results were presented to the Board of Directors for review and published on the corporate website and in the annual report (please refer to page 57, the Performance Appraisal on the Board of Directors) and used as a reference for the selection or nomination of directors and the determination of salary and compensation.The Board Directors Performance Evaluation of 2021 completed in January 2022 was brought forth for discussion in the Compensation and Remuneration Committee meeting in January 2022; after the performance of Board directors and the compensation and remuneration of Board directors are examined, it is considered reasonable.	(III) Compliance

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof
	Yes	No	Summary	
(IV) Whether the bills finance company assesses the independence of the external auditor periodically?	✓		(IV) The Company's Audit Committee and the Board of Directors assess the independence and competence of the external auditor periodically on an annual basis. Before appointing the independent external auditors each year, the Company will ask them to issue their statement of declaration of independence. After the Company reviews the same and confirms that no financial interest or business relations, other than the services about certification on finance and taxation, exist between the independent external auditors and the Company and none of their family members is held breaching the requirements about their independence, the Company will submit the motion for appointment of the independent external auditors to the Audit Committee and Board of Directors. The independent external auditors' statement of declaration of independence will also be submitted to the Audit Committee and Board of Directors when the Committee and Board are discussing the motion for appointment of the independent external auditors. Where any new independent external auditor is retained, the new auditor's resume will also be submitted to the Audit Committee and Board of Directors members for assessment on the new auditor's independence and competency.	(IV) Compliance

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<tr><th rowspan="2">Scope of Assessment</th><th colspan="3">Status</th><th rowspan="2">Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>III. Whether the bills finance company has an adequate number of corporate governance personnel with appropriate qualifications and appoints a chief corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders' meetings according to laws and producing minutes of board meetings and shareholders' meetings)?</td><td>✓</td><td></td><td>The Company approved the setup of a corporate governance officer through its Board of Directors meeting on February 26, 2019 in order to protect the rights of shareholders and to enhance the function of the Board of Directors. Since March 1, 2019, Assistant Vice President Hou-Sheng Yu of the Management Department had been serving as Corporate Governance Officer and it was approved through the Board of Directors meeting in December 2020 that Assistant Vice President Yi-Chang Kang of the Risk Management Department would serve as Corporate Governance Officer effective January 1, 2021 in light of the fact that Assistant Vice President Yu was reaching the retiring age.

Main responsibilities of Corporate Governance Officer:
1. Handling matters relating to board meetings and shareholders' meetings according to laws,
2. Producing minutes of board meetings and shareholders' meetings, furnishing information required for business execution by directors and supervisors,
3. Assisting in onboarding and continuous development of directors,
4. Assisting directors with legal compliance,
5. Handling of legal advice in relation to board meetings and shareholders' meetings,
6. Matters relating to investor relations and other matters stipulated in the articles of incorporation or any contract.
The Company has also appointed a stock agent (CTBC Transfer Agency) to assist in matters related to the Company's stock affairs.
Continuing Education Completed by the Corporate Governance Officer:
The Company already completed filing of the position of Corporate Governance Officer and the number of hours of continuing education fulfilled by the deadline required by the competent authority. In 2021, Corporate Governance Officer Yi-Chang Kang completed a total of 18 hours of continuing education, which is in compliant with the competent authority's requirement of 12 hours of continuing education a year for a corporate governance officer. Refer to Page 126-127 for information about the continuing education and training on corporate governance completed by managers in the past year.</td><td>Compliance</td></tr>
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<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>IV. Whether the bills finance company establishes communication channels with stakeholders (including but not limited to, shareholders, employees, and customers), and set up a Stakeholder section in its corporate website, and appropriately responded to stakeholders about important CSR issues of concern?</td><td>✓</td><td></td><td>The Company’s website at www.cbf.com.tw has set up the “Stakeholders Section” covering the types of stakeholder, important concerns, the Company’s main responsibility, communication channels and responses, and also providing the complaint mailbox with timely response by dedicated personnel.

2021 communication with stakeholders:
1. Investors – The general shareholders’ meeting was held on July 26 and the investor conference was held on August 19.
2. Customers – In addition to visits from business units from time to time, in 2021, we also invited customers to participate in charity events such as blood donation by printing a message on the account statements.
3. Employees – One labor–management meeting in March, June, September, and December 2021, respectively.
4. Others – Release of the 2020 Chinese/English Corporate Social Responsibility Report
5. There were not any whistle-blowing cases reported in 2021.</td><td>Compliance</td></tr>
<tr><td>V. Information Disclosure
(I) Whether the bills finance company establishes a corporate website to disclose information concerning financial affairs and corporate governance?</td><td>✓</td><td></td><td>(I) The Company’s website at www.cbf.com.tw is equipped with the investor conference information section dedicated to disclosing the information about the Company’s finance, operation and corporate governance, which will be updated by dedicated personnel from time to time for access by shareholders and the public.</td><td>(I).Compliance</td></tr>
<tr><td>(II) Whether the bills finance company adopts other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose the bills finance company’s information, implementation of a spokesperson system, and the broadcasting of investor conferences via the bills finance company’s website)?</td><td>✓</td><td></td><td>(II) The Company has a spokesperson system and holds press conferences and briefings and releases material information in a timely manner and discloses them on the Market Observation Post System; it assigns designated personnel in the charge of the collection and disclosure of corporate information, and the Company also sets up an English website for foreign investors. The Company held its 2021 Annual Investor Conference on August 19, 2021 in accordance with the regulations, and the relevant information has been placed on the Company’s corporate website.</td><td>(II). Compliance</td></tr>
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Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof
	Yes	No	Summary	
(III) Whether the bills finance company publicly announces and registers with the competent authority the annual financial reports within the deadline after the close of each fiscal year, in accordance with the relevant provisions of the Act Governing Bills Finance Business and the Securities and Exchange Act, and publicly announces and registers the first, second and third quarter financial reports and monthly operations in advance of the required deadline?	✓		(III) After the end of each fiscal year, the Company officially announces and registers with the competent authority the annual financial reports earlier, prior to the end of February each year, within the deadline stipulated by the Act Governing Bills Finance Business and the Securities and Exchange Act,; and publicly announces and registers the first, second and third quarter financial reports and monthly operations in advance of the required deadline as well.	(III) Compliance
VI. Other information enabling better understanding of the Company's corporate governance (e.g. employee interests and rights, employee care, investor relations, stakeholders' interests and rights, continuing education of directors, status of directors' attendance at the directors' meetings, implementation of risk management policies and risk measurement criteria, implementation of consumer or customer policy, purchase of liability insurance by the Company for directors, and corporate social responsibility)?	✓		(I) Employee interests and rights: Subject to the Labor Standard Act and the Company's work rules. (II) Employee care: The Company established the Employee Welfare Committee engaged in processing the employee welfare affairs, labor insurance, national health insurance and group insurance, safety and health work pursuant to the related labor safety and health laws, working with medical personnel to provide the professional advice on occupational safety and health for the Company's employees, and plan the employee health checkup each year. (III) Investor relations: The Company's website is equipped with the investor conference information section dedicated to disclosing the information about the Company. Meanwhile, the Company held the investor conference and the general shareholders' meeting every year with smooth communication with the investors. (IV) Stakeholders' interests and rights: The Company adopts information disclosure and uninterrupted communication channels. The employees, customers or suppliers are allowed to feed back their opinion and communicate with the Company via phone, mail and email. (V) Continuing education of directors: All of the Company's directors would complete the continuing education for 6 hours in then year pursuant to the relevant requirements. (VI) Status of directors' attendance at the directors' meetings: All of the directors would attend the directors' meeting periodically pursuant to the relevant requirements.	Compliance for (I)~(X)

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof
	Yes	No	Summary	
			(VII) Implementation of risk management policy and risk measurement criteria: Pursuant to the regulations established by the competent authority, the Company would assess the Company's operational risk and set the risk limits acceptable by various operations carried out by the Company, in order to urge the management units to take any necessary actions to ensure the safety of the Company's operations and also balance the operating performance at the same time. In order to ensure the effective promotion of various risk management policies, the Company would hold the Credit Assessment meetings, asset and liability management committee meetings and investment review meetings periodically to help verify the benefits and deficiencies in the various risk controls and adjust the various risk control policies in a timely manner. (VIII) Implementation of consumer or customer policy: The Company has expressly stated the related requirements to be followed by the Company in accordance with the FSC's “Financial Consumer Protection Act” and the Company's “Consumption Dispute Resolution Regulations”. Meanwhile, the Company also expressly stated the contractual terms and conditions to be followed by the Company in the “Bill/Bond Repurchase/Resale (RP/RS) Master Agreement”. Consumers or customers may claim their rights based on the Contract. The Company also set up the contact section dedicated to processing the complaints against financial consumption on the Company's website for the purpose of communication by consumers or customers. (IX) Purchase of liability insurance by the Company for directors: The Company has maintained the insurance as required.	

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Companies and Reasons Thereof
	Yes	No	Summary	
VII. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and the measures against the remaining deficiencies. The Company ranked as top 6%–20% in the 7th (2020) Annual Corporate Governance Review, maintaining a good record for seven consecutive years. In line with the new corporate governance blueprint of the competent authority, the Company continues to improve the relevant measures of corporate governance and enhance information disclosure in order to utilize the effectiveness of corporate governance. The Company's advancement on corporate governance in the past year: 1. The Company's "Procedures for Ethical Management and Guidelines for Conduct" were revised to reflective of revisions made to laws and regulations of the competent authority and were filed for reference through the 2021 shareholders' meeting. 2. In December 2021, the Board of Directors approved the revisions made to the "Corporate Governance Best-Practice Principles"; ideas about corporate social responsibilities and responsible investment will be introduced to investments engaged in by the Company. 3. On March 15, 2022, the Board of Directors approved revisions made to the "Sustainable Development Best-Practice Principles." 4. The Board Directors Performance Evaluation of 2021 was completed in January 2022 (refer to Page 57 for details on how the performance of the Board of Directors is evaluated). 5. The sustainable development status, ethical corporate management status, and communications with stakeholders were reported to the Board of Directors in 2021 (at least once a year) and were disclosed on the official website and in the Annual Report. 6. Online educational training was provided to all staff in 2021 on ethical corporate management and ESG, and prevention against insider trading. 7. Important news was released concurrently in 2021 in both Chinese and English. 8. The policy on intellectual property rights and substantial management measures were defined in 2021 and disclosed on the Company's website. 9. The succession plan for members of the Board of Directors and important management was defined in 2021 and disclosed on the Company's website. 10. The first English Corporate Social Responsibility Report was issued in October 2021 and disclosed on the Company's website. Reinforcement to be continued in the future: 1. Consolidate countermeasures to climate change; related information is disclosed further in the Sustainability Report and on the Company's website, etc. 2. Efforts continued to enrich the contents in the sections for corporate governance and sustainability on the English website.				

V. Composition, Duties and Operations of the Remuneration Committee

(I) Information about Remuneration Committee members

Record date: March 15, 2022

Qualification / Status	Name	Professionalism and experience			Independence	Number of positions as a Remuneration Committee Member in other public listed companies
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties		
Independent Director (Convener)	Wen-Ya Wu	Work experience required for commerce, legal affairs, financial affairs, accounting department, or corporate operations ●7 years as Secretary-General at BCSD Taiwan ●2 years and above as Director-General of Bureau of Foreign Trade, Ministry of Economic Affairs			The declaration about respective sub-paragraphs as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" is fulfilled and the provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0
Independent Director	Chung-Ming Kuo	National CPA certification, with work experience required for accounting or corporate operations ●2 years as Vice President of PwC Taiwan ●11 years as Chief CPA of High-value Asset Family Enterprise Inheritance Consulting Service, PwC Taiwan			The declaration about respective sub-paragraphs as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" is fulfilled and the provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	1
Independent Director	Horng-Dar Lin	National lawyer certification, with work experience required for legal affairs or corporate operations ●3 years as senior lawyer at Winston & Strawn LLP ●5 years as judge at Taiwan Taipei District Court			The declaration about respective sub-paragraphs as specified in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" is fulfilled and the provided stakeholder data sheet and prior or current professional experience meet the requirement for independence.	0

(I) Duties and Responsibilities

Shall perform the following functions honestly with due diligence, and submit their motions to the Board of Directors for discussion:

1. Define and periodically review the policy, system, standard and structure of the performance evaluation and remuneration of directors and managers.
2. Regularly review and determine the remuneration of the directors and managers.

Shall comply with the following principles before performing the functions referred to in the preceding paragraph:

(1) The performance evaluation of directors and managers, the normal remuneration level of other companies in the industry and the reasonableness of the correlation between the remuneration and personal performance, business performance of the Company, and future risks shall be taken into account to decide the remuneration.

(2) Any lure that leads the directors and managers to engage in any activity for remuneration beyond the risk appetite of the Company is not allowed.

(3) It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

(II) Information on the operational status of the Compensation and Remuneration Committee

1. The Company's Compensation and Remuneration Committee consists of three members in total.
2. Turrent members will serve from July 26, 2021 to July 25, 2024. The Compensation and Remuneration Committee met nine times (A) in the past year. Qualification and attendance of members are as follows:

Position	Name	Actual attendance (B)	Counts of presence by proxy	Actual attendance rate (%) (B/A) [Note]	Remarks
Convener	Wen-Ya Wu	9	0	100%	Succeeded upon re-election on 7/26/2021
Member	Chung-Ming Kuo	5	0	100%	Newly elected on 7/26/2021
Member	Horng-Dar Lin	5	0	100%	Newly elected on 7/26/2021
Member	Chung-Ho Chen	4	0	100%	Resigned upon re-election on 7/26/2021
Member	An-Wei Su	4	0	100%	Resigned upon re-election on 7/26/2021

Other items to be stated: I. If the Board of Directors does not adopt or amend the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the Board of Directors is superior to that suggested by the remuneration committee, please specify the deviation and reason): None. II. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.

Note:

(1) Where any of the Remuneration Committee members may be relieved from duties before the end of the fiscal year, specify the date of discharge in the remark section. Actual attendance rate (%) was calculated based on the number of the Committee meetings held during each member's term and the number of meetings actually attended by that member.

(2) Where a reelection may be held for filling the vacancies of the Remuneration Committee members before the end of the fiscal year, list both the new and the discharged members, and specify if they are the former members, newly elected, or re-elected and the date of re-election in the remarks field. Actual attendance rate (%) was calculated based on the number of the Committee meetings held during each member's term and the number of meetings actually attended by that member.

3. Causes discussed and decisions made in the meetings and how the Company addressed opinions from the members are provided below:

Date/No. of Meeting/Term of Remuneration Committee	Contents of Motions and Resolutions
2021.1.26 13th meeting of the Remuneration Committee of 4th term	2020 Distribution of Performance Bonuses for Managers and Above; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	Pension benefits for Assistant Vice President Hou-Sheng Yu; it is brought forth for review and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
2021.2.18 14th meeting of the Remuneration Committee of 4th term	Total amount of remuneration to employees and that to directors for 2020; it is brought forth for review and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
2021.4.19 15th meeting of the Remuneration Committee of 4th term	Distribution of 2020 remuneration to directors; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	Distribution of 2020 remuneration to the President, departmental/branch supervisors, and higher-ranking managers and employees; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	Increase of employee salaries by a maximum of 2.0% of total salaries with reference to the level in the financial sector starting from April 1, 2022; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.

Date/No. of Meeting/Term of Remuneration Committee	Contents of Motions and Resolutions
2021.5.6 16th meeting of the Remuneration Committee of 4th term	The motion for monthly salary and benefits to the management holding the position as Chairman of Board, president, department and branch managers and above of the Company was submitted for review and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
2021.7.26 1st meeting of the the Remuneration Committee of 5th term	To elect the convener and chairman of the Committee. How the Company addressed opinions from the members: None. Resolution: Independent Director Wen-Ya Wu was elected by all attending members unanimously as the convener and chairman of the Committee.
2021.8.5 2nd meeting of the Remuneration Committee of 5th term	Monthly salary and benefits for new Chairman; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	Performance assessment system; it is brought forth for review and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	Overall compensation and remuneration system framework and current implementation status; it is brought forth for review and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
2021.12.2 3rd meeting of the Remuneration Committee of 5th term	Monthly salary and benefits for new chief auditor; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
2022.1.22 4th meeting of the Remuneration Committee of 5th term	2021 Board Directors Performance Self-assessment Questionnaire and compensation and remuneration evaluation findings; they are brought forth for review and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	2021 Distribution of performance bonuses for managers and above; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
	Payment of pension for Chief Auditor Chao-Gu Wang; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.
2022.3.14 5th meeting of the Remuneration Committee of 5th term	Distribution of 2021 remuneration to employees and that to directors; it is brought forth for discussion and approval. How the Company addressed opinions from the members: None. Resolution: Approved by all of the present members unanimously.

VI. Promotion of sustainable development and its implementation status and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Scope of Assessment	Fulfillment Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
I. Whether the bills finance company conducts risk assessment on the environmental, social and corporate governance issues in relation to its operations in accordance with the principle of materiality, and establishes relevant risk management policies or strategies?	✓		The Company adopts questionnaires to collect stakeholders' concerns and conducts materiality analysis. In addition, senior executives are invited to evaluate the impact level of material issues to calculate the risk impact level of environmental, social, and corporate governance issues related to company operations. The Company then identifies material issues in the economic, environmental, and social perspective based on the level of stakeholder concern and the impact level of each issue. The six material issues of the Company are risk management, operational performance, sustainability strategy, corporate governance, information security and privacy protection, and ethical corporate management. The Company has established risk management objectives and management mechanisms for each material issue, which are listed below.	Compliance

Material Issues	Subject	Risk Assessment and Objective Setting	Management Mechanism and the Purpose
Sustainable Strategies	Sustainable Strategies	Report to the Board of Directors on the implementation of corporate social responsibility each year	Sustainable development accomplishments are reported to the Board of Directors on a yearly basis and core values and management beliefs of the Company are promoted through Sustainable Development Committee meetings, departmental meetings, and online educational trainings.
		Report to the Board of Directors on the communication with stakeholders each year	

Scope of Assessment	Fulfillment Status						Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary				
			Information Security and Privacy Protection	Client Privacy	Conduct regular risk assessment via system according to risk level and client's change notification.	Perform personal data review and risk assessment of the 1st half of the year at the beginning of each year, and the external auditor conducts a special audit on personal data each year.	
					Perform regular vulnerability scans and penetration tests for information system risk assessment	The implementation of overall information security is compiled and reported to the Board meeting each year	
						Regularly register the credit/lending files and send to the warehouse for safekeeping each year.	
			Business Performance	Economic Performance	Perform the most updated financial review and analysis each month	Convene performance review meeting regularly each month.	
						Report to the senior management meeting each month	
						Present the business operation overview to the Board meeting regularly	

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<tr><th rowspan="2">Scope of Assessment</th><th colspan="6">Fulfillment Status</th><th rowspan="2">Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th colspan="4">Summary</th></tr>
<tr><td rowspan="3"></td><td rowspan="3"></td><td rowspan="3"></td><td>Risk Control</td><td>Risk Control</td><td>Report to the Board of Directors on the communication with stakeholders each year</td><td>The risks are controlled in accordance with the annual budget targets set by the business units, the risk exposure limits and a stop-loss warning mechanism, and the risk exposure is reported to senior management and the Board of Directors on a regular basis.</td><td rowspan="3"></td></tr>
<tr><td rowspan="2">Corporate Governance</td><td>Legal Compliance related to environmental protection</td><td>Conduct legal compliance training every six months</td><td rowspan="2">Report the results of the legal compliance assessment to the Board of Directors</td></tr>
<tr><td>Legal Compliance related to the society and economy</td><td>Each unit performs a legal compliance self-assessment once in the first and second half of the year respectively, which shall be reviewed by the Legal and Compliance Department; an annual assessment report shall be issued to help senior management understand the implementation of legal compliance at each unit</td></tr>
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<tr><th rowspan="2">Scope of Assessment</th><th colspan="3">Fulfillment Status</th><th rowspan="2">Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
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<tr><td rowspan="3">Ethical Management</td><td>Anti-Corruption</td><td rowspan="3">In order to ensure that the Company carries out ethical management, in addition to performing self-audits, the Company reports to the Board of Directors on the implementation of ethical management annually.</td><td>Conduct legal compliance audit twice a year</td></tr>
<tr><td>Anti-Competitive Activities</td><td>Conduct ordinary self-audit twice a year</td></tr>
<tr><td>Public Policies</td><td>Conduct multiple special audits each year</td></tr>
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<tr><td>II. Whether the bills finance company sets up a dedicated (part-time) unit to promote sustainable development, authorizes senior management to deal with relevant matters by and reports the handling status to the Board of Directors?</td><td>✓</td><td></td><td>In order to fulfill the corporate social responsibility and facilitate the economic, environmental and social improvement for the purpose of sustainability, in December 2015, the Company's Board of Directors approved the "Corporate Social Responsibility Best-Practice Principles" to be followed by the Company. The Company formulated the Articles of Association for the CSR Committee and established the CSR Committee in 2015. Since 2022, the principles have been corrected as "Sustainable Development Best-Practice Principles" reflective of regulatory requirements. The name of the Committee is changed to Sustainable Development Committee, too. The Chairman of Sustainable Development Committee is served by the President. The Director-General of the Committee shall be concurrently served by the Vice President or any member appointed by the Chairman. For the time being, the Director-General is served by the vice president of the Administration Department concurrently. The Committee members consist of the department supervisors and branch managers. Meanwhile, the Company also set up a team dedicated to preparation of ESG report which consists of several members and one executive secretary under the Committee.
The Committee governed five teams subject to the operations and duties, namely: Sustainable Finance Team, Corporate Governance Team, Employee Care Team, Environmental Sustainability Team, and Social Participation Team. The Committee holds no less than two meetings each year and reports the status of Sustainable Development to the Board of Directors periodically. The relevant motions about donation shall be subject to authorization by the Board of Directors.
The functions of Sustainable Development Committee include:
Review on the annual target of sustainable development, review or inspection on execution results, follow-up and review on the implementation results, review on preparation of sustainability report, and review or inspection on other sustainability-related requirements.</td><td>Compliance</td></tr>
</table>

Scope of Assessment	Fulfillment Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
III. Environmental Issues (I) Whether the bills finance company establishes environmental policies suitable for its industrial characteristics?	✓		(I) Being a financial institution, in terms of environment, the Company's major resource consumed is paper. In order to protect the earth and implement environmental sustainability, we focus on paper conservation, promote electronic systems and paperless processes, and implementenergy and carbon reduction, water and oil conservation in our daily operations. For details of the company's environmental management system, please refer to Corporate Social Responsibilities and Ethics (III) Responsibility for Environmental Protection on Page 131-133.	(I) Compliance
(II) Whether the bills finance company endeavors to improve the utilization efficiency of available resources and use environmentally friendly renewable materials?	✓		(II) In order to implement environmental sustainability, the Company endeavors to improve the utilization efficiency of various resources and requires suppliers' products to comply with relevant environmental regulations to reduce the impact on the environment. The Company uses LED and power-saving lights. All lights are out during lunch break after 12:30. Meanwhile, daily trash is classified to facilitate resource recycling and stationery that is no longer used by colleagues yet is usable is recycled, such as folders, business card boxes, staplers, clips, and provides them for reuse when other employees apply for stationery, in order to cherish the use of resources in the spirit of cherishing things. Further, as of August 2018, the Company has particularly ordered the for workers who work overtime at the end of each month, in order to respond to the policy for prohibition of disposable and melamine tableware adopted by Department of Environmental Protection, Taipei City Government. On March 12, 2019, the Company was awarded the certificate of gratitude by Taipei City Government publicly.	(II) Compliance

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<tr><td>(III) Whether the bills finance company assesses the potential risks and opportunities of climate change to the business now and in the future, and takes countermeasures to address climate related issues?</td><td>✓</td><td></td><td>(III) The Company, according to the TCFD guidelines released by the Financial Supervisory Commission, disclosed in its 2021 Sustainability Report the status of governance of risks and opportunities relevant to climate, the strategy, risk management, indicators, and goals.
For the governance framework, the Board of Directors is the highest responsible unit for climate change risks and opportunities and the corporate governance group of the Sustainable Development Committee is the TCFD responsible unit. In terms of the strategy, survey was conducted in respective departments to help identify risks. Risk management covers physical and transition risks. For the indicators and goals, on the other hand, it is remote backup on a yearly basis to be ready in cases of disasters caused by extreme weathers and to ensure non-stop operations. Meanwhile, carbon inventory checks are planned and low-carbon operations are enforced. Refer to the Sustainability Report for details.
Besides physical risks caused by extreme weathers, in light of impacts of regulatory requirements, technical or market demand, climate change can bring about transition risks and opportunities for the Company's operation. The impact types and countermeasures are as follows:
<table>
<tr><th>Impact Types</th><th>Risks or Opportunities of Climate Change</th><th>Countermeasures</th></tr>
<tr><td>Physical Risk</td><td>Disasters of extreme weathers</td><td>Remote backup rehearsals are done on a yearly basis to be ready in cases of potential crises such as disasters caused by extreme weathers and to ensure non-stop operations.</td></tr>
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</td><td>(III) Compliance</td></tr>
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<tr><th>Impact Types</th><th>Risks or Opportunities of Climate Change</th><th>Countermeasures</th></tr>
<tr><td>Transition Risk</td><td>Carbon emission policies and regulatory requirements</td><td>It is planned to perform carbon inventory checks in 2022 in order to further define more effective and feasible carbon reduction solutions and to meet the new regulatory requirements of the FSC about the carbon emissions disclosed for 2023 by public companies with a capital size of NTD 10 billion</td></tr>
<tr><td>Sustainable Development</td><td>Improve ESG ratings</td><td>Implement energy saving and carbon reduction so as to improve sustainable development performance and ESG ratings</td></tr>
<tr><td>Products and Services</td><td>Diversification of financial assets</td><td>In response to the development trend of low-carbon and green energy industries, the Company supports renewable energy, low-carbon and environmentally friendly industries through financing, equity investment and green bonds.</td></tr>
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Scope of Assessment	Fulfillment Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
(IV) Whether the bills finance company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and established policies for energy saving and carbon reduction, greenhouse gas reduction, water consumption reductionor other waste management?	✓		(IV) In 2020 and 2021, the Company's electricity consumption, water consumption, carbon emissions and amount of waste have been gradually decreasing. The Company places heavy emphasis to the impact of climate change on its operations. It conducts greenhouse gas inventories in its daily operations and adopts energy-saving and carbon-reduction and greenhouse gas-reduction strategies. At the same time, there are policies in place to implement environmental sustainability, such as controlling utilities expenses, reducing power contract capacity, and reducing paper consumption. Please refer to Sustainable Development and Ethics (III) Responsibility for Environmental Protection on Page 131-133 for details.	(IV) Compliance
IV. Social issues (I) Whether the bills finance company establishes any human rights protection policy in accordance with the relevant laws and international human rights conventions?	✓		(I) The Company's human rights protection policy has been posted on its official website (Investor Information/Corporate Governance/Human Rights Protection Policy and Management Program).The Company supports the objectives disclosed in such international human rights conventions as the "Universal Declaration of Human Rights," "United Nations Global Compact" and "ILO Declaration on Fundamental Principles and Rights at Work" to fulfill the spirit of human rights protection; establish a safe and healthy workplace; build a diversified, open, fair and harassment-free work environment; forbid any discrimination based on gender, age, marriage, religion, political party, race and social & economic status; regulate reasonable working hours; prohibit any forced labor and employment of child labor; respect employees' freedom of association; protect the privacy of employees, customers and stakeholders; and also provide diversified and safe complaint channels to protect the employees' interest and rights from infringement. The Company has established such personnel regulations as the "Personnel Management Regulations" and "Work Rules" to protect its workers' interests and rights and set the basic guidelines governing the labor–management relationship.	(I) Compliance

Scope of Assessment	Fulfillment Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
(II) Whether the bills finance company formulates and carries out adequate employee benefit measures (including salary, vacation and other benefits) and appropriately reflected the business performance or results in employee compensation?	✓		(II) The Company's "Personnel Management Regulations" stipulates various welfare provisions such as salaries, bonuses, benefits and leave of absence. In order to encourage employees to realize their potential and to pursue excellence in their work, year-end bonuses and employee compensation are calculated and paid each business year based on his/her annual attendance, the result of performance appraisal, and the Company's return on net worth.	(II) Compliance
(III) Whether the bills finance company provides the employees with a safe and healthy work environment, and conducts regular health and safety training for the employees?	✓		(III) The Company organizes the fire protection seminar periodically each year, covering the prevention of fire, disaster relief and refuge from earthquake. The Company also inspects the Company's fire protection equipment periodically and contracts professional cleaning companies to clean and disinfect the environment inside/outside the building. Meanwhile, the Company organizes the health checkup for employees each year. However, the health checkup is postponed due to the impact of the epidemic in 2021. The Company also holds a soft curriculum about its workers' physical and mental health into its internal educational training, such as seminars about health and stress relief, etc. In December 2019, the Company contracted with a Ministry of Labor approved and certified company, "Summit Healthcare Co., Ltd.," to provide on-site healthcare services. There are medical staff stationed at the Company twice a month to provide one-on-one health consultation services to the employees. In 2021, there was the campaign on the prevention and control of hypertension and assistance was provided in preparing a plan against diseases triggered by abnormal workloads, the maternity health protection program, and the ergonomic hazard prevention plan, etc.	(III) Compliance
(IV) Whether the bills finance company establishes some effective career development training plans for employees?	✓		(IV) The Company organizes a largescale training activity for the whole employees annually. Meanwhile, in order to integrate the Company's training resources, digitalize the talent training, upgrade the effect of training and respond to the increasing statutory training courses, the Company built an online learning platform in 2019 and adopted the online learning model so that the employees can be assigned to attend the statutory courses or diversified professional courses subject to their functions, in order to enhance their career development ability.	(IV) Compliance

Scope of Assessment	Fulfillment Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons thereof
	Yes	No	Summary	
(V) Whether the bills finance company follows relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services, and establishes relevant policies and complaint procedures to protect customers' rights?	✓		(V) The Company has expressly stated the terms and conditions to be followed by the Company in the contracts in accordance with the regulations of the competent authority and R.O.C. Bills Finance Association, under which consumers may claim their rights. Meanwhile, the Company set up the "Stakeholder section" on the Company's official website to provide consumers with a complaint channel.	(V) Compliance
(VI) Whether the bills finance company has a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights issues, and how the policy has been implemented?	✓		(VI) The Company has a supplier management policy that requires suppliers to complete a self-assessment and to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights issues when providing services or products, so as to promote corporate social responsibility in a joint effort with the Company. The Company asks the suppliers to provide toxic-free products and encourages the utilization of office equipment and supplies, computers and peripheral devices bearing the environmental protection mark. For example, when purchasing the toner for copy machines, the Company will ask the relevant supplier to show the environmental protection mark. The Company's main supplier refers to the one who engages in printing the Company's annual report in Chinese and English languages each year. The Company's annual report printing supplier is the only one leading printing plant which is awarded the accreditation of golden environmental protection mark by the Environmental Protection Administration throughout the nation.	(VI) Compliance
V. Whether the bills finance company refers to internationally accepted standards or guidelines for report preparation to prepare reports that disclose non-financial information about the company, such as the ESG report? Has the aforementioned report been verified or guaranteed by a third party?	✓		The Company prepares its CSR reports with reference to the core items of the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards); the CSR reports for the 2017 to 2019 editions have been externally verified by "Deloitte Taiwan."	Compliance
VI. If the Company has established its sustainable development best-practice principles based on "Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the principles and their implementation: No discrepancy exists				
VII. Other important information to better understand the implementation of corporate social responsibility: The Company established the Sustainable Development Committee and a team dedicated to preparing the ESG report on February 4, 2015. In the meantime, the Company completed the CSR reports for 2014–2020, and uploaded the same to the MOPS and in the "CSR/Stakeholder" section on the Company's website accessible to the public.				

VII. Fulfillment of ethical corporate management and deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons thereof

Scope of Assessment	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons thereof
	Yes	No	Summary	
I. Enactment of ethical corporate management policy and program				
(I) Whether the bills finance company formulates a Board of Directors approved ethical corporate management policy and expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?	✓		(I) The Company's Board of Directors has approved the "Procedures for Ethical Management and Guidelines for Conduct," which specify the policies and practices for ethical corporate management and the responsibilities of the Board of Directors and the management.	(I) Compliance
(II) Whether the bills finance company establishes a risk assessment mechanism for unethical conduct, regularly analyzes and assesses business activities with a higher risk of unethical conduct and adopts any preventative program against the unethical conducts which at least cover the preventive measures stipulated in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		(II) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" as a guideline for evaluating and implementing ethical corporate management, and regularly reports to the Board of Directors on the promotion of ethical corporate management each year. This guideline provides precautionary measures for business activities with higher risk of unethical conduct within the business scope, which are sufficient to cover the behaviors in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies." The Guidelines expressly state the operating procedure for dealing with the acceptance of unjustified enrichment, and also provide that the Company shall comply with the relevant requirements when providing donations, sponsorship or political contribution; the Company shall comply with the Fair Trade Act and related competition laws when engaging in business activities; the Company shall comply with related laws and international practices with respect to the products and services provided by the Company; the Company's staff shall comply with the operating procedures related to intellectual property rights when carrying out business. Where any person is in violation of the Guidelines, the Company shall demand that the offender cease the related activities immediately, and shall take appropriate measures against the offender, and claim damages through legal action, if necessary.	(II) Compliance

Scope of Assessment	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons thereof
	Yes	No	Summary	
(III) Whether the bills finance company expressly states the SOP, guidelines and reward and disciplinary & complaint systems in the prevention program against unethical conduct, implements the program precisely and reviews the program regularly?	✓		(III) The Company's "Procedures for Ethical Management and Guidelines for Conduct" define the requirements to be noted by the Company's staff when they are carrying out business, and expressly state that the Company should include the ethical corporate management to the employee performance assessment and human resource policy to establish definite and valid reward & punishment and complaint systems. The Company reviews external laws and regulations and internal practices regularly on an annual basis to amend relevant regulations in a timely manner.	(III) Compliance
II. Implementation of ethical management				
(I) Whether the bills finance company assesses a trading counterpart's ethical management record, and expressly states the ethical corporate management clause in the contract to be signed with the trading counterpart?	✓		(I) The Company's "Procedures for Ethical Management and Guidelines for Conduct" have expressly provided the related clauses, and the Company has stated the ethical corporate management clauses in the contract signed with it and its suppliers. When entering into a contract with a supplier, the Company shall fully understand the ethical management status of the party and include compliance with the Company's ethical corporate management policy in the contract terms. In addition, it shall demand that the contract should clearly regulate the damage compensation, termination or cancellation of the contract for breach of the acceptance of unjustified enrichment.	(I) Compliance
(II) Whether the bills finance company establishes a unit dedicated to promoting ethical corporate management, under supervision by the Board of Directors, which shall be responsible for reporting the ethical corporate management policy, the prevention program against unethical conduct and the implementation and supervision status thereof to the Board of Directors periodically (at least once a year)?	✓		(II) The Company authorizes its President to designate the Administration Department to serve as the unit dedicated to promoting ethical corporate management, responsible for processing and supervising the amendments to and execution, interpretation and consulting service of the Procedures for Ethical Management and Guidelines for Conduct and documentation of reported cases. The Auditing Department is the unit dedicated to processing whistle-blowing cases and reports any whistle-blowing cases to the Board of Directors periodically. The Administration Department coordinates and reports to the Board of Directors on the implementation of the current year each year. The report on the current year's implementation of ethical corporate management was completed in December 2021.	(II) Compliance

Scope of Assessment	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons thereof
	Yes	No	Summary	
(III) Whether the bills finance company defines any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	✓		(III) The Company's directors and staff shall recuse themselves from any cases with which they have a conflict of interest when performing their duties. As for the channel for declaration of the conflict of interest, the Company's staff shall report the declaration to the department supervisor within 3 days upon receipt of the same and transfer the case to the Company's dedicated unit which will suggest refund of payment, acceptance with pay, confiscation, re-donation to charity organizations or any other appropriate measures to be adopted upon approval.	(III) Compliance
(IV) Whether the bills finance company fulfills the ethical corporate management by establishing an effective accounting system and internal control system, and has the internal audit unit prepare an audit plan based on the risk assessment results for unethical conduct to check the compliance of the prevention program against the unethical conducts, or appoints an external auditor to do so?	✓		(IV) The Company audits the compliance by its accounting system and internal control system periodically via its internal auditors, independent external auditors and self-audit on internal control, and reports the audit result to the Board of Directors.	(IV) Compliance
(V) Whether the bills finance company organizes internal/external education training programs for ethical corporate management periodically?	✓		(V) The Company conducts the training programs for compliance periodically each year to propagate the internal rules and related compliance systems, and organizes the training for ethical corporate management, and implements the prohibition of insider trading through internal and external trainings and promotion. The training in 2021 is as follows: 1. Internal training: In September 2021, the Adminstration Department held online training on ethical corporate management for 0.5 hours. The training subject is "Ethical Corporate Management and ESG," covering the key contents of the Company's "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethics," as well as prevention of insider trading, confidentiality education, and explanation of whistle-blowing regulations, etc..	(V) Compliance

Scope of Assessment	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons thereof
	Yes	No	Summary	
			In September 2021, the Legal and Compliance Department provided all staff with online education on how to prevent against insider trading; the training lasted for an hour. For the two online sessions of the training, 155 and 154 employees in total, respectively, were trained, accounting for around 100% of all employees. 2. External Training In 2021, a total of 9 unit supervisors or above and sales-related supervisors attended the external training on the prevention against insider training. It was organized by the Taiwan Stock Exchange and entitled "2021 Seminar on Prevention of Insider Equity Trading." Each of the supervisors attended the training between 10/13/2021 and 10/28/2021 separately and completed 3 hours of training. 3. Other communication efforts Assistance was provided in 2021 in the making of the micro movie "Happiness, Walking Firmly" of Agency Against Corruption, Ministry of Justice; the movie is placed in the section for anti-corruption on the home page of the Intranet.	
III Status of the bills finance company's whistle-blowing system				
(I) Whether the bills finance company defines a specific whistle-blowing and rewards system, and establishes some convenient whistle-blowing channel, and assigns competent dedicated personnel for the reported subject?	✓		(I) Article 5 of the Company's "Procedures for Ethical Management and Guidelines for Conduct" expressly states that the unit dedicated to processing whistle-blowing shall be Auditing Department. Article 21 of the same Procedure encourages internal and external personnel to report any unethical conduct or misconduct, and expressly states the entire whistle-blowing system (including the whistle-blowing channels and operating procedure for processing). The Company's official website and intranet set up and post the independent whistle-blowing mailbox and hotline available to internal and external personnel. In August 2018, the Board of Directors passed the Company's "Regulations Governing Whistle-Blowing Cases," which was already posted on the Company's website.	(I) Compliance

Scope of Assessment	Status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons thereof
	Yes	No	Summary	
(II) Whether the bills finance company defines the SOP and nondisclosure mechanism toward the investigation of whistle-blowing cases as accepted?	✓		(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" have expressly stated the information to be provided by the whistle-blower and the operating procedure to be adopted by the Auditing Department upon its receipt of any whistle-blowing. The Company established the "Regulations Governing Whistle-Blowing Cases" in August 2018. Article 8 of the Regulations expressly provides the standard operating procedure and maintenance of information about the accepted whistle-blowing cases, and Article 9 thereof expressly provides the non-disclosure mechanism.	(II) Compliance
(III) Whether the bills finance company adopts any measures to prevent the whistle-blowers from being abused after the whistle-blowing?	✓		(III) The Company's investigation process will not be disclosed to the public, and only the dedicated unit's authorized personnel may access the mail sent to the whistle-blowing mailbox. Article 9 of the Company's "Regulations Governing Whistle-Blowing Cases" expressly states the whistle-blower protection measure. The Company shall promise not to take any actions to disadvantage the whistle-blower on the grounds of whistle-blowing. The whistle-blower who considers that he/she is subject to any action disadvantaging him/her may file a complaint with the Audit Committee.	(III) Compliance
IV. Enhancing Information Disclosure Whether the bills finance company discloses the ethical corporate management best-practice principles established by it and effect of implementation thereof on its website and MOPS?	✓		The "Procedure for Ethical Management and Guidelines for Conduct" established by the Company is posted on the Company's website and the MOPS, and the implementation status thereof is posted on the Company's website.	Compliance
V. If the Company has established its own ethical management principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the principles and their implementation: No discrepancy exists.				

Scope of Assessment	Status			Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and the reasons thereof
	Yes	No	Summary	

VI. Other information material to the understanding of ethical corporate management operation (e.g. discussion of an amendment to the ethical corporate management best-practice principles defined by the bills finance company):

1. Relevant Laws and Regulations
   (1) In December 2020, the Company’s Board of Directors approved the amendment to the “Procedure for Ethical Management and Guidelines for Conduct,” adding the frequency of reporting to the Board of Directors by the unit dedicated to promoting ethical corporate management (at least once a year), and that the dedicated unit shall conduct internal promotion once a year; it was also filed for reference through the General Shareholders’ Meeting on July 26, 2021.
   (2) The Company’s Board of Directors approved the revisions made to the “Corporate Governance Best-Practice Principles” in December 2021; ideas about corporate social responsibilities and responsible investment are introduced to investments engaged in by the Company.
2. Ethical Corporate Management
   (1) The Management Department conducted the ethical corporate management and ESG online educational training for all staff in September 2021.
   (2) The Legal Affairs and Compliance Office provided all staff with online educational training on how to prevent against insider trading in September 2021.
3. Whistle-Blowing System
   (1) In August 2018, the Company established the “Regulations Governing Whistle-Blowing Cases” and announced them on the “Anti-Corruption Section” of the Company’s internal website together with the “Procedure for Ethical Management and Guidelines for Conduct” and the “Code of Ethics.” A whistle-blowing hotline and mailbox are also posted in the Stakeholders section of the official website.
   (2) No cases were reported through the anti-corruption whistle-blowing hotline or email in 2021.

VIII. The Company's Corporate Governance Best-Practice Principles, if any, and the approach to access the related regulations

The Company implemented the Corporate Governance Best-practices in May 2018. Based on the "Corporate Governance Best-Practice Principles for Bills Finance Corporations" amended by the R.O.C. Bills Finance Association and in consideration of the Company's practices, the Company amended its "Corporate Governance Best-Practice Principles", and had the same approved by the directors' meeting in May 2018. The same has also been posted on the Company's official website(www.cbf.com.tw).

IX. Other important information

Nil

X. Implementation of the internal control system

(I) Internal Control System Statement

See Page 93.

China Bills Finance Corporation

Statement on Internal Control System

We hereby declare on behalf of China Bills Finance Corporation that in the period from January 1, 2021 to December 31, 2021 the Company duly complied with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and it has established the internal control system, implemented the risk management, designated the Internal Audit Dept., which acts independently, to conduct the audit and report to the Board of Directors and Audit Committee periodically, in accordance with Item 5 of Article 38 and Article 38-1 of the aforementioned rules and the information security self-discipline stipulated by Bill Finance Association. With respect to concurrent engagement in securities trading, the Company adopted the criteria for determination of the effectives of internal control system referred to in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” promulgated by Securities and Futures, FSC to validate the effectiveness of its internal control policy design and execution. After a careful assessment, it was found that, in addition to the items listed in the attached table, all units were able to effectively implement internal control and legal compliance tasks during the year.

This Statement constitutes an integral part of the Company’s annual report and prospectus, and is disclosed to the public. If the information listed above is fraudulent or deceptive to the point that is against the law, the Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities and Exchange Act

To: Financial Supervisory Commission (FSC)

Declarers:

Chairman of Board: Cheng-Chuan Chang

President: Cheng Hsiang Wei

Chief Auditor: Su-Tzu Hsu

Head Office CCO: Chen-Cheng Hsieh

Chief Information Security Officer: Cheng Hsiang Wei

March 15, 2022

(II) Independent external auditor's report on special audit of internal control system:

None.

XI. Penalties imposed during the most recent two years and until the date of publication of the annual report for illegalities and major deficiencies, and improvements made

(I) Indictment of the Company’s statutory responsible person or an employee by prosecutors for crimes committed on the job

None

(II) Fine imposed by the competent authority for violations of Banking Act and Act Governing Bills Finance Business or penalty in accordance with Article 51 of the Banking Act under which Article 61-1 of the Banking Act applies mutatis mutandis or violations of the Company’s internal control, of which the punishment may have a significant impact on shareholders ’equity or securities prices or comply with the provisions of Article 2 of the Measures for the Public Announcement of the Competent Authority to Handle Major Penalties for Violation of Financial Laws

None.

(III) Disclosure of the nature and amount of losses exceeding $50 million incurred during the year, whether individually or in total, as a result of conspiracy, material contingencies (including fraud, theft, misappropriation of assets, fictitious transactions, forgery of documents and securities, kick-backs, natural disasters, external forces, hackers’ attacks, theft and leakage of confidential information, disclosure of customers’ details or other major events), or accidents arising from failure to execute the safety and maintenance work precisely

None.

(IV) Other disclosures required by the competent authority

None.

XII. Important resolutions of shareholders' meetings and directors' meetings

(I) Important resolutions of shareholder meetings during the most recent year and up to the date of publication of this annual report

<table>
<tr><th>Year</th><th>Date</th><th>Proposal</th><th>Resolution</th><th>Implementation status</th></tr>
<tr><td>2021 Share-holders' Meeting</td><td>2021.7.26</td><td>Proposed the Company's 2020 closing financial statements for ratification.</td><td>Number of votes held by the whole present shareholders at the time of voting: 1,006,194,766 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Yes: 987,028,015 votes</td><td>98.09%</td></tr>
<tr><td>No: 65,162 votes</td><td>0.00%</td></tr>
<tr><td>Invalid: 0 votes</td><td>0.00%</td></tr>
<tr><td>Abstention/not casted: 19,101,589 votes</td><td>1.89%</td></tr>
</table>Upon voting, the motion was approved accordingly.</td><td>Implemented per the resolution.</td></tr>
<tr><td>Same as above.</td><td>Same as above.</td><td>Distribution of 2020 Earnings: it is brought forth for ratification.</td><td>Number of votes held by the whole present shareholders at the time of voting: 1,006,194,766 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Yes: 987,894,116 votes</td><td>98.18%</td></tr>
<tr><td>No: 65,173 votes</td><td>0.00%</td></tr>
<tr><td>Invalid: 0 votes</td><td>0.00%</td></tr>
<tr><td>Abstention/not casted: 18,235,477 votes</td><td>1.81%</td></tr>
</table>Upon voting, the motion was approved accordingly.</td><td>Per the resolution, August 9, 2021 was set to be the record date and cash dividends were issued on August 27, 2021.</td></tr>
<tr><td></td><td></td><td>Reelection of 11 directors of the 15th intake (including 3 independent directors); please vote.</td><td>Election result:
<table>
<tr><th>Director's name</th><th>Number of votes in favor of the elected</th><th>Remarks</th></tr>
<tr><td>Representative of O-Bank: Cheng-Chuan Chang</td><td>Won 1,019,323,940 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Ho-Chu Investment Co., Ltd. Representative: Si-Tsong Cheng</td><td>Won 963,953,905 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Representative of O-Bank: Cheng-Hsiang Wei</td><td>Won 962,981,044 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Ho-Chu Investment Co., Ltd. Representative: Tzu-Hou Peng</td><td>Won 943,772,807 votes</td><td>Confirmed to be elected</td></tr>
</table></td><td>Already made public announcement and completed related registrations per the election result.</td></tr>
</table>

<table>
<tr>
<td></td>
<td></td>
<td></td>
<td>
<table>
<tr><th>Director’s name</th><th>Number of votes in favor of the elected</th><th>Remarks</th></tr>
<tr><td>Representative of Mingshan Investment Co., Ltd.: Yi-Ru Luo</td><td>Won 943,504,645 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Ho-Chu Investment Co., Ltd. Representative: Tang-Hsuan Huang</td><td>Won 932,261,654 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Representative of O-Bank: Wen-Feng Chang</td><td>Won 931,969,814 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Representative of O-Bank: Chih-Yu Hsiao</td><td>Won 931,596,902 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Wen-Ya Wu (Independent Director)</td><td>Won 1,075,184,639 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Chung-Ming Kuo (Independent Director)</td><td>Won 1,059,293,183 votes</td><td>Confirmed to be elected</td></tr>
<tr><td>Horng-Dar Lin (Independent Director)</td><td>Won 1,020,374,292 votes</td><td>Confirmed to be elected</td></tr>
</table>
</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The motion for termination of the non-competition restriction imposed on the Company’s new directors was submitted for resolution.</td>
<td>Number of votes held by the whole present shareholders at the time of voting: 1,006,194,766 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Yes: 967,183,992 votes</td><td>96.12%</td></tr>
<tr><td>No: 19,447,253 votes</td><td>1.93%</td></tr>
<tr><td>Invalid: 0 votes</td><td>0.00%</td></tr>
<tr><td>Abstention/not casted: 19,563,520 votes</td><td>1.94%</td></tr>
</table>
The proposal was voted for and approved.</td>
<td>The resolution has been followed.</td>
</tr>
</table>

(II) Important resolutions of the Board of Directors during the most recent year and up to the date of publication of this annual report

1. Continued authorization of "Deloitte Taiwan" for 2021 financial and taxation auditing and related services was approved through the 35th meeting of the 14th intake of the Board of Directors on February 25, 2021.
2. The distribution of 2020 remuneration to employees and that to directors and distribution of 2020 earnings at NTD 0.87 per share as cash dividends to shareholders were approved through the 35th meeting of the 14th intake of the Board of Directors on February 25, 2021.
3. Matters concerning the 2021 General Shareholders' Meeting to be called for and its agenda were approved through the 36th meeting of the 14th intake of the Board of Directors on March 16, 2021.
4. Donation of NTD 300,000 to the "Criminal Investigation and Prevention Association" was approved through the 38th meeting of the 14th intake of the Board of Directors on May 18, 2021.
5. Extension of the three-year lease of the whole fourth floor of O-Bank Headquarters Building (No. 99, Sec. 2, Tiding Boulevard, Neihu District, Taipei City) to be the Company's main office was approved through the 40th meeting of the 14th intake of the Board of Directors on July 20, 2021.
6. Appointment of the representative, Mr. Cheng-Chuan Chang, of the corporate shareholder, O-Bank, as the Chairman and extended appointment of Mr. Cheng-Hsiang Wei, the representative of O-Bank, as the President were approved through the first meeting of the 15th intake of the Board of Directors on July 26, 2021.
7. Hiring of Former Chairman Cheng-Ching Wu as the Company's consultant was approved through the second meeting of the 15th intake of the Board of Directors on August 17, 2021.
8. Continued authorization of "Deloitte Taiwan" for 2022 financial and taxation auditing and related services was approved through the eighth meeting of the 15th intake of the Board of Directors on February 24, 2022.
9. The distribution of 2021 remuneration to employees and that to directors and distribution of 2021 earnings at NTD 0.9 per share as cash dividends to shareholders were approved through the 9th meeting of the 15th intake of the Board of Directors on March 15, 2022.
10. Matters concerning the 2022 General Shareholders' Meeting to be called for and its agenda were approved through the 9th meeting of the 15th intake of the Board of Directors on March 15, 2022.

XIII. The main contents of important resolutions passed by the Board of Directors regarding which directors have voiced differing opinions on the record or in writing:

None.

XIV. Summary of resignation or dismissal of personnel who are involved with the Company's financial statements

Summary of resignation or dismissal of personnel related to China Bills Finance Corporation

Baseline Date: March 15, 2022

Position	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairmam	Cheng-Ching Wu	2011.06.14	2021.07.26	Resignation
Chief Auditor	Chao-Ku Wang	2017.07.01	2022.02.01	Retirement

Note: The term "personnel who are involved with the financial statements" refers to the Chairman, President, CFO, Head of Accounting, Head of Internal Audit and Corporate Governance Officer.

Four. Information about Independent Auditor Fees

Unit: thousand NT$

Firm name	Name of accountant		Audit period	Audit Fee	Non-Audit Fees	Subtotal	Note
Deloitte Touche Tohmatsu Limited	Joe Chen	Eric Lin	2021.01.01~ 2021.12.31	2,960	2,198	5,158	

Note: Including NT$500 thousand for the translation fees, NT$980 thousand for internal control project audit, NT$600 thousand for personal data, money laundering and countering of terrorism financing project audit, and NT$118 thousand for others.

Note 2: The audit fees do not reduce by more than 10% from the previous year.

Five. Information about replacement of CPAs

I. About Former CPA(s)

<table>
<tr><td>Date of Replacement</td><td colspan="4">Approved by the Board of Directors on February 24, 2022</td></tr>
<tr><td>Reason for Replacement and Description</td><td colspan="4">Internal organizational adjustment of Deloitte Taiwan.</td></tr>
<tr><td rowspan="3">Explain if the appointee or accountant is terminated or does not accept the authorization</td><td colspan="2">Affected party / Situatio</td><td>CPA</td><td>Authorizer</td></tr>
<tr><td colspan="2">Spontaneous termination of authorization</td><td>✓</td><td></td></tr>
<tr><td colspan="2">Refusal to accept (continue with) authorization</td><td></td><td></td></tr>
<tr><td>Opinions expressed in audit reports other than unqualified opinions within the most recent two years and the reason</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Different opinions from those of the issuer, if any</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Scope or steps of inspection</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Clarification</td></tr>
<tr><td>Other matters disclosed
(Those that should be disclosed as indicated in Article 10 Sub-paragraph 6 Item 1-4 of these Guidelines)</td><td colspan="4">None</td></tr>
</table>

II. About the Succeeding CPA(s)

Firm name	Deloitte Taiwan
Name of CPA	Ying-Chou Chen, Guan-Hao Lee
Date Delegated	Approved by the Board of Directors on February 24, 2022
Consultations and findings about opinions possibly signed off on the accounting approach of specific transactions and financial statements prior to authorization.	Not Applicable
Written opinions of succeeding CPAs that differ from those of former CPAs	Not Applicable

II. Replies from former CPAs to Article 10 Paragraph 6 Item 1 and Item 2-3 of the Guidelines

Not applicable.

Six. Information About Relationship of the Company's Chairman, President and CFO with the CPA Firm and its affiliates

The company's chairman, president and cfo have never held any position in deloitte Taiwan, which is responsible for certifying the company's financial statements, or its affiliates in the most recent years.

Seven. Transfer/pledge of equity by directors, managers, and any officers required to declare equity under Article 10 of the Act Governing Bills Finance Business

I. Changes of Equity by Directors, Managers, and Any Officers Required to Declare Equity Under Article 10 of the Act Governing Bills Finance Business

<table>
<tr><th rowspan="2">Position</th><th rowspan="2" colspan="2">Name</th><th colspan="2">2021</th><th colspan="2">Current Year as of March 15, 2022</th></tr>
<tr><th>Increase (decrease) in shares held</th><th>Increase (decrease) in shares pledged</th><th>Increase (decrease) in shares held</th><th>Increase (decrease) in shares pledged</th></tr>
<tr><td>Major shareholder</td><td colspan="2">O-Bank</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Major shareholder</td><td colspan="2">Mingshan Investment Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Major shareholder</td><td colspan="2">Ho-Chu Investment Co., Ltd.</td><td>None</td><td>2000</td><td>None</td><td>None</td></tr>
<tr><td>Major shareholder</td><td colspan="2">PJ Asset Management Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director (2021.07.26 Resigned upon reelection)</td><td>Cheng-Ching Wu</td><td rowspan="7">O-Bank Representative</td><td>None</td><td>None</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Director</td><td>Cheng-Chuan Chang</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director</td><td>Cheng-Hsiang Wei</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director (2022.3.10 Resigned)</td><td>Wen-Feng Chang</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director (2022.3.10 Succeeded to the position)</td><td>Chih-Yuan Hsu</td><td>N/A</td><td>N/A</td><td>None</td><td>None</td></tr>
<tr><td>Director (2021.03.22 Resigned</td><td>Ying-Che Huang</td><td>None</td><td>None</td><td>N/A</td><td>N/A</td></tr>
<tr><td>(2021.03.22 Succeeded to the position)</td><td>Chih-Yu Hsiao</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director</td><td>Yi-Ru Lo</td><td>Representative of Mingshan Investment Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
</table>

Position	Name		2021		Current Year as of March 15, 2022	
			Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	Si-Tsong Cheng	Representative of Ho-Chu Investment Co., Ltd.)	None	None	None	None
Director (2021.01.05 Resigned)	Min-Sheng Cheng		None	None	N/A	N/A
Director (2021.01.05 Succeeded to the position)	Tzu-Hou Peng		None	None	None	None
Director (2021.07.26 Newly elected)	Tang-Hsuan Huang		None	None	None	None
Independent Director	Wen-Ya Wu		None	None	None	None
Independent Director (2021.07.26 Resigned upon reelection)	Chung-Ho Chen		None	None	N/A	N/A
Independent Director (2021.07.26 Resigned upon reelection)	An-Wei Su		None	None	N/A	N/A
Independent Director (2021.07.26 Newly elected)	Chung-Ming Kuo		None	None	None	None
Independent Director (2021.07.26 Newly elected)	Horng-Dar Lin		None	None	None	None
Chairman (2021.07.25 Resigned)	Cheng-Ching Wu		None	None	N/A	N/A
Chairman (2021.07.26 elected)	Cheng-Chuan Chang		None	None	None	None
President	Cheng-Hsiang Wei		None	None	None	None
Senior Executive Vice President	Gwo-Cheng Tu		None	None	None	None
Chief Auditor(2022.02.01 retired)	Chao-Ku Wang		None	None	N/A	N/A
Chief Auditor (2022.02.01 Succeeded to the position)	Su-Tsu Hsu		N/A	N/A	None	None
Executive Vice President	Yi-Ting Chen		None	None	None	None
Vice President	I-Chang Kang		None	None	None	None

Position	Name	2021		Current Year as of March 15, 2022	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Vice President	Hung-Ta Chou	None	None	None	None
Vice President	I-Chih Chou	None	None	None	None
Vice President	Chen-Cheng Hsieh	None	None	None	None
Vice President (2021.02.01 Retired)	Hou-Sheng Yu	None	None	N/A	N/A
Vice President (2021.02.01 Succeeded to the position)	Po-Chun Chen	None	None	None	None
Manager	Ming-Mei Huang	None	None	None	None
Vice President	Ming-Chi Chou	None	None	None	None
Vice President	Wei-Ming Cho	None	None	None	None
Vice President	Jen-Chieh Chen	None	None	None	None
Vice President	Jui-Wen Tseng	None	None	None	None
Vice President	Chung-Hsien Tsao	None	None	None	None

II. Information about the counterpart in any transfer or pledge of equity who is a related party

(I) Information about the counterpart in any transfer of the Company's equity who is a related party

None.

(II) Information about the counterpart in any pledge of the Company's equity who is a related party

None.

Eight. Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, in terms of shareholdings

Record Date: March 15, 2022

Serial No.	Title (or Name)	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other's name		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and name relationships		Remarks
		Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Title (or Name)	Relationship	
1	O-Bank Co., Ltd Responsible person: Tina Y. Lo	380,981,600	28.36%	0	0.00%	0	0.00%	None	None	Notes 2 & 4
2	PJ Asset Management Co., Ltd. Responsible person: Mr. Hai Chen-Lin	228,147,000	16.98%	0	0.00%	0	0.00%	Serial no. 3	A relative within 2nd degree of kinship with the responsible person	Note 4
3	Ho-Chu Investment Co., Ltd. Responsible person: Mr. Chia-Hong Lin	77,084,000	5.73%	0	0.00%	0	0.00%	Serial no. 2	A relative within 2nd degree of kinship with the responsible person	Notes 3 & 4
4	Standard Chartered Bank, Dunhua Branch as Trustee of iShares MSCI Emerging Market ETF Investment Account	14,450,000	1.08%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese
5	Bank SinoPac	14,122,000	1.05%	0	0.00%	0	0.00%	None	None	
6	J.P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Robeco Capital Growth Funds Investment Account	10,383,000	0.77%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese

Serial No.	Title (or Name)	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other's name		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and name relationships		Remarks
		Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Title (or Name)	Relationship	
7	Yi Sheng Investment Co., Ltd. Responsible person: Mrs. Li-Hua Lan	7,001,000	0.52%	0	0.00%	0	0.00%	None	None	
8	National Taiwan University	6,792,000	0.51%	0	0.00%	0	0.00%	None	None	
9	Standard Chartered Bank, Dunhua Branch as Trustee of iShares core MSCI Overall International Equity ETF Investment Account	4,386,000	0.33%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese
10	Yuanta Taiwan High-Dividend and Low-Volatility ETF Funds Account	4,310,000	0.32%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese

Note1：Except for shareholders with serial numbers 1 to 4, said information is based on the Company's roster available on the date of suspension of share transfer, August 5, 2021.

Note 2: The representatives designated by the corporate shareholder are Mr. Cheng-Chuan Chang, Mr. Cheng-Hsiang Wei, Mr. Chih-Yuan Hsu and Miss Chih-Yu Hsiao

Note 3: The representatives designated by the corporate shareholder are Mr. Si-Tsong Cheng, Mr. Tzu-Hou Peng. and Mr. Tang-Hsuan Huang

Note 4: The disclosed information of the Company's shareholders with more than 10% shareholding ratio, individually or jointly, are based on the actual shareholding as of March 15.

IX. Total number of shares and total equity stake held in any single invested enterprise by the Company, its directors, President, vice presidents, assistant vice presidents, department and branch managers and any companies controlled either directly or indirectly by the Company

Units: thousand shares

Record date: December 31, 2021

Invested enterprise (Note)	Investment made by the Company		Investment by the directors, President, vice presidents, assistant vice presidents, department and branch managers and any companies controlled either directly or indirectly by the Company		Total investment	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Core Pacific City Co., Ltd.	49	0.49%	None	0.00%	49	0.49%
Taiwan Asset Management Corporation	6,000	0.57%	None	0.00%	6,000	0.57%
Taiwan Depository & Clearing Corporation (TDCC)	2,186	0.50%	None	0.00%	2,186	0.50%
Taiwan Futures Exchange (TAIFEX)	1,889	0.45%	None	0.00%	1,889	0.45%

Note 1: The investment made in accordance with Paragraph 1 of Article 40 of the Act Governing Bills Finance Business.

Financing Status

One. Corporate Capital and Shares

I. Capital stock sources

Unit: NT$ thousand; thousand shares
Record date: March 15, 2022

Date/ Year	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Capital stock sources	Others
1992.09	NT$ 10	360,000	3,600,000	270,000	2,700,000	The capital was NT$200,000 thousand when the Company was founded, and the cash capital increase by NT$175,000 thousand, recapitalization from earnings by NT$2,249,100 thousand (including employee bonus NT$111,905.5 thousand), and recapitalization from special reserve by NT$75,900 thousand.	Note 1
1993.09	NT$ 10	360,000	3,600,000	340,000	3,400,000	The recapitalization from earnings by NT$625,750 thousand (including employee bonus NT$33,100 thousand), and recapitalization from special reserve by NT$74,250 thousand.	Note 2
1994.12	NT$ 10	405,000	4,050,000	405,000	4,050,000	The recapitalization from earnings by NT$629,260 thousand (including employee bonus NT$27,800 thousand), and recapitalization from special reserve by NT$20,740 thousand.	Note 3
1995.10	NT$ 10	590,000	5,900,000	590,000	5,900,000	The cash capital increase by NT$1,000,000 thousand, recapitalization from earnings by NT$748,750 thousand (including employee bonus NT$40,000 thousand), and recapitalization from capital surplus by NT$101,250 thousand.	Note 4
1996.10	NT$ 10	900,000	9,000,000	900,000	9,000,000	The cash capital increase by NT$2,000,000 thousand, recapitalization from earnings by NT$893,500 thousand (including employee bonus NT$38,000 thousand), and recapitalization from capital surplus by NT$206,500 thousand.	Note 5
1997.10	NT$ 10	1,250,000	12,500,000	1,250,000	12,500,000	The cash capital increase by NT$2,000,000 thousand, recapitalization from earnings by NT$969,000 thousand (including employee bonus NT$33,000 thousand), and recapitalization from capital surplus by NT$531,000 thousand.	Note 6
1998.08	NT$ 10	1,445,000	14,450,000	1,445,000	14,450,000	The recapitalization from earnings by NT$1,118,750 thousand (including employee bonus NT$32,500 thousand), and recapitalization from special reserve by NT$831,250 thousand.	Note 7
1999.11	NT$ 10	1,852,000	18,520,000	1,652,000	16,520,000	The recapitalization from earnings by NT$1,246,350 thousand (including employee bonus NT$47,000 thousand), and recapitalization from special reserve by NT$823,650 thousand.	Note 8
2000.09	NT$ 10	1,720,000	17,200,000	1,720,000	17,200,000	The recapitalization from earnings by NT$171,184 thousand (including employee bonus NT$19,200 thousand), and recapitalization from special reserve by NT$508,816 thousand.	Note 9
2001.03	NT$ 10	1,678,700	16,787,000	1,678,700	16,787,000	Capital decrease by NT$413,000 thousand upon repurchase of treasury stock.	Note 10

Date/ Year	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Capital stock sources	Others
2010.01	NT$ 10	1,678,700	16,787,000	1,342,960	13,429,600	Cash capital decrease by NT$3,357,400 thousand	Note 11

Note 1: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (81) Tai-Cai-Zhen-(1)-Zi No. 01771 dated July 24, 1992

Note 2: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (82) Tai-Cai-Zhen-(1)-Zi No. 30864 dated July 20, 1993

Note 3: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (83) Tai-Cai-Zhen-(1)-Zi No. 42731 dated October 6, 1994

Note 4: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (84) Tai-Cai-Zhen-(1)-Zi No. 33106 dated June 15, 1995

Note 5: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (85) Tai-Cai-Zhen-(1)-Zi No. 39386 dated July 4, 1996

Note 6: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (86) Tai-Cai-Zhen-(1)-Zi No. 52380 dated July 14, 1997

Note 7: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (87) Tai-Cai-Zhen-(1)-Zi No. 49410 dated June 6, 1998

Note 8: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (88) Tai-Cai-Zhen-(1)-Zi No. 84213 dated September 18, 1999

Note 9: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (89) Tai-Cai-Zhen-(1)-Zi No. 61462 dated July 17, 2000

Note 10: Approval Letter from the Ministry of Finance under Tai-Cai-Rong-(4)-Zi No. 89451711 dated January 16, 2001

Note 11: Approval Letter from the Financial Supervisory Commission of Executive Yuan under Jin-Kuan-Zhen-Fa-Zi No. 0980069085 dated January 6, 2010

Units: thousand shares
Record date: March 15, 2022

Types of share	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock (at par value of NT$10 per share)	1,342,960	335,740	1,678,700	Stock issued by the listed bills finance corporation

II. Shareholder structure

Record date: March 15, 2022

Shareholder structure / Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign Institute and foreigners	Total
Number of persons	1	9	344	74,449	201	75,004
Shares held (shares)	15	400,961,238	345,129,865	504,378,639	92,490,243	1,342,960,000
Shareholding ratio	0.00%	29.86%	25.70%	37.55%	6.89%	100%

III. Distribution of equity

(1) Common stock

Par value at $10 per share
Record date: March 15, 2022

Shareholding category	Number of shareholders	Shares held (shares)	Shareholding ratio
1 to 999	30,121	4,884,044	0.36%
1,000 to 5,000	28,052	64,564,255	4.81%
5,001 to 10,000	7,511	61,200,002	4.56%
10,001 to 15,000	2,554	32,196,905	2.40%
15,001 to 20,000	2,104	37,107,268	2.76%
20,001 to 30,000	1,717	43,957,336	3.27%
30,001 to 40,000	737	26,666,120	1.99%
40,001 to 50,000	570	26,677,440	1.99%
50,001 to 100,000	1,044	77,680,134	5.78%
100,001 to 200,000	386	55,743,875	4.15%
200,001 to 400,000	176	50,642,683	3.77%
400,001 to 600,000	44	21,495,965	1.60%
600,001 to 800,000	19	13,226,485	0.98%
800,001 to 1,000,000	10	9,157,400	0.68%
Over 1,000,001	49	817,760,088	60.90%
Total	75,004	1,342,960,000	100.00%

(II) Preferred stock: None.

IV. List of major shareholders

Record date: March 15, 2022

Shares / Name of major shareholder (Note)	Shares held (shares)	Shareholding ratio
O-Bank Note 3	380,981,600	28.36%
PJ Asset Management Co., Ltd. Note 3	228,147,000	16.98%
Ho-Chu Investment Co., Ltd. Note 3	77,084,000	5.73%
Standard Chartered Bank, Dunhua Branch as Trustee of iShares MSCI Emerging Market ETF Investment Account	14,450,000	1.08%
Bank SinoPac	14,122,000	1.05%
J.P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Robeco Capital Growth Funds Investment Account	10,383,000	0.77%
Yi Sheng Investment Co., Ltd. Responsible person: Mrs. Li-Hua Lan	7,001,000	0.52%
National Taiwan University	6,792,000	0.51%
Standard Chartered Bank, Dunhua Branch as Trustee of iShares core MSCI Overall International Equity ETF Investment Account	4,386,000	0.33%
Yuanta Taiwan High-Dividend and Low-Volatility ETF Funds Account	4,310,000	0.32%

Note 1: Said information is based on the Company's roster available on the date of suspension of share transfer, August 5, 2021.
Note 2: To expressly state the shareholders who hold the equity more than 1%.
Note 3: The shares held by the Company's shareholders who hold 10% or more of the Company's shares, individually or jointly, are disclosed based on the information available until March 15.

V. Market value, net worth, earnings, stock dividend and related information during the most recent two years

Item \ Year			2021	2020	Ending March 15, 2022 (Note 8)
Market value per share (Note 1)	Highest		18.05	15.55	17.95
	Lowest		14.65	13.00	16.90
	Average		16.16	14.78	17.30
Net worth per share (Note 2)	Before distribution		19.03	18.95	N/A
	After distribution		(Note 3)	18.08	N/A
EPS	Weighted average number of shares		1,342,960,000	1,342,960,000	1,342,960,000
	EPS		1.38	1.18	N/A
Stock dividend per share	Cash dividend		0.90 (Note 3)	0.87	N/A
	Bonus dividends	Dividend from retained earnings	None	None	None
		Dividend from capital surplus	None	None	None
	Accumulated unpaid dividends (Note 4)		None	None	None
ROI analysis	P/E ratio(Note 5)		11.71	12.53	N/A
	P/D ratio(Note 6)		17.96	16.99	N/A
	Cash dividend yield (Note 7)		5.57%	5.89%	N/A

Note 1: Please identify the highest and lowest market value per share of common stock for each fiscal year and calculate each fiscal year's average market value.
Note 2: Please apply the number of the outstanding issued shares at year-end as the basis and specify it based on the distribution resolved by the shareholders' meeting in next year.
Note 3: Distribution of earnings in 2021 has not yet been resolved by the shareholders' meeting up to the date of publication of this annual report.
Note 4: If the terms and conditions for issuance of the equity securities provide that the stock dividend unappropriated in then year may be accumulated until the year in which there are retained earnings available for the allocation of dividend, please disclose the unpaid stock dividend accumulated until the then year.
Note 5: P/E ratio = Average closing price per share for the year/Earnings per share.
Note 6: P/D ratio = Average closing price per share during the current fiscal year/Cash dividend per share.
Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.
Note 8: To specify the information available for the then year ending on the date of publication of the annual report.

VI. Dividend policy and implementation thereof

(I) Dividend policy:

The company shall, after its losses have been covered and all taxes and dues have been paid by the earnings upon the annual final accounting, first set aside 30% of the balance, if any, as a legal reserve, provided that when the legal reserve amounts to the company's paid-in capital, this shall not apply. Then, the company shall make contributions to the special reserve pursuant to laws, plus the reversal of special reserve and the earnings unappropriated in the previous years. The company may provide special reserve additionally for any specific purpose. The balance, if any, together with the accumulated unappropriated earnings may be allocated to shareholders as stock dividends.

The allocation of earnings referred to in the preceding paragraph shall be proposed by the board of directors and approved by the shareholders' meeting.

The allocation of stock dividends to shareholders referred to in paragraph 1 herein shall be carried out in the following manners resolved by a shareholders' meeting:

1. The company may allocate the reserve, in whole or in part, pursuant to laws. Notwithstanding, when the company retains no earnings, no stock dividends shall be allocated to shareholders.
2. As the company engages in the business in a highly competitive financial industry, the company's growth is slowing down. Therefore, the cash dividend will be the first priority when the company shall allocate dividends to shareholders. Alternatively, the dividends may be also allocated in the form of stock, provided that the cash dividend shall be no less than 40% of the total stock dividends in then year.
3.. The company may adjust said shareholders' dividend policy upon resolution by the shareholders' meeting held in the current year, if necessary, subject to the economic condition, industrial development and funding needs.

(II) Status of implementation thereof:

The Company’s after-tax earnings in 2021 amounted to NT$1,857,666,203. After adding “retained earnings carried forward directly from OCI” of NT$148,514,359, appropriating 30% of the earnings as legal reserve in accordance with laws and regulations governing bills finance companies, and adding the beginning undistributed retained earnings of NT$429,361, the total amount of distributable earnings for the year was NT$1,404,755,754. The proposed cash dividend was NT$0.9 per share. The undistributed earnings at the end of the period amounted to NT$196,091,754.

(III) Dividend distribution to shareholders in the previous year:

The Company’s after-tax earnings in 2020 amounted to NT$1,578,242,428. After adding “retained earnings carried forward directly from OCI” of NT$78,093,728, appropriating 30% of the earnings as legal reserve in accordance with laws and regulations governing bills finance companies, and adding the beginning undistributed retained earnings of NT$9,369,252, the total amount of distributable earnings for the year was NT$1,168,804,561.The proposed cash dividend was NT$0.87 per share. The undistributed earnings at the end of the period amounted to NT$429,361.

VII. The effects of bonus dividend proposed at this shareholders' meeting on business performance and EPS: None.

VIII. Employee and directors' remuneration

(I) The percentages or ranges with respect to remuneration to employees and directors, as set forth in the Company's Articles of Incorporation:

According to the Company's Articles of Incorporation, if the Company has profit upon annual final accounting, it shall allocate the remuneration to employees and directors in the following manners, subject to a resolution adopted by a majority votes at a directors' meeting attended by more than two-thirds of the total number of directors. Notwithstanding, if the Company has accumulated losses, it shall retain the amount to cover such losses in advance, and the balance, if any, shall be allocated as the remuneration to employees and directors in said manners:

1. Remuneration to employees: 1.00%~2.50% of the profit.
2. Remuneration to directors: No more than 2.50% of the profit. Notwithstanding, the independent directors shall be excluded from the allocation of remuneration.

The profit referred to in the preceding paragraph shall mean the "The gains before the income before tax less the remuneration to employees and directors".

The remuneration to employees may be paid in the form of stock or in cash, provided that the remuneration to directors may be paid in cash only. The motions for allocation of remuneration to employees and directors and method of allocation shall be submitted to a shareholders' meeting upon resolution by a directors' meeting in the manner referred to in Paragraph 1.

(II) The basis for estimating the amount of remuneration to employees and directors, for calculating the number of shares to be distributed as the remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimated amount of the remuneration to employees and directors in 2021 was NT$29,898,000, namely the gains before the income before tax less the remuneration to employees and directors, calculated based on the percentage defined in the Company's Articles of Incorporation. The amount allocated actually was based on the resolution by the directors' meeting. The discrepancy between the allocated amount and estimated amount should be stated as a change in accounting estimation and stated as the expenses for the then year. Meanwhile, the Company waives the allocation of remuneration to employees in the form of stock.

(III) Compensation distribution approved by the Board of Directors

1. The actual allocation of compensation to employees and directors in cash or stock (if there is any discrepancy from the recognized amount, additionally specify the amount of the discrepancy, the cause, and how it is treated):

   The Board of Directors resolved in the 9th Meeting of the 15th Session of the Board of Directors on March 15, 2022 to distribute NT$29,898,000 as employees' and directors' compensation for 2021 respectively; in addition, the Company will not pay the employee compensation in the form of stock dividends. The employees' and directors' compensation approved by the Board of Directors to be distributed in 2021 equals to those recognized in the financial statements for 2021.

2. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

(IV) The actual allocation of remuneration to employees and directors in the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual allocated amount and the recognized amount, additionally specify the amount of the discrepancy, the cause, and how it is treated.

1. Remuneration to directors: The remuneration to directors recognized in 2020 was NT$25,535,000. The remuneration actually allocated in cash was NT$25,535,000.
2. Remuneration to employees: The remuneration to employees recognized in 2020 was NT$25,535,000. The remuneration actually allocated in cash was NT$25,535,000.

IX. The Company's repurchase of shares

None.

Two. Corporate bond, preferred stock, employee stock options, restricted stock for employees and merger & acquisition or succession to other financial institutions (including merger, acquisition and division)

None.

Three. Implementation of Capital Utilization Plan

I. Contents of the Plan: Analysis on the previous plans for offering or private placement of securities and corporate bonds which have not yet completed, or the

plans which have been completed within the most recent three years but have not yet produced any significant effects.

None.

II. Implementation of Capital Utilization Plan

None.

Overview of Operations

One. Operations

I. Business Overview

(I) Scope of business

The Company's scope of business is stated as following:

1.Certifying and underwriting Short-Term Bills;

2.Certifying and underwriting Bank Debentures;

3.Brokering and trading Short-Term Bills;

4.Brokering and trading Bank Debentures;

5.Brokering and trading Government Bonds;

6.Guaranteeing and endorsing Short-Term bills;

7.Providing financial consulting services to enterprises;

8.Dealing Inter-bank call loan;

9.Proprietary trading of Corporate Bonds;

10.Equity Investment;

11.Fixed income securities trading;

12.Proprietary trading service of Foreign Bonds;

13.Investment of Foreign Currency Bonds;

14.Other business as authorized by the Competent Authority.

(II)Each business assets and income as a proportion of total assets and income, and development and changes

1. Assets

Unit: NT$ Thousand	12/31/2021		12/31/2020		Comparison with 12/31/2020	
	Amount	As a proportion of total assets(%)	Amount	As a proportion of total assets(%)	Increase (Decrease)	%
Commerical papers	103,303,808	45.16	96,330,161	44.13	6,973,647	7.24
Bonds	121,490,859	53.11	118,528,022	54.30	2,962,837	2.50
Equity investment	1,900,045	0.83	1,548,671	0.71	351,374	22.69
Derivative financial products	7,731	0.00	17,574	0.01	(9,843)	(56.01)
Others	2,031,437	0.90	1,859,573	0.85	171,864	9.24
Total Assets	228,733,880	100.00	218,284,001	100.00	10,449,879	4.79

2. Revenue

Unit: NT$ Thousand	12/31/2021		12/31/2020		Comparison with 12/31/2020	
	Amount	As a proportion of total revenue(%)	Amount	As a proportion of total revenue(%)	Increase (Decrease)	%
Commercial papers	1,617,285	53.98	1,517,807	58.67	99,478	6.55
Bonds	1,164,107	38.85	1,043,995	40.36	120,112	11.51
Equity investment	314,934	10.51	113,215	4.38	201,719	178.17
Derivative financial products	(40,101)	(1.34)	10,324	0.40	(50,425)	(488.43)
Others	(59,817)	(2.00)	(98,529)	(3.81)	38,712	39.29
Total Revenue	2,996,408	100.00	2,586,812	100.00	409,596	15.83

Note: The equity investment included the gain or loss from disposition of the equity at fair value through other comprehensive income.

(III) Business Performance

Unit: NTD million; USD million

Item	2021	2020	Increase/Decrease ratio (%)
Underwriting and initial purchase of various bills	2,650,692	2,379,764	11.38%
Trading of various bills	5,266,887	4,958,937	6.21%
Balance of guaranteed commercial papers	112,558	109,165	3.11%
Trading of various bonds in New Taiwan dollar	2,320,066	2,611,719	(11.17)%
Trading of various bonds in foreign currencies (USD)	10,530	10,816	(2.64)%

II. 2021 Operating Plan

(I) Short-term Bills

1. Continue to enhance the operation in FRCP and UCCP and undertake fixed interest rate and floating interest rate case sources with comprehensive consideration of business demands, spread and risk of interest rate, and seek the opportunity for joint underwriting.
2. Actively enhance the operation of bills by trade volume and properly arrange the bills inventory management, so as to maintain liquidity and improve yields.
3. In response to rising interest rates, adjust asset and liability structure, enhance the liquidity control measures, and manage the liquidity risk prudently.
4. Continue to develop the secondary customers in depth and width, lower cost of capital, expanding the spread of bond transacition so as to improve operation performance.

(II) Bonds

1. Advance the breadth and depth of the analysis on fundamental, technical and chip factors to improve operation performance.
2. Continue expanding the foreign currency bond RP customers actively and increase the sources of funding in order to effectively reduce the funding cost.

(III) Equity Investment

1. Keep abreast of the trends of international economy and finance, research and judge the long-term and short-term market trends, and choose to invest superior individual stocks.
2. Enhance the research on fundamentals of industries and individual stocks, attend the institutional investors conference, and interview with customers to secure the information about primary markets for flexible operations.
3. Maintain long-term cooperative relationship with underwriting channels, flexibly take part in bidding auction, and seek sources of cases for the secondary market.
4. Stay in close contact with the securities firms’ restructuring departments to solicit for the sources of asset swap target.
5. Strictly select the convertible bond and asset swap targets, and control credit risk effectively.

(IV) Guarantee Business

1. Strictly control the issuance timing and issuance duration and reduce the impacts of the rate hike on the cost of capital in response to the expectations on the market about the rate hike pace of FOMC.
2. Carefully select credit assets in the real estate sector with regard to their quality and yield potential in response to the strict control imposed by the competent authority over the scale of loans given to the real estate sector by financial institutions to accordingly enhance the yield potential of the said category of assets.
3. Proactively explore business opportunities in the green energy sector and brought about by new cases and syndicated loans meeting ESG criteria, enhance the return on credit assets, and adequately eliminate old customer bases with minimal contributions to enhance earnings as a whole.
4. Encourage quality customers to increase the utilization of the granted credit to secure the sources of income from guaranteed fees.
5. Continue conducting information system integration and simplification to strengthen the efficiency of credit management.

III. Market Analysis

(I) Business Area

As of the end of 2020, the Company headquarters in Taipei and has five other branches located in Banqiao, Taoyuan, Taichung, Tainan, and Kaohsiung. Our business covers customers throughout the entire domestic market.

(II) Future Supply and Demand in the Market

1. Short-term Bills

For the supply of bills, despite the limited balance for the issuance of bills not requiring security in certain industrial sectors, the issue volume and market size of bills as a whole can continue to grow steadily. In terms of the demand, during the post-pandemic era, the global economy is gradually recovering, and the overall secondary trading volume and market scale will continue to grow steadily. e and market scale will grow steadily.

2. Bond business

For the supply of bonds, we expect that the quantity of government bonds issued will be slightly higher than the mature quantity yet it will be less than the overall quantity issued throughout 2021. For 2022, the issuance scale of corporate bonds is affected by the issuance cost and the total quantity issued is expected to be sliding from that in the preceding year. In the demand for bonds, the comparable demand for additional bills remains for end users such as banks and insurance companies.

3. Equity Investment

The pandemic continued to impact the market in 2021. The surge in the number of local cases in May, in particular, caused a panic. Fortunately, the overall optimal economic outlook helped Taiwan remain in optimal condition despite international political clashes. For 2022, however, the rate hike and balance sheet shrinking in the US will result in relative funding constriction. The increasing interest rate drives up expectations about return. International geopolitical clashes appear to be getting worse, too. The market is generally surrounded by a pessimistic aura. Investors need to remain conservative on the stock market.

4. Guarantee Business

For 2022, as inflation is no longer considered by the Federal Open Market Committee (FOMC) to be a provisional issue, it has sent out the message that the rate hike cycle will begin this year and that the balance sheet will be shrunk as soon as the hike cycle begins. Therefore, the market is ready for an interest rate increase of 0.25% imposed by the FED 4 to 5 times this year. Since Taiwan is closely connected to the US economically, it is determined that the Central Bank of Taiwan will follow suit in the rate hike tendency. Therefore, a priority this year is to control the cost of capital and adequately reflect it in the interest rate of loans released. In addition, under the strict control by the competent authority over loans released to the real estate industry by financial institutions, credit assets in the real estate sector are becoming more precious each day. Under limited resources, strict control over the quality of and return on credit assets in the real estate sector is also a main goal this year. As such, the credit policy of the Company in 2022 will focus on the foregoing two issues and steady and sustainable strategies will continue to be adopted in order to secure sources of profits and to enhance existing operational momentum by developing new cases.

(III) Key performance indicator (KPI)

Unit: NT$ million/%

Item	Business target in 2021	Result of implementation	Proportion of implementation
Guaranteed yearly average balance of commercial paper	107,800	107,800	100%
Yearly average balance of underwriting and repurchase of bills	358,900	380,075	106%
Yearly average balance of Repo trading of bills and bonds	159,400	196,248	123%
Own capital adequacy ratio (%)	12.50	12.65	101%

(IV) Advantageous and disadvantageous factors with regard to developmental outlook

1. Advantageous factors

(1) The strict control imposed by the competent authority over the scale of loans given out by financial institutions to the real estate sector is in favor of the increase in the yield of credit assets in the real estate sector.

(2) Money market funds remain abundant, and the secondary market transaction volume is expected to continue to grow.

(3) The fundamentals of the economy remain optimal as a whole. Corporate profits are expected to be better than those in 2021.

2. Disadvantageous factors

(1) The US economy will enter the hike rate cycle and Taiwan will follow suit, which will drive up the cost of capital.

(2) The customers of guarantee-free commercial paper are uaually large-scale companies with high credit rating, therefore, prices are facing fierce competition from bank loans and bond businesses.

(3) Given the many financial institutions in the nation, the fierce competition from banking and bill counterparts disfavors passing on of the credit business during the rate hike stage.

(4) U.S. Treasury yields reflect inflation outlook and fiscal gaps. Interest rate volatility increased, and corporate bond credit spreads stabilized. However, different regions and industries are affected by the epidemic to varying degrees.

(5) Rate hike, balance sheet shrinking, and inflation will result in relative constriction on the money market. The rising interest rate worsens expectations on the stock market. A persistent high interest rate also significantly increases the risk.

3. Countermeasures

(1) Short-term Bills

①.General guaranteed/guarantee-free bills －

a. In response to the rate hike cycle, stabilize operation of bills otherwise secured or not requiring security and reinforce secondary sell-out to help maintain the spread and reduce the interest rate risk.

b. Strictly control the credit risk and optimize the capital utilization.

②.FRCP and UCCP

a. Carefully consider the interest rate risk in the promotion of FRCP business.

b. Continue to explore sources of UCCP cases reflective of the interest rate.

③.Secondary market transactions －

a. Devote to exploring secondary customers deeper and wider and diversify sources of funds for the bills and bonds business.

b. Monitor the monetary policy of the Central Bank, keep track of the financial situation, adequately adjust secondary trading interest rates, and properly manage positions of bills in order to maximize the spread from trading bills.

(2) Bonds

①.Outright purchases/sales －

a. Control the fundamental, technical and chips factors to upgrade the profitability.

b. Upgrade the sensitivity toward market information and changes to control the movement of purchase/sale orders.

②.Yielding －

a. Subscribe for bonds with excellent credit rating to control the credit risk effectively.

b. Adjust the foreign bond and asset allocation, develop the channels for RP for foreign bonds, diversify the sources of foreign currency capital, and strictly control the interest rate risk and liquidity risk.

(3) Equity investment

①.Equity products －

a. In response to the primary information, research & analysis and market movement, add the operating frequency in a timely manner and strengthen the operation of long-term investment position to seek stable performance.

b. Exchange with the securities firms and the same trade actively, attend the industrial forums and investors conferences, and enhance the research resources on fundamentals of industry and individual stocks.

②.Convertible corporate bonds and asset exchange －

a. Precisely select targets and control credit risks strictly.

b. Continue to concern the changes in credit of existing portfolio and adjust the position, structure and strategies.

(4) Guarantee business

①. Enhance the interaction with large-scale groups, strive for priority drawdown, upgrade the drawdown of facility, stabilize the business foundation, and make minor adjustment on the interest spread timely.

②. Replace low-yielding customers timely, and strive for syndicated loan projects to upgrade the spread.

③. Strictly control the issuance timing and issuance duration and reduce the impacts of the rate hike on the cost of capital.

④. Carefully select targets to give loans to and the collateral in the real estate sector, increase the return on credit assets, and strictly control the ratio of loans given out to the real estate sector.

⑤. Gradually devote to the domestic green sector and ESG loan markets to go with the developmental trends.

IV. Overview of financial product research and business development

(I) Principal financial products and any new business departments added in the most recent two years until the date of publication of the annual report, and their scale and profitability

1. For the scale and profitability of the principal financial products available in the most recent two years, please see “Business Overview” on Pages 124.
2. The Company has never added any new business departments in the most recent two years until the date of publication of the annual report.

(II) R&D expenditure and results for the most recent two years, and future R&D development plan

1. R&D expenditure and results for the most recent two years

(1) R&D expenditure

For the related expenditure, please see “Status of Employees’ Continuing Education and Training” on Page 123.

(2) R&D results

①.2021

a. To go with the planning of the Taiwan Depository & Clearing Corp., introduce the bill/bond trading receipt and electronic bond passbook for general investors.

b. Continue to create related systems and turn operations online in a strengthened effort to prevent against money laundering and fight against terrorism financing and to comply with regulatory requirements.

②.2020

a. Cooperating with Taiwan Depository & Clearing Corp., the Company turned the bill secondary market transaction receipts into electronic delivery; in 2020, it also cooperated with Taiwan Securities Association to introduce the electronic operation of bond transaction receipts and bond passbooks.

b. In terms of employee education and training, in addition to regularly inviting scholars and experts to give lectures to colleagues, the Company also invited industry professionals to teach personal business-related courses, and built a digital learning platform. Internal education and training were changed to online learning.

2. Future R&D plan

(1) Continue to research the feasibility of various financial innovations in the bond business.

(2) Plan to form an internal control self-inspection online operating system to help enhance the operating efficiency.

V. Long-term and Short-term Business Development Plan

(I) Short-term Business Development Plan

1. Short-term Bills and Bonds

(1) Strictly control the positions and durations, balance the income and risk, strengthen the strength of outright purchases/sales of bills, and control the interest rate risk and liquidity risk effectively.

(2) Develop customers with excellent credit rating and strive for the opportunities for underwriting business; select the bond portfolio to be purchased and control credit risk effectively.

(3) Upgrade the weight of customers from private sectors in the secondary market and develop the sources of capital to reduce the capital cost.

(4) Seek foreign currency inter-bank lending, trading of bonds in foreign currencies, and RP transactions with OBU and OSU to diversify sources of funding in foreign currencies.

2. Equity Investment

(1) Keep abreast of the trend of the industry from upstream to downstream, take cautious selection of individual stocks, and exercise teamwork.

(2) Study individual stocks in-depth and keep abreast of the trends of profiting to the companies.

(3) Flexibly obtain sources of securities on the primary convertible bond market via various channels.

3.Guarantee Business

(1) Strictly control the issuance timing and issuance duration and reduce the impacts of the rate hike on the spread of loans.

(2) Increase the self-insured withdrawal rate and issue spreads to stabilize the sources of income from transaction fees.

(3) Synchronize “development of new accounts” and “adequate increase in the limits available for quality existing customers” and adequately eliminate customers with minimal contributions in order to increase the return on credit assets.

(4) Carefully select the liquidity of collaterals and take into account income and guarantee.

(5) Proactively take part in syndicated loans on the market to increase earnings from credit loans.

(6) Gradually get involved in the green energy industries loan market to expand the source of revenue and fulfill corporate social responsibility.

(II) Long-term Business Development Plan

1. Short-term Bills and Bonds

(1) Strictly control risk and flexibly adjust financial assets and liabilities operational direction in response to the significant changes in the economy.

(2) Plan and strive for new business lines and trading counterparts approved by the competent authority actively to expand the scope of business and source of funding.

(3) Enhance the employees' trading skills and sensitivity to interest rates, so as to upgrade the trading performance.

2. Equity Investment

(1) Enhance the depth of research on industries and individual stocks, and control the movement of investment portfolio.

(2) The research and analysis aspects connect with the trading operation closely to strengthen the long-term investment operations and maintain stable profits.

(3) Flexibly obtain the sources of securities in the secondary convertible bond market via various channels, and research the opportunities and operating model for auctions.

3. Guarantee Business

(1) Assess the economic and environmental factors, develop potential customers, select and establish the target customer base, and found customers in depth and width.

(2) Reduce non-productive management costs and improve ROA through customer restructuring.

(3) Continue to improve the quality of credit assets and obtain excess escrow reserve to provide the foundation of future business promotion.

(4) Train a vast amount of new employees in credit business to strengthen the marketing force.

Two. Employees

I. Information about employees for the most recent two years until the date of publication of the annual report

Year		2021	2020	Ending March 15, 2022
Number of employees (Note)	Staff	152	147	154
	Employees	2	2	2
	Student employees	0	0	0
	Total	154	149	156
Average age (years old)		45.83	45.94	45.59
Average years of service (years)		15.50	15.80	15.24
Academic background	PhD	0.00%	0.00%	0.00%
	MA	3.36%	32.89%	36.78%
	BA	60.39%	63.76%	60.00%
	Senior High School	3.25%	3.35%	3.22%
	Below Senior Hogh School	0.00%	0.00%	0.00%
Note: The number of employees excludes directors.				

II. Professional certificate and license held by employees for the most recent two years until the date of publication of the annual report, and title of the professional qualification and number of such employees

Year	2021	2020	Ending March 15, 2022
Bill finance specialist	149	144	150
Senior securities specialist	105	99	104
Securities representative	75	74	75
Securities investment analyst	2	2	2
Financial Risk Manager (FRM)	1	1	1
Bond specialist	47	45	47
Basic personnel engaged in guarantee business	77	77	77
Advanced personnel engaged in guarantee business	5	5	5

Year	2021	2020	Ending March 15, 2022
Assets securitization	7	7	7
Bank internal controller	95	94	94
Corporate internal controller	6	5	6
Trust operations personnel	67	67	66
Financial planner	48	48	48
Securities investment trust and consulting professional	44	43	44
Futures representative	58	58	58
Life insurance representative	20	20	20
Property insurance representative	9	9	9
Personal risk manager	2	2	2
Basic international banking personnel	17	16	17
International banking specialist	5	5	5
Shareholders service personnel	8	8	8

III. Status of employees' continuing education and training for the most recent two years

1. In order to train the employees, the Company has established the continuing education subsidy system for certificates/licenses. The Company will also send its employees to attend the training programs organized by domestic professional financial training organizations every year, and organize the various training programs on its own, including the orientation training and professional training.

	Number of trainees	Training hours	Training expenses
2021	2,538 persons	5,272 hours	NT$ 597 thousand
2020	2,716 persons	5,411 hours	NT$ 675 thousand
Ending March 15, 2022	29 persons	309 hour	NT$ 125 thousand

2. Managers' participation in training and education programs related to corporate governance for the most recent year:

Name	Course	Training organization	Hours
Cheng Chuan Chang	The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	3
	Prevention against Insider Trading and Money Laundering – Cases of Corporate Frauds	Independent Director Association Taiwan	3
Cheng-Hsiang Wei	The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	3
	Prevention against Insider Trading and Money Laundering – Cases of Corporate Frauds	Independent Director Association Taiwan	3
	Latest ESG Trends – with Sustainable Management Strategy in the Securities Sector as an Example	Taiwan Securities Association	3
Yi-Ting, Chen	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Chao-Ku Wang	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Yi-Chang Kang (Officer of Corporate Governance)	Practical Workshop for Directors and Supervisors and Corporate Governance Officers	Securities and Futures Institute	12
	The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	6
	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Hung-Ta Chou	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Chen-Cheng Hsieh	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Po-Chun Chen	Board of Directors Performance Evaluation	Taiwan Corporate Governance Association	3
	Seminar on Corporate Governance System Rating and Sustainable Development	Taiwan Corporate Governance Association	3

Name	Course	Training organization	Hours
Ming-Chi Chou	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Jen-Chieh Chen	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Chung-Hsien Tsao	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3
Ming-Mei Huang	2021 Promotional Workshop on Compliance with Laws and Regulations Governing Equity Trading of Insiders	Taiwan Stock Exchange	3

Three. Corporate Social Responsibilities and Ethics

By upholding the stable business policy, and in the spirit of "Taken from Society Give Back to Society", the Company bears the corporate responsibility and follows the code of ethical conduct, after measuring its own ability and balancing the interest between internal and external related parties, and also establishes Sustainable Development Committee, adopts the"Sustainable Development Best-Practice Principles" as its policy and management measures, participates in various social welfare activities, protects consumers' interest and right, practices the care for employees, fulfills the environmental protection responsibility, and pursues sustainable development.

The concrete boosting programs and results are stated as following:

(I) Preserving Public Welfare and Responsibility of Justice

The Company's social participation is focused on five major aspects, care for public interests, environmental protection, arts and culture, emergency relief, and promotion of financial and economic developments. Over the past few years, blood and clothes are donated periodically on a yearly basis. Blood donation takes place in November 2021. A total of 113 qualified people completed blood donation, with 175 bags, that is, 43,750 cc, of precious fresh blood, collected. Cumulatively, a total of 1589 qualified people donated blood between 2015 and 2021 and a total of 2468 bags, that is, 617,000 cc, of blood, was collected to benefit needy patients. For the spring clothes donation campaign held in October 2021, a total of 1621 pieces of clothes were successfully collected from 34 donors and were given to the Taipei Mental Rehabilitation Association where patients gradually recovering in mental health can help sort through used clothes in exchange for wages and the Association can support its operation by selling the used clothes, too.

The Company also holds public interest procurements from time to time in order to support social welfare groups, peasants, or the minorities. In 2021, for example, hand-made cookies from the sheltered workshop of Hualien Liming Correction House and Malawi coffee from Bjorgaas Foundation were purchased to be the gifts to blood donors and participants in hiking events; in 2020, "Jujubes for Blood" were purchased to support the joint farming group consisting of local young farmers in Gongguan Township, Miaoli while promoting organic farming and the revival program for historical homes, streets, and villages.

In 2018, the Company celebrated its 40th anniversary. Therefore, the Company planned a project for assisting the elderly and youth. During 2018 to 2021, the Company successively donated over 12,000 vacuum braised pots to more than 30 social welfare organizations, including nursing homes, veterans' homes, food banks, social welfare foundations and moral philanthropy society, to support these organizations to take care of poor families and the elderly, e.g. gifts for Respect-the-Senior Festival, Christmas, winter relief, Neighbor Day and blood donation. The outbreak of COVID-19 in January 2020 resulted in the significant decline of blood doners, thereby causing the blood inventory to tighten. The Company donated 4,000 vacuum braised pots in February 2020 as the gift for blood donation at various locations of Taipei Blood Center and effectively promoted the blood donation volume.

The Company over the past years has also provided financial support and resources to disadvantaged families and encouraged students to study diligently. In 2021, the Company worked with the Happy Angel Association in sponsoring students from poor families in New Taipei City so that they could study at school with assurance. Our people also visited schools such as Ganyuan Elementary School (the archery team) and Ruibin Elementary School (the basketball team) at the end of the year to give the students gifts, wish them a happy new year, and encourage them to continue learning studiously and rendering optimal results. Meanwhile, the Company is a long-term sponsor of the Andrew Food Bank. Colleagues of the Company who are members of the volunteering club took part in cleaning up beaches, cleaning up mountains, sorting through books, volunteered at the Andrew Food Bank, cared for children in orphanages, and visited public interest-oriented exhibitions, and donated to support the police, showing their care for society in various ways.

Donations made by the Company over the past two years included those to the Happy Angel Association, the Formosa Cancer Foundation, and the Criminal Investigation and Prevention Association in 2021 and those to the Taiwan Fund for Children and Families and the Friends of the Police Association in 2020. For information about the Company's social participation, refer to the corporate sustainability section on the official website – corporate sustainability policy, system, related management directives, and substantial implementation plans and corporate social responsibility reports. http://www.cbf.com.tw/np.asp?ctNode=604&mp=1

(II) Care for employees

In order to strengthen the care for employees and build the happy workplace, the Company has adopted the "Healthy Workplace Declaration" in 2016 as the policy to promote a healthy workplace. Meanwhile, the Company tried to create the healthy diet and sport atmosphere in the Company by organizing clubs, sport programs or sport games, installing smart sport equipment, organizing health improvement activities, and body weight control classes, etc..

Over the past few years, the Company passed the "Healthy Workplace Certification"by the Ministry of Health and Welfare as well as the "i Sport Enterprise Certification" by the Sport

Administration, Ministry of Education. With continuous efforts spent by the Company, the Company continued to receive the “Badge of Health Promotion”, and in 2019, won the “1st Place of Excellent Healthy Workplace in Taipei City” and the highest honor, “Sustainable Excellence Award”, for the national excellent healthy workplace by Health Promotion Administration, Ministry of Health and Welfare.

Between 2020 and 2021, the world was hit by the COVID-19 pandemic and Taiwan was on a Level 2 or even Level 3 alert during this period. Despite the prevention against clustering because of the pandemic making it difficult to hold any event, the Company managed to organize the online diet workshop and the online hiking event in an effort to encourage its people to pay attention to their health and keep a habit of exercising. The e-Academy on Healthy Food Therapy was held in September 2021. Forty percent of the Company’s staff logged in during lunch break to learn about the diet and knowledge in preventing cardiovascular disease. The dietitian also demonstrated in person how to prepare healthy cuisines online. Attendees learned a lot and gave positive feedback . In addition, the CBF Pink Hiking Event was organized with the Formosa Cancer Foundation for our people in October 2021. A total of 106 people from the main office and branch offices took part in the event. All of them fulfilled their hiking goals within a month and were rewarded.

To encourage colleagues to engage in outdoor activities that help build a robust physique, in 2020, a group was formed to encourage online hiking competition utilizing mobile phone features and Apps. In 2020, there were 45 of our colleagues who formed nine teams to participate in the “Million Steps Walk by Corporate Teams” event organized by the Department of Health, Taipei City Government. All the nine teams reached the threshold of walking one million steps in one month, and, among them, one team even won the fourth place out of 154 teams, which was a remarkable achievement. In the second half of 2020, after the pandemic eased, the Company held the “Journey of Happiness” employee photography contest to encourage its people to engage in healthy recreational activities with their families. In 2019, on the other hand, the month of health event was held taking advantage of the smart healthy facilities within the Company; the event included the 15-day measurement challenge at the healthy station, the healthy cuisine party, the sport class, and the physical fitness test, etc.

In December 2019, the Company contracted with a Ministry of Labor-approved and certified company, “Summit Healthcare Co., Ltd.,” to provide on-site healthcare services. There are medical staff stationed at the Company twice a month to provide one-on-one health consultation services to the employees. In 2021, there was the campaign on the prevention and control of hypertension and assistance was provided in preparing a plan against diseases triggered by abnormal workloads, the maternity health protection program, and the ergonomic hazard prevention plan, etc.

(III) Responsibility for Environmental Protection

The Company believes that an enterprise should be identified as one member of the global village and, therefore, all of them should work together to love the earth, save energy and reduce carbon, and practice the environmental sustainability. The Company uses its best efforts to reduce paper, save water, save energy and reduce carbon to render less impact to the environment. Meanwhile, the Company demands that the suppliers should also follow the relevant regulations on environmental protection, safety or sanitation to practice the environmental sustainability together.

The Company consumed a total of 458,640 kWh and 455,400 kWh of electricity and 1,207 m3 and 1085 m3 of water, discharged 288,943 kg and 286,902 kg of CO2, and generated 84 kg and 52 kg of waste in 2020 and 2021, respectively. In terms of paper consumption, it was 674,568 pieces in 2020 and dropped to 606,025 pieces in 2021 after e-documentation continued to be promoted. The combined electricity consumed of the main office and five branch offices was 644,592 kWh, CO2 emissions 406,093 kg, water consumption 2,184 m3, waste generated 82 kg, and paper used 1,108,537 pieces in 2021. Efforts will be continued in the future to bring down the amount of paper used in three years by 10%.

In order to fulfill the environmental sustainability, the Company adopts the supplier policy. The Company uses the office equipment and supplies, computers and peripheral equipment bearing the environmental protection mark, and also demands that the suppliers should comply with the relevant regulations on such issues as environmental protection, safety or sanitation, provide toxic-free products, and work with the Company to upgrade the corporate social responsibility. For example, when purchasing the toner for copy machine, the Company will ask the relevant supplier to show the environmental protection mark. The Company's main supplier refers to the one who engages in printing the Company's annual report in Chinese and English languages each year. The Company's annual report printing supplier is the only one leading printing plant which is awarded the accreditation of golden environmental protection mark by Environmental Protection Administration throughout the nation.

The Company takes the impacts of climate change on operational activities seriously. Greenhouse gas inventory checks are performed during daily operations and energy-saving and carbon and greenhouse gas emission strategies are adopted. Policies to consolidate environmental sustainability by controlling expenditure on electricity, reducing power contract capacities, and controlling paper consumption are in place.

1. Policy for saving energy and reducing carbon

(1) Ask the employees to turn off the light at lunch break time and shut down their PCs absolutely after work.

(2) Reduce the quantity of the light bulbs and tubes in public zones, and replace them with LED lights.

(3) Set the air conditioner temperature at 26°C permanently in summertime.

(4) Turn off the lighting power supply at lunch break time comprehensively.

(5) Replace the fluorescent tubes in the parking lots at the basement with LED tubes.

(6) Conduct the investigation into air quality in offices every day to maintain the fair air quality in offices; install one indoor air quality monitor in each of the left and right areas of the Company dedicated to monitoring the air quality in offices for 24 hours a day, so that the central control room of the building will notify the Company to make correction of any abnormality detected by the monitor at any time.

(7) Clean up the air conditioners at office premises periodically.

(8) Replace the filter cartridge periodically to ensure the sanitation of drinking water.

(9) Practice the sorting of solid waste and recycling.

2. Policy for saving water consumption

(1) Adopt inductive faucets in rest rooms.

(2) Cut the water consumption of the toilets for gentlemen.

(3) Cut the water consumption of the kitchen counter to save water.

3. Save on Gasoline

By leasing hybrid cars for business use, we have significantly reduced the amount of gasoline used while reducing CO2 emissions.

4. Policy for reduction of paper consumption

(1) Since the middle of October 2019, the Company has changed the access to the copy machine. Employees who intend to use the copy machine must swipe their ID badges over the copy machine first, and then may use the machine.

(2) Input of various personnel receipts and customer interview records into the computer system to save paper.

(3) Posting of meeting minutes on computer or engagement in discussion on a decision-making supporting system.

(3) Adoption of video conference to cut the business traveling expenses for the personnel.

(4) Completion of the electronic archive system to achieve the paperless operation completely.

(5) Adoption of the online review on vouchers and archiving in electronic form to reduce paper consumption.

(6) Strongly recommending presentation of the meeting minutes in an electronic form, and communication of interest rate report and guarantee review results via email.

(7) Active promotion of the paperless policy to all level.

5. Adoption of video conference to cut the business traveling expenses for the personnel.

(1) Financial asset and liability management committee meeting (once per month)

(2) Business review meeting (once per week)

(3) Morning conference between Fixed Income Products Department of the Company and the five branch companies (three times per week)

(4) Compliance training course of Legal & Compliance Department with the five branch companies (once per six months)

(5) Lunar New Year greeting of the headquarters and branch companies via video

(6) Farewell party for the management's retirement.

Four. Number of employees in non-managerial positions, average salary and median salary, and difference in comparison with those of the preceding year

Item	2021	2020	difference
Number of full-time employees in non-managerial positions (persons)	139	133	6
“Average salary “of full-time employees in non-managerial positions (NT$ thousand)	1,581	1,504	77
“median salary “of full-time employees in non-managerial positions (NT$ thousand)	1,386	1,316	70

Five. Information Technology and Facilities

I. Construction and maintenance of main information system

(I) The business trading system(including NTD/foreign currency bills system, NTD/foreign currency bonds system, NTD/foreign currency capita system, NTD/foreign currency financial derivatives system, fund and stock system, guarantee system, NTD/foreign currency accounting system, NTD/foreign currency risk management system, payroll system, anti-money laundering system and CRS system, etc.) is installed on the AIX RS6000 host and is managed and maintained by the company itself.

(II) Intranet, HR system (including employees’ application for business travels, online sign-in/sign-off and related OA e-form), electronic official document system, electronic report system, CRM system, credit investigation procedure system, BI decision-making supporting system, safe deposit access system, money laundering control KYC/CRS audit system and legal & compliance system, and E-request system were installed on the Windows host, which was self-developed and self-maintained.

(III) The inter-bank remittance system (rebuilt in on the Linux host in 2021) and the convertible bond system (built in the AIX RS6000 host) are both outsourced developmental systems and part of spontaneous administration and outsourced maintenance.

(IV) Information security-related systems and network equipment, including the next-generation firewall, the spam interception system, the anti-virus system, the resources management system, the data leak prevention system (DLP), the network security web browsing and filtration system, the terminal control system, the HDPS Commvault backup system, the privileged account management system, the Email APT attacks preventive ESG system, the VPN connection firewall Log analysis system (built in 2021), and network Switch equipment are part of spontaneous management and outsourced maintenance.

II. Major information system disaster backup and security protection policy

（I） The business trading system data would be backed up immediately, and after 15 minutes remotely. The data center and data storage device at the same site are equipped with HA backup mechanism. Upon outbreak of failure in the data center, the HA backup mechanism will be automatically activated and switched to the backup host or data storage device at the same site. As soon as the information equipment experiences failure, the business trading system will switch to the local backup host or data storage equipment to ensure that the business trading may keep operating.

(II) In order to create an inter-bank remittance system with a sound backup mechanism, the Company's inter-bank remittance system and lines were re-built in 2021. Data in local and remote inter-bank remittance systems are synchronized once every 5 minutes to ensure synchronization of data in inter-bank remittance systems to the remote end can take place within a short period of time. In the event that the local information machine room does not function at all, the inter-bank remittance system can also be switched to the remote backup setting to continue with operations so that the Company's operations are not interrupted.

(III) Domain AD system, OA related system, anti-virus system, resource management system, data leakage protection DLP system, network security web filtering system, Email Apt attack prevention ESG system and the official website are all installed on VMWare virtual platform. Upon outbreak of failure in the VMWare system host, the HA backup mechanism will be automatically activated and switch the online system to the backup VMWare system host at the same site to enhance the availability and safety of the system.

(IV) Set up a remote backup data center in Taoyuan, and use the HDPS Commvault backup system to perform the backup of the business trading system and OA-related system at the same site and remotely. In order to ensure that the remote backup data center in Taoyuan can meet the information system backup function, the Company will organize the remote backup stimulation drill with respect to the business trading system and OA-related system on a yearly basis, and will also organize the remote on-site stimulation drill for once per two years. Upon outbreak of a failure in the formal and backup equipment in the same data center, the business trading system and OA-related system may be switched to the remote backup environment manually to keep operating and also keep the Company's operation uninterrupted.

(V) In response to the COVID-19 pandemic, the Company has set up a more comprehensive backup mechanism for off-site segregation office and work-from-home.

1. Installed remote backup systems at the offsite office (Banqiao branch) for Central Bank RTGS system, Swift Lite2, SMART workstation for securities depository, FEDI system of Taiwan Cooperative Bank and the Interbank Remittance System.
2. Work-from-home: The Company provides laptops to employees

   who then use Tokens to connect to their PCs within the Company, and further connect to the Company's information systems via employees' PCs, which are protected by the Company's original information security mechanism. The VPN connection firewall Log analysis system was eliminated in 2021 to retain VPN connection records of work-from-home over an extended period of time and to enhance safety of VPN connection for those working from home.

(VI) In consideration of the information security, the Company adopts the following security protection policies:

1. Construction of the information security protection system:

Build the next-generation firewall, spam interception system, anti-virus system, resource management system, DLP system, network security web browsing and filtering system, endpoint control system and privileged account management system, as well as the Email Apt attack defense system to provide the Company with a safer network access environment.

2. Implementation of weakness scanning and penetration testing:

The Company will retain the information suppliers to conduct weakness scanning on the information equipment throughout the Company periodically each year, and will fix and update the bugs in the systems or strengthen the protection in a feasible manner with respect to the weakness and bugs identified according to the scanning results to mitigate the entire information security risk. The Company will also retain the information suppliers to conduct the penetration testing on the Company's servers, hosts and website periodically each year to discover and fix the weakness exposed externally as early as possible.

3. Organization of social engineering exercise via emails:

The Company will organize the social engineering exercise via email for the whole employees and explain the exercise results for twice per year, in order to enable the employees to understand the risk over access to emails and raise their awareness toward the crisis from the social engineering attacks. Meanwhile, the Company will organize the information security promotional education and training for 3 hours each year to raise the employees' awareness toward information security.

4. Conduct Information Security Screening:

In order to strengthen the information security, the Company commissions an information security vendor to assess the overall information security of the Company's network, systems and terminals annually. It also conducts malware scanning and internal network malicious activity monitoring/analysis on the hosts of major systems to identify the information security deficiencies of the Company's overall information structure and provides recommendations for improvement, so as to strengthen the Company's information security capabilities.

5. Restrictions on installation of software and account management:

Withdraw the employees' highest authority of access to their PCs, restrict the employees from installing software privately, prevent the employees' PCs from being installed with the software containing malicious programs to reduce the possibility of the Company's information system being hacked; set the password of each information system administrator and employee login ID as controlled via systems in accordance with the relevant password policy. The privileged account management system engages in administering the important information system administrators' accounts to reduce the misuse of the system administrators' accounts and prevent the important data from being disclosed or prevent the system from being hacked if the administrators' accounts are stolen.

(**VII**) In order to ensure the security of the information system physically, the main information systems will be installed in the data centers, and the systems' host power will be supplied by the UPS system to prevent the system from immediate shutdown caused by temporary power outages. Meanwhile, in order to maintain the environment and equipment safety in the data centers, the Company installs the environmental monitoring system, central control system for the air conditioners, automatic air-jet fire protection system, access control system and monitoring system, etc. If any power failure, water leakage, temperature/humidity abnormality and fire, etc. are detected, the dedicated personnel will receive the automatic phone call, and the fire extinguisher will be activated automatically to deal with the abnormalities as early as possible lest the damage should be expanded.

III. Future development or procurement projects

(I) It is planned to install the Endpoint Detection and Protection (EDR) system to protect against APT attacks that cannot be prevented by anti-virus software. By analyzing the event behavior of computer devices at each endpoint, the Company can detect the computer devices that have been attacked by the same hacking method within the Company, so that it can fully remove the malware from the computer devices.

(II) In light of information security, it was planned to replace the firewall equipment used for bills depository and clearing connection, the network Core Switch of the main office, and the main office-branch office connection Router equipment.

Six. Information Disclosure for Information and Communication Security Management

I. Information and Communication Security Management Strategy and Structure

(I) Information and Communication Safety Risk Management Structure

According to the interpretation about the information security operations handled by the bills finance business referred to in the proviso under Article 38-1 Paragraph 1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" promulgated by FSC, the Company shall be configured with information security officers and information security staff; the Board of Directors is to assign one information security officer and ensure that the officer and information security staff are not engaged in other operations involving conflicting interests against their information-related duties. In 2019, the head of the Information Technology Department was assigned to be the information security officer and the staff in the system administration section of the Information Technology Department to be the information security staff of the Company; they are in charge of planning, monitoring, and enforcing information security-related management and tasks of the Company in order to ensure effective implementation of information security plans and information security protection throughout the Company and the Chairman, the General Manager, the Chief Auditor, and the information security officer will jointly issue the Declaration on Overall Implementation of Information Security in the previous year and submit it to the Board of Directors within three months after the end of the fiscal year. The 2020 Declaration on Overall Implementation of Information Security as well as the Overall Information Security Implementation Report was already submitted during the 36th meeting of the 14th Intake of the Board of Directors in March 2021. As the Internal System and Internal Control System of Financial Holding Companies and Banking Industries were revised on September 23, 2021, to simplify the operating procedure for issuing the Declaration on Overall Implementation of Information Security, annexes to the original Declaration on Overall Implementation of Information Security will be deleted in 2022 and overall status of information security will be included as one of the items to be declared in the Declaration of Internal Control System.

(II) Information and Communication Security Policy

To enhance information security, the Company referred to the TBFA “Regulations Governing the Self Discipline of the Bills Finance Industry in Information Security” and established the “China Bills Finance Corporation Information Security Policy,” which was submitted to and approved by the Board of Directors in January 2019 (Refer to Home > Corporate Governance > Information Security Policy of the official website www.cbf.com.tw). The Policy requires all the employees strictly observe the information security and non-disclosure regulations and the internal information security related rules of the Company. The Company’s information security policy is adjusted periodically with reference to the revisions made to the “Regulations Governing the Self Discipline of the Bills Finance Industry in Information Security.”

II. Information and Communication Risk and Countermeasures:

Information systems of the Company are divided into two categories, operational and non-operational according to the importance of information assets and their impacts on operations. In order to discover information security threats and weaknesses early, related control measures that help reinforce technicality and administration are enforced so that safety protection capabilities of networks and information systems may be enhanced. Information security risks are examined, evaluated, and responded to in the following ways:

(I) Review of existing information architecture

(1) Review the information equipment structure, adequacy of the security management rules, and any information security risk discovered in the information systems or PC shall be

solved in the following manners:

a. Adjust the firewall system rules to enhance the security of access to important information equipment.

b. By adjusting the system rules of DLP Data Leakage Protection to prevent the leakage of important company information and by adjusting the system rules of WebFilter to prevent employees from inadvertently accessing websites with information security threats.

c. Block employees from receiving spam emails containing malware from hackers by adjusting the system rules of Spam Filtering.

d. Utilize the endpoint control system to prevent the employees from installing their personal information equipment privately lest the Company's important information should be disclosed to outsiders.

e. Continue to update the virus code of the anti-virus system installed on the information equipment to prevent the information equipment from attack by virus.

f. Control the USB storage device write function on employees' PCs to prevent the leakage of important company data through the Resource Management System, and withdraw the administration privileges of employees' PC domain accounts and restrict them from installing software arbitrarily to prevent them from installing software containing malware on their PCs through the same system as well, thus reducing the chance of intrusion into the company's information system.

g. Establish email APT attack prevention ESG system to filter and block malicious emails, prevent hackers from conducting malicious attacks via email, and enhance the security of using the Company's email.

(2) The Company reviews the failure risk of important information systems and assesses the highest impact of the failure and the risk exposure capability of the Company. We also define the maximum acceptable downtime, minimum recovery time, and redundancy plan.

(II) Review of network activities

(1) Review the access logs of network and information equipment, and review whether the authority of access to the account satisfies the Company's information security guidelines and regulations.

(2) Check the accuracy of settings of the information security equipment control rules, and check the information security incident control record periodically, and test the effectiveness of the information security protection system periodically.

(3) Use the firewall system to check whether the Company's information equipment links with external networks abnormally, and analyze and compare whether it links with any hacker's relay station; if it does, adjust the firewall system rules to block the links.

(III) Testing of network equipment, servers and terminal equipment

(1) The Company conducts weakness scanning on the network and information equipment throughout the Company periodically for twice per year, and fixes bugs or strengthens the protection with respect to the weakness and bugs identified according to the scanning results to mitigate the entire information security risk.

(2) Test the relevant password policy of the login accounts used to access the information equipment via the weakness scanning periodically each year, and the password set for

the login accounts certified to comply with the Company's relevant password policy; the privileged account management system engages in enhancing the complexity of the password of the login accounts by including the important information system administrator's account and changing the login password through its privileged account management system.

(3) Periodically organize information security checkups each year to assess the overall information security of the Company's network, systems and terminals annually. We also conducted malware scanning and internal network malicious activity monitoring/analysis on the hosts of major systems to identify the information security deficiencies of the Company's overall information structure so as to strengthen the Company's information security capabilities.

(IV) Testing of the security of the extranet

(1) Conduct the penetration testing on the Company's extranet periodically each year to control and fix the weakness risk. In 2021, no material weakness risk was found.

(2) The Company checks the directory of its extranet as well as the website access setup rules and access records on a regular basis to avoid hackers from invading and altering the content of our external website. There was no hacker invasion in 2021.

(V) Review of safety settings

(1) Review the Company's AD "password setting principles" and "account lockout principles"; as a result, the security and setting principles both found complying with the Company's information security guidelines and regulations.

(2) Continue to review the operations of and access to the firewall system, and continue to review the firewall log to verify the information security risk in the information system access settings; if any, adjust the firewall system rules for protection.

(3) Withdraw the employees' highest authority of access to their PCs, restrict the employees from installing software privately, prevent the employees' PCs from being installed with the software containing unlicensed or malicious programs; administer the important information system privileged accounts through the privileged account management system to reduce the misuse of the privileged accounts and prevent the system from being hacked or prevent the important data from being disclosed if the accounts are stolen, and retain the operational log for the privileged account through the system to satisfy the need for the internal control of information security and regulatory audit.

(4) By the asset management system, and the weakness scanning conducted for twice per year, review the update status of the system host and the OS/Apps in PCs and then evaluate and execute feasible system updates. Given the increasing global network security threats, in order to constantly upgrade the information security protection to prevent the Company's information from various threats and ensure the Company's continuing operations, the Company engages in the information security protection via its existing information security equipment and also continues to evaluate the update or construction of new information security systems. Two email social engineering rehearsals and three hours of communication and educational training on information security are organized each year, too, to raise the employees' awareness of information security.

III. Major Event of Information and Communication Security

As of the publication date of the annual report, the Company has no major information security event in 2021 and 2020.

Seven. Relations between laborers and employer

I. Current major labor agreements and status of implementation

(I) Employee benefit measures

The Company's employee benefit measures consist of those provided by the Company and Employee Benefits Committee respectively, which are stated as following:

1. Provided by the Company

(1) Insurance: In addition to the labor insurance and national health insurance, the Company also maintains the term group life insurance for the employees and their parents, spouses and underage children.

(2) Meal allowance.

(3) Team bonding activities and health checkup for employees.

2. Provided by the Employee Benefits Committee

The Employee Benefits Committee was established in December 1978, which provides various benefits, allowances, and subsidies to employees' clubs, and organizes various activities subject to the status of budget. The subsidies consist of gifts for three major festivals, birthday, marriage, childbirth, funeral, retirement, social clubs, arts appreciation, and critical diseases and injuries, etc.

(II) Working environment and employee personal safety protection measures

1. Execute the visitors' access registration and control, designate dedicated personnel to clean up the environment at the office premises, replace the filter cartridge per quarter, and conduct water quality inspection periodically.
2. Elevators and fire extinguishers will be maintained periodically, and fire protection equipment including sprinklers, stair lighting and emergency exits are inspected on a monthly basis. A qualified fire protection company will be entrusted to declare the maintenance status of various equipments each year, and the public safety inspection of the building will be conducted once per two years. The same are approved upon re-examination by the competent authority.
3. Organize the employees' fire protection drill once per six months.
4. Clean up and disinfect the environment periodically per two months.
5. Provide medical personnel's onsite service twice per month.
6. Organize on-line training on occupational safety and health per year.

(III) Pension system

The Company establishes the employee pension regulations. The pension shall be payable to the employees pursuant to the regulations when the employees apply for retirement.

The general employees have contributed 7.52% of the total salary paid to them on a monthly basis as the “reserve for pension” from July 1999 to December 2004. Since 2005, the employees have contributed 7% of the total salary paid to them on a monthly basis as the reserve for pension to the Pension Fund Supervisory Committee for custody, and the same were deposited into Bank of Taiwan in the name of the Committee, and the interest accruing thereon were used to pay the pension payable under the old system. Further, for the employees who selected the new labor pension system as of July 2005, the Company would contribute 6% of their monthly salary on a monthly basis and deposit the same into the account maintained at Bureau of Labor Insurance in their personal name.

Appoint the employees to contribute the “pension fund” on a monthly basis, and state the pension expenses, and have the same utilized by the Pension Fund Supervisory Committee.

(IV) Employees’ code of conduct and ethics

According to the Labor Standards Act and related laws, the Company establishes its work rules, instructions to employees’ service, Code of Ethics, Procedure for Ethical Management and Guidelines for Conduct, and principles to be followed by the sales personnel remuneration system requiring that the employees should comply with the Company's regulations and rules and abide by the management’s reasonable direction. The management shall direct employees friendly and perform the performance assessment in line with the work objectives strictly. The management and subordinates or co-workers shall respect each other, uphold honesty and integrity, act rigorously, work diligently, abandon bad habits, maintain the Company's corporate identity, and perform their duties with due diligence; comply with labor laws and the Company's regulations to maintain the safety and sanitation of the workplace and its surrounding environments and prevent theft, fire or other natural calamities. The Company upholds the core management philosophy for “Gratitude, Cherishment and Improvement”, and all of the employees shall follow the self-discipline principles and value the business ethics.

(V) Other important agreements

The Company established the labor-management council in accordance with the Regulations Governing Implementation of Labor-Management Council Meetings on September 17, 2015. The management and labors delegate five representatives respectively to negotiate with each other in the spirit of teamwork and cooperation at the labor-management meeting to strengthen the management-labor relationship, promote the management-labor cooperation, and also discuss about such motions as employment terms and conditions, employees’ benefits and upgrading of work efficiency.

II. Losses as a result of labor disputes for the most recent year and the publication date of the annual report

None.

Eight. Important Contracts

The Company is a bills finance company engaged in transactions with its customers in accordance with related laws and the Company's internal regulations. Other than the guarantee, certification and underwriting contracts related to its operations, the Company never concludes any supply contracts or technical cooperation contracts, and has no engineering contracts still surviving. All of the important contracts of the Company refer to lease contracts which are excluded from any restrictive clauses and render no material adverse effect to the Company's business.

Contract type	Counterpart	Contract beginning and ending date	Main contents	Restrictive clauses
Lease	Lessor: O-Bank Lessee: Headquarters of China Bills Finance Corporation	January 1, 2021 to December 31, 2021	1. Scope: 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, occupying an area totaling 679.85 pings. 2. The monthly rent is NT$1,070,764.	None
Lease	Lessor: Mingtai Insurance CO., LTD. Lessee: Banqiao Branch of China Bills Finance Corporation	October 16, 2016 to October 15, 2021	1. Scope: 3F, No. 51, Sec. 1, Wenhua Rd., Banqiao District, New Taipei City, occupying an area totaling 108.17 pings. 2.The monthly rent is NT$147,000.	None
Lease	Lessor: O-Bank Lessee: Headquarters of China Bills Finance Corporation	January 1, 2022 to December 31, 2024	1. Scope: 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, occupying an area totaling 679.85 pings. 2. The monthly rent is NT$1,070,764.	None
Lease	Lessor: Mingtai Insurance CO., LTD. Lessee: Banqiao Branch of China Bills Finance Corporation	October 16, 2021 to October 15, 2022	3. Scope: 3F, No. 51, Sec. 1, Wenhua Rd., Banqiao District, New Taipei City, occupying an area totaling 108.17 pings. 4.The monthly rent is NT$147,000.	None

Financial Statement

One. Summary Five-Year Balance Sheets and Consolidated Income Statement

I. Condensed balance sheet

Unit: NT$ thousand

Item / Year		Financial information for the most recent five years				
		2021	2020	2019	2018	2017
Cash and cash equivalents Due from the central bank and call loans to banks		554,598	264,720	244,731	261,832	307,501
Financial assets at fair value through profit or loss		114,478,739	106,155,540	92,084,805	97,455,257	111,377,286
Financial assets at fair value through other comprehensive income		106,627,030	105,237,279	103,117,226	98,395,152	None
Available-for-sale financial assets		None	None	None	None	98,011,594
Securities purchased under resell agreements		5,364,108	4,732,882	100,013	991,363	5,682,864
Receivables, net		730,800	782,861	853,563	1,291,700	1,249,639
Current tax assets		141,516	268,510	315,759	286,330	246,136
Financial assets held to maturity		None	None	None	None	None
Other financial assets, net		44,115	566,011	549,676	548,988	173,478
Property and equipment, net		151,544	153,086	154,192	150,208	155,116
Right-of-use asset, net		3,341	2,659	4,735	None	None
Deferred tax assets		64,719	73,816	67,138	101,386	109,557
Other assets, net		573,370	46,637	47,721	48,815	3,099,233
Total Assets		**228,733,880**	**218,284,001**	**197,539,559**	**199,531,031**	**220,412,404**
Call loans from banks and overdrafts on banks		9,096,125	6,140,000	14,500,869	26,544,504	18,137,720
Commercial paper issued, net		4,498,670	4,499,227	None	499,881	2,999,557
Financial liabilities at fair value through profit or loss		91,626	39,252	5,122	5,885	8,624
Securities sold under repurchase agreements		187,056,650	179,726,810	156,689,837	147,046,457	173,976,038
Accounts payable		435,714	425,800	715,039	451,695	475,561
Current tax liabilities		129,536	139,115	None	None	None
Other financial liabilities		None	None	None	None	None
Provisions		1,433,924	1,440,191	1,398,066	1,396,246	1,524,181
Lease liability		3,371	2,695	4,773	None	None
Deferred tax liabilities		43,028	175,281	51,120	4,898	93
Other liabilities		388,051	246,188	319,271	282,972	265,698
Total Liabilities	**Before distribution**	**203,176,695**	**192,834,559**	**173,684,097**	**176,232,538**	**197,387,472**
	After distribution	**Note 1**	**191,666,184**	**174,651,028**	**177,293,476**	**198,340,974**
Equity attributable to the parent		25,557,185	**25,449,442**	**23,855,462**	**23,298,493**	**23,024,932**
Capital stock	Before distribution	13,429,600	13,429,600	13,429,600	13,429,600	13,429,600
	After distribution	Note 1	13,429,600	13,429,600	13,429,600	13,429,600
Capital surplus		10,231	8,804	7,308	4,113	2,474
Retained earnings	Before distribution	11,327,515	10,489,709	9,800,304	9,520,568	9,009,745
	After distribution	Note 1	9,321,334	8,833,373	8,459,630	8,056,243

Item \ Year		Financial information for the most recent five years				
		2021	2020	2019	2018	2017
Other equity		789,839	1,521,329	618,250	344,212	583,113
Treasury stock		None	None	None	None	None
Non-controlling interests		None	None	None	None	None
Total equity	**Before distribution**	**25,557,185**	**25,449,442**	**23,855,462**	**23,298,493**	**23,024,932**
	After distribution	**Note 1**	**24,281,067**	**22,888,531**	**22,237,555**	**22,071,430**

Note 1: The motion for distribution of earnings in 2021 has been approved by the Board of Directors but has not yet been resolved by the shareholders' meeting by the date of publication of this annual report.

Note 2: Said financial information has been audited and certified by independent auditors.

II. Condensed income statement

Unit: NT$ thousand

Item \ Year	Financial information for the most recent five years				
	2021	2020	2019	2018	2017
Interest revenue	1,719,503	1,901,772	2,010,422	1,920,107	1,980,066
Less: interest expenses	(460,680)	(781,134)	(1,154,448)	(948,419)	(821,148)
Net interest income	1,258,823	1,120,638	855,974	971,688	1,158,918
Net income other than interest	1,588,478	1,386,533	1,158,794	1,005,520	936,028
Net revenue	**2,847,301**	**2,507,171**	**2,014,768**	**1,977,208**	**2,094,946**
Provisions	6,936	(31,875)	(4,476)	131,603	7,283
Operating expenses	(522,220)	(483,593)	(456,814)	(478,583)	(476,026)
Income (loss) before income tax from continuing operations	**2,332,017**	**1,991,703**	**1,553,478**	**1,630,228**	**1,626,203**
Income tax gains (expenses)	(474,351)	(413,461)	(308,825)	(294,809)	(275,139)
Net income from continuing operations	**1,857,666**	**1,578,242**	**1,244,653**	**1,335,419**	**1,351,064**
Income (loss) from discontinued operations	None	None	None	None	None
Net profit (net loss) - current period	**1,857,666**	**1,578,242**	**1,244,653**	**1,335,419**	**1,351,064**
Other Comprehensive Income					
Other comprehensive income (net after tax) - current period	(582,975)	981,173	370,059	(236,507)	364,896
Total comprehensive income – current period	**1,274,691**	**2,559,415**	**1,614,712**	**1,098,912**	**1,715,960**
Net profit attributable to the owner of parent	**1,857,666**	**1,578,242**	**1,244,653**	**1,335,419**	**1,351,064**
Net profit attributable to the non-controlling interest	None	None	None	None	None
Net income (loss) from total comprehensive income attributable to the owner of parent	**1,274,691**	**2,559,415**	**1,614,712**	**1,098,912**	**1,715,960**
Total comprehensive income (loss) attributable to the non-controlling equity	None	None	None	None	None
Earnings per share (NT$)	1.38	1.18	0.93	0.99	1.01

Note: Said financial information has been audited and certified by the independent auditors.

III. Independent auditors over the past five years and their audit opinions

Year	CPA Firm	Independent auditor		Audit opinion
2021	Deloitte Taiwan	Yin-Chou Chen	Wang-Sheng Lin	Unqualified opinions
2020	Deloitte Taiwan	Yin-Chou Chen	Wang-Sheng Lin	Unqualified opinions
2019	Deloitte Taiwan	Yin-Chou Chen	Wang-Sheng Lin	Unqualified opinions
2018	Deloitte Taiwan	Jui-Chan Huang	Chen-Hsiu Yang	Unqualified opinions
2017	Deloitte Taiwan	Jui-Chan Huang	Chen-Hsiu Yang	Unqualified opinions

Two. Financial analysis for the most recent five years

Analysis Item (Note 2) / Year		Financial analysis for the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
Operational ability	Average days of the holding period of bills/bonds	7.37	7.00	7.37	8.12	7.91
	Non-performing guarantee ratio (%)	0	0	0	0	0
	Total asset turnover (counts)	0.01	0.01	0.01	0.01	0.01
	Average revenues per employee (NT$1,000)	18,489	16,827	13,522	13,360	14,060
	Average earnings per employee (NT$1,000)	12,063	10,592	8,353	9,023	9,068
Profitability	Return on assets (%)	0.83	0.76	0.63	0.64	0.64
	Return on shareholders' equity (%)	7.28	6.40	5.28	5.77	5.94
	Profit margin (%)	65.24	62.95	61.78	67.54	64.49
	Earnings per share (NT$)	1.38	1.18	0.93	0.99	1.01
Financial structure	Ratio of liabilities to assets (%)	88.22	87.71	87.25	87.67	88.91
	Property and equipment to equity (%)	0.59	0.60	0.65	0.64	0.67
Growth rate	Asset growth rate (%)	4.79	10.5	-1.00	-9.47	8.40
	Profit growth rate (%)	17.09	28.21	-4.71	0.25	-18.69
Cash flow (Note 7)	Cash flow ratio (%)	N/A	2.61	7.92	N/A	N/A
	Cash flow adequacy ratio (%)	195.52	143.59	98.32	N/A	N/A
Total balance of guarantee secured by stakeholders (NT$1,000)		0	0	0	0	0
Total balance of guarantee secured by stakeholders to total balance of guarantee (%)		0	0	0	0	0
Operating scale (Note 8)	Asset market share (%)	21.75	19.77	19.69	19.70	21.35
	Net-worth market share (%)	18.55	18.28	18.57	18.83	18.81
	Market share of guarantee and endorsement of bills (%)	17.82	18.53	19.15	19.08	18.90
	Market share of issuance of and initial subscription for bills/bonds (%)	22.39	20.72	19.28	17.83	19.36
	Market share of bills/bonds transactions (%)	22.43	20.03	19.43	15.63	15.91
Capital adequacy	Capital adequacy ratio (%)	12.65	12.80	12.70	12.88	13.19

Analysis Item (Note 2) / Year		Financial analysis for the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
	Eligible regulatory capital (NT$ thousand)	25,269,467	24,825,566	23,602,903	22,938,478	22,185,185
	Total risk-weighted assets (NT$ thousand)	199,787,476	193,919,390	185,890,483	178,050,233	168,237,587
	Type 1 capital accounts for total risk assets ratio(%)	12.39	12.32	12.48	12.80	13.02

Please explain the reasons for changes in each financial ratio during the most recent two years. (Analysis is not required if the magnitude of increase or decrease is less than 20%).

1. Asset growth rate dropped 54%: primarily as a result of the decrease in the value increased of the Company's position of bills in 2021, compared to 2020.
2. Profit growth rate dropped 39%: primarily as a result of the decrease in the value increased of the Company's pre-tax gains/losses in 2021, compared to 2020.
3. Cash flow adequacy ratio increased by 36%: primarily as a result of the increase in the net cash in-flows from operating activities for 2017 through 2021, compared to 2016 to 2020.

Note 1: The figures applied by the financial analysis for said years have been audited and certified by the independent auditors.
Note 2: The following calculation formulas must be listed at the end of the foregoing table:

1. Operational ability
   (1) Average days of the holding period of bills/bonds=365/turnover of bills/bonds (Note 3)
   (2) Non-performing guarantee ratio=Non-performing guarantee (including overdue receivables)/total guarantee (including overdue receivables)
   (3) Total asset turnover=Revenue (Note 4)/Average total assets
   (4) Average revenues per employee = Revenue (Note 4)/Total number of employees (exclusive of directors)
   (5) Average earnings per employee = Net earnings after tax/Total number of employees (exclusive of directors)
2. Profitability
   (1) Return on assets = Income (loss) after tax/Average total assets
   (2) Return on shareholders' equity = Income (loss) after tax/Average total equity
   (3) Net profit margin = Income (loss) after tax/Revenue (Note 4)
   (4) Earnings per share = (Income (loss) attributable to the owner of parent-Preferred stock dividend)/Weighted average number of outstanding shares (Note 5)
3. Financial structure
   (1) Ratio of liabilities to total assets = Total liabilities (Note 6)/Total assets
   (2) Property and equipment to equity=Property and equipment, net/Total equity
4. Growth rate
   (1) Asset growth rate = (total assets during the current year - total assets during the previous year)/total assets during the previous year
   (2) Profit growth rate = (Income (loss) before tax during the current year - Income (loss) before tax during the previous year)/Income (loss) before tax during the previous year
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities/(Call loans from banks and overdrafts on banks + commercial paper issued + financial liabilities at fair value through profit or loss + Securities sold under repurchase agreements + Accounts payable-current portion)
   (2) Cash flow adequacy ratio = Net cash flow from operating activities during the most recent five years/(capital expenditures + cash dividends) during the most recent five years
6. Operating scale
   (1) Asset market share = Total assets/Total assets of all bills finance companies
   (2) Net-worth market share = Net worth/Total net worth of all bills finance companies
   (3) Market share of guarantee and endorsement of bills=Balance of guarantee and endorsement of bills/Total balance of guarantee and endorsement of bills by all bills finance companies
   (4) Market share of issuance of and initial subscription for bills/bonds=Amount of issuance of and initial subscription for bills/bonds / Total amount of issuance of and initial subscription for bills/bonds by all bills finance companies
   (5) Market share of bills/bonds transactions=Amount of bills/bonds transactions/Total amount of bills/bonds transactions by all bills finance companies

7. Capital adequacy
   (1) Capital adequacy ratio = Eligible regulatory capital/Risk-weighted assets
   (2) Eligible regulatory capital=Tier 1 capital+Eligible Tier 2 capital+Eligible and Authorized Tier 3 capital
   (3) Total risk-weighted assets=Credit risk-weighted assets=(Operation risk capital requirement+Market risk capital requirement)x12.5
   (4) Tier 1 capital to total risk-weighted assets=Tier 1 capital/Total risk-weighted assets

Note 3: Turnover of bills/bonds=Amount of bills/bonds transactions/Average balance of bills/bonds

Note 4: The revenue means the total of interest income and non-interest income.

Note 5: When calculating the earnings per share referred to in the preceding paragraph, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of capital increase or treasury stock transactions, the calculation shall take the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the net income after tax or add the net loss after tax.
5. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the net income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 6: The total liabilities exclude the guarantee liability provision.

Note 7: Not applicable, in the case of net cash outflow from operating activities.

Note 8: The source of data refers to the “Financial Statistics Abstract” issued by Banking Bureau of FSC.

Three. Audit Committee's Report on the 2021 Financial Statements

See Page 151.

Four. 2021 Financial Statements

See Pages 152~225.

Five. The 2021 Entity Financial Statement Audited and Certified by Independent Auditors

The Company has no subsidiaries and, therefore, the entity financial statement is as same as the financial statement. Please see Pages152~225.

Six. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status

None.

Audit Committee's Report

The Company's 2021 financial statements reviewed by the Audit Committee and resolved by the Board of Directors meeting have been audited and certified by Joe-Chen, CPA & Eric Lin, CPA of Deloitte & Touche, who gave an unqualified opinion on the audit report. Meanwhile, after completing the audit on the Company's 2021 business report, substantial property catalogue and motion of distribution of earnings, the Audit Committee believes that they are free of material misstatement, and thus produces this report according to Article 14-4 of the Securities and Exchange Act whereunder Article 219 of the Company Act may apply *mutatis mutandis.*

To: 2022 General Shareholders' Meeting of China Bills Finance Corporation

Audit Committee of China Bills Finance Corporation

Convener: Tsung-Ming Kuo

March 16, 2022

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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, 2021 and 2020, 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, 2021 and 2020, 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 auditing standards generally accepted in 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, 2021. 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, 2021, 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, 21 and 38 (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 auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2021 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 Wang-Sheng Lin.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 24, 2022

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 254,598	-	$ 264,720	-
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 34)	114,478,739	50	106,155,540	49
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 10 and 34)	106,627,030	47	105,237,279	48
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 11 and 35)	5,364,108	3	4,732,882	2
RECEIVABLES, NET (Notes 4 and 12)	730,800	-	782,861	1
CURRENT TAX ASSETS (Notes 4 and 31)	141,516	-	268,510	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 13 and 34)	44,115	-	566,011	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 14)	151,544	-	153,086	-
RIGHT-OF-USE ASSETS, NET (Notes 4 and 15)	3,341	-	2,659	-
DEFERRED TAX ASSETS (Notes 4 and 31)	64,719	-	73,816	-
OTHER ASSETS, NET (Notes 16 and 34)	573,370	-	46,637	-
TOTAL	$ 228,733,880	100	$ 218,284,001	100
LIABILITIES AND EQUITY				
CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS (Note 17)	$ 9,096,125	4	$ 6,140,000	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	91,626	-	39,252	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 18, 33 and 35)	187,056,650	82	179,726,810	82
ACCOUNTS PAYABLE (Note 19)	435,714	-	425,800	-
CURRENT TAX LIABILITIES (Notes 4 and 31)	129,536	-	139,115	-
COMMERCIAL PAPER ISSUED, NET (Note 20)	4,498,670	2	4,499,227	2
PROVISIONS (Notes 4, 5 and 21)	1,433,924	1	1,440,191	1
LEASE LIABILITIES (Notes 4 and 15)	3,371	-	2,695	-
DEFERRED TAX LIABILITIES (Notes 4 and 31)	43,028	-	175,281	-
OTHER LIABILITIES	388,051	-	246,188	-
Total liabilities	203,176,695	89	192,834,559	88
EQUITY (Notes 4 and 23)				
Ordinary share	13,429,600	6	13,429,600	6
Capital surplus	10,231	-	8,804	-
Retained earnings				
Legal reserve	8,551,784	4	8,054,883	4
Special reserve	769,120	-	769,120	-
Unappropriated earnings	2,006,611	1	1,665,706	1
Total retained earnings	11,327,515	5	10,489,709	5
Other equity	789,839	-	1,521,329	1
Total equity	25,557,185	11	25,449,442	12
TOTAL	$ 228,733,880	100	$ 218,284,001	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, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	**%**	**Amount**	**%**
NET INTEREST				
Interest revenue (Notes 4 and 24)	$ 1,719,503	60	$ 1,901,772	76
Deduct: Interest expense (Notes 4, 24 and 33)	(460,680)	(16)	(781,134)	(31)
Net interest	1,258,823	44	1,120,638	45
NET REVENUES OTHER THAN INTEREST				
Service fee income, net (Notes 4 and 25)	1,301,059	46	1,192,348	47
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 26)	185,463	7	144,417	6
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 27)	115,437	4	104,375	4
Foreign exchange losses, net (Notes 4 and 28)	(22,139)	(1)	(52,321)	(2)
Reversal of impairment loss (impairment losses) on financial assets (Notes 4 and 10)	8,337	-	(1,499)	-
Other non-interest gains (losses), net	321	-	(787)	-
TOTAL NET REVENUES	2,847,301	100	2,507,171	100
REVERSAL (PROVISIONS) (Notes 4 and 21)	6,936	-	(31,875)	(1)
OPERATING EXPENSES (Notes 4, 29, 30 and 33)				
Employee benefit expenses	(383,414)	(14)	(348,071)	(14)
Depreciation and amortization	(12,759)	-	(13,370)	(1)
Others	(126,047)	(4)	(122,152)	(5)
Total operating expenses	(522,220)	(18)	(483,593)	(20)
PROFIT BEFORE INCOME TAX	2,332,017	82	1,991,703	79
INCOME TAX EXPENSE (Notes 4 and 31)	(474,351)	(17)	(413,461)	(16)
NET INCOME FOR THE YEAR	1,857,666	65	1,578,242	63

(Continued)

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Notes 4 and 22)	$ (740)	-	$ (1,934)	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income (Notes 4 and 23)	214,538	8	124,975	5
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 31)	148	-	387	-
Components of other comprehensive income that will not be reclassified to profit or loss for the year, net of income tax	213,946	8	123,428	5
Component of other comprehensive income that will be reclassified to profit or loss:				
(Losses) gains from investments in debt instruments at fair value through other comprehensive income (Notes 4 and 23)	(916,384)	(32)	979,538	39
Income tax related to components of other comprehensive income reclassified to profit or loss (Notes 4 and 31)	119,463	4	(121,793)	(5)
Components of other comprehensive income that will be reclassified to profit or loss for the year, net of income tax	(796,921)	(28)	857,745	34
Other comprehensive (loss) income for the year, net of income tax	(582,975)	(20)	981,173	39
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,274,691	45	$ 2,559,415	102
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 32)				
Basic	$ 1.38		$ 1.18	
Diluted	$ 1.38		$ 1.17	

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Ordinary Share Capital (Notes 4 and 23)	Capital Surplus (Notes 4 and 23)	Retained Earnings (Notes 4 and 23)			Other Equity (Notes 4 and 23)	
			Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2020	$ 13,429,600	$ 7,308	$ 7,681,488	$ 769,120	$ 1,349,696	$ 618,250	$ 23,855,462
Legal reserve	-	-	373,395	-	(373,395)	-	-
Cash dividends distributed	-	-	-	-	(966,931)	-	(966,931)
Unclaimed dividends	-	1,496	-	-	-	-	1,496
Net income for the year ended December 31, 2020	-	-	-	-	1,578,242	-	1,578,242
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	(1,547)	982,720	981,173
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,576,695	982,720	2,559,415
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	79,641	(79,641)	-
BALANCE AT DECEMBER 31, 2020	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

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,332,017	$ 1,991,703
Adjustments for:		
(Reversal of) recognized expected credit impairment loss	(1,337)	51,499
Net loss (gain) on valuation of financial assets and liabilities at fair value through profit or loss	30,126	(22,173)
Depreciation expenses	9,695	10,140
Amortization expenses	3,064	3,230
Interest expense	460,680	781,134
Interest revenue	(1,719,503)	(1,901,772)
Dividend revenues	(48,475)	(36,247)
(Gain) loss on disposal of property and equipment	(197)	623
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(8,350,483)	(14,014,432)
Financial assets at fair value through other comprehensive income	(2,131,973)	(1,017,039)
Securities purchased under resell agreements	(631,226)	(4,632,869)
Receivables and non-accrual loans	27,230	(80,563)
Other financial assets	(3,104)	(16,335)
Other assets	(2,717)	(3,411)
Securities sold under repurchase agreements	7,329,840	23,036,973
Payables	11,637	(204,444)
Provisions for employee benefits	(14,007)	(9,809)
Other liabilities	141,863	(129,668)
Interest received	1,793,866	2,053,037
Dividend received	48,475	36,247
Interest paid	(461,458)	(808,544)
Income tax paid	(360,481)	(231,020)
Net cash (used in) generated from operating activities	(1,536,468)	4,856,260
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	(6,270)	(7,618)
Proceeds from disposal of property and equipment	480	238
Increase in refundable deposits	(184)	-
Decrease in refundable deposits	-	3,999
Increase in other assets	(996)	(1,719)
Net cash generated from (used in) investing activities	41,743	(5,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans from banks and overdrafts on banks	2,956,125	-
Decrease in call loans from banks and overdrafts on banks	-	(8,360,869)
Increase in commercial papers issued	-	4,500,000

(Continued)

CHINA BILLS FINANCE CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Repayment of the principal portion of lease liabilities	$ (3,147)	$ (3,371)
Cash dividend paid	(1,168,375)	(966,931)
Net cash generated from (used in) financing activities	1,784,603	(4,831,171)
NET INCREASE IN CASH AND CASH EQUIVALENTS	289,878	19,989
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	264,720	244,731
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 554,598	$ 264,720

Reconciliations of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2021 and 2020:

	December 31	
	2021	2020
Cash and cash equivalents in the balance sheets	$ 254,598	$ 264,720
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	$ 554,598	$ 264,720

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

CHINA BILLS FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(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, 2021, 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, 2021 and 2020, the Company had a total of 163 and 158 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 24, 2022.

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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission of Republic of China (FSC)

   Except for the following, 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:

   - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

     The Company elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. 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.

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on 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. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	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
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, 2023
Amendments to IAS 1"Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are 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 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be 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 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 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

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 37.

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.

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 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 other, 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.

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 valuating 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 37.

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.

Financial guarantee contracts issued by the Company are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization 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 service.

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 Law, 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 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 Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications 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 judgement 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 judgement factors and assumptions in order to minimize the difference between estimated loss and actual loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	**2020**
Checking accounts and demand deposits	$ 254,598	$ 264,720

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

	December 31	
	2021	**2020**
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	
	2021	**2020**
Financial assets mandatorily classified as at fair value through profit or loss		
Derivative financial instruments		
Currency swap contracts	$ 7,731	$ 17,574
Non-derivative financial instruments		
Investment in short-term bills	103,218,241	96,213,716
Bond investments	435,348	176,050
Domestic quoted shares	284,300	63,139
Fixed-rate commercial paper	51,607	85,113
Beneficiary securities	502,165	503,298
Hybrid financial assets		
Convertible bond asset swap contracts	9,979,347	9,096,650
Financial assets at fair value through profit or loss	$ 114,478,739	$ 106,155,540

(Continued)

	December 31	
	2021	2020
Financial liabilities held for trading		
Derivative financial instruments		
Purchase commitment contracts	$ 40,404	$ 37,022
Currency swap contracts	-	270
Non-derivative financial instruments		
Fixed-rate commercial paper	1,691	-
Benchmark interest rate commercial paper	-	1,960
When-issued trading	49,531	-
Financial liabilities at fair value through profit or loss	$ 91,626	$ 39,252

(Concluded)

The contract amounts (or notional amounts) of outstanding derivative financial instruments as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Convertible bond asset swap contracts	$ 9,990,100	$ 9,078,500
Purchase commitment contracts	12,900,000	12,800,000
Currency swap contracts	1,024,530	1,910,036

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, 2021 and 2020, the face values of financial assets at fair value through profit or loss under repurchase agreements were $78,572,100 thousand and $73,379,700 thousand, respectively.

The profit and loss arising from financial assets and liabilities at fair value through profit and loss in 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Financial assets at fair value through profit or loss		
Realized profit	$ 217,369	$ 132,729
Valuation (loss) profit	(27,284)	56,303
	$ 190,085	$ 189,032
Financial liabilities at fair value through profit or loss		
Realized loss	$ (1,780)	$ (10,485)
Valuation loss	(2,842)	(34,130)
	$ (4,622)	$ (44,615)

Note 34 shows the financial assets at FVTPL that were classified as pledged assets.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
Investments in equity instruments	$ 1,548,293	$ 1,685,578
Investments in debt instruments	105,078,737	103,551,701
	$ 106,627,030	$ 105,237,279

a. Investments in equity instruments

	December 31	
	2021	2020
Domestic investments		
Listed shares and emerging market shares	$ 1,043,747	$ 1,163,982
Unlisted shares	367,896	376,096
Beneficiary securities on real estate investment trust	136,650	145,500
	$ 1,548,293	$ 1,685,578

As of December 31, 2021 and 2020 domestic unlisted shares held by the Company were as follows:

	December 31	
	2021	2020
Domestic unlisted shares		
Taiwan Depository and Clearing Corporation	$ 136,530	$ 118,451
Taiwan Futures Exchange Corporation	101,413	94,050
Taiwan Asset Management Corporation	70,730	69,035
Core Pacific City Corporation	59,223	94,560
	$ 367,896	$ 376,096

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, 2021 and 2020, the fair value of shares disposed which classified as at FVTOCI were $770,476 thousand and $788,598 thousand and the accumulated gains related to the sold assets were $149,107 thousand and $79,641 thousand which were transferred from other equity to retained earnings, respectively.

Dividends of $45,553 thousand and $35,947 thousand were recognized during 2021 and 2020, and those related to investments held at the end of the reporting period were $45,553 thousand and $35,947 thousand, respectively.

b. Investments in debt instruments

	December 31 2021	December 31 2020
Domestic investments		
Government bonds	$ 14,757,511	$ 17,928,945
Corporate bonds	57,729,769	52,729,932
Bank debentures	9,759,216	10,887,818
Foreign investments		
Overseas government bonds	1,865,264	1,486,924
Overseas corporate bonds	8,974,548	9,853,054
Overseas bank debentures	11,992,429	10,665,028
	$ 105,078,737	$ 103,551,701

Refer to Note 10 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

Note 34 shows the investments in debt instruments at FVTOCI that were classified as pledged assets.

As of December 31, 2021 and 2020, the face value of financial instruments at FVTOCI under repurchase agreements was $98,274,083 thousand and $96,764,689 thousand, respectively.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI.

	December 31 2021	December 31 2020
Gross carrying amount	$ 104,518,242	$ 102,083,159
Adjustment to fair value	560,495	1,468,542
	$ 105,078,737	$ 103,551,701
Allowance for impairment loss	$ (29,915)	$ (38,252)

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	2021	2020
Performing	$ 103,518,232	$ 101,083,134
Doubtful	1,000,010	1,000,025
In default	-	-

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI 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, 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	$ -
Balance at January 1, 2020	$ 28,617	$ 8,136	$ -
Transfers			
From doubtful to performing	914	(914)	-
New financial assets purchased	5,266	-	-
Derecognition	(5,470)	-	-
Change in model or risk parameters	548	1,599	-
Change in exchange rates or others	(444)	-	-
Balance at December 31, 2020	$ 29,431	$ 8,821	$ -

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2021 and 2020, bonds and bills in the amounts of $5,364,108 thousand and $4,732,882 thousand purchased were under resell agreements were in the amounts of $5,365,201 thousand and $4,734,256 thousand before February 2022 and March 2021, respectively.

As of December 31, 2021 and 2020, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face values of $5,330,000 thousand and $4,726,100 thousand, respectively.

12. RECEIVABLES, NET

	December 31	
	2021	2020
Interest receivables, net	$ 600,874	$ 674,826
Receivables on bond sales	49,531	463
Receivables on settlement of asset swap	34,644	92,039
Other service fee income receivables	22,295	-
Others receivables	23,456	15,533
	$ 730,800	$ 782,861

13. OTHER FINANCIAL ASSETS, NET

	December 31	
	2021	2020
Deposits placed with authorities for bank clearing	$ -	$ 525,000
Repurchase agreement margins	19,885	16,234
Futures margins	24,230	24,777
	$ 44,115	$ 566,011

14. 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, 2020	$ 83,337	$ 94,187	$ 10,201	$ 52,098	$ 17,845	$ 6,825	$ 5,887	$ 270,380
Additions	-	-	1,000	6,437	181	-	-	7,618
Reclassification	-	-	-	4,872	-	-	(5,887)	(1,015)
Disposals	-	-	(849)	(2,938)	(32)	-	-	(3,819)
Balance at December 31, 2020	$ 83,337	$ 94,187	$ 10,352	$ 60,469	$ 17,994	$ 6,825	$ -	$ 273,164
Accumulated depreciation								
Balance at January 1, 2020	$ -	$ 50,173	$ 6,511	$ 38,651	$ 15,243	$ 5,610	$ -	$ 116,188
Disposals	-	-	(708)	(2,222)	(28)	-	-	(2,958)
Depreciation expense	-	1,663	785	4,120	264	16	-	6,848
Balance at December 31, 2020	$ -	$ 51,836	$ 6,588	$ 40,549	$ 15,479	$ 5,626	$ -	$ 120,078
Net amount at December 31, 2020	$ 83,337	$ 42,351	$ 3,764	$ 19,920	$ 2,515	$ 1,199	$ -	$ 153,086

(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, 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

(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.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amounts		
Buildings	$ -	$ 1,347
Transportation equipment	2,800	366
Office equipment	541	946
	$ 3,341	$ 2,659

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	$ 3,748	$ 1,216
Depreciation charge for right-of-use assets		
Buildings	$ 1,348	$ 1,797
Transportation equipment	1,313	1,225
Office equipment	405	270
	$ 3,066	$ 3,292

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, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts	$ 3,371	$ 2,695

Discount rates for lease liabilities were as follows:

	December 31	
	2021	2020
Buildings	-	1.626%
Transportation equipment	2.037%-2.171%	2.283%-2.414%
Office equipment	2.332%	2.332%

c. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	$ 13,290	$ 12,849
Expenses relating to low-value asset leases	$ 1,120	$ 1,097
Total cash outflow for leases	$ (17,557)	$ (17,317)

16. OTHER ASSETS, NET

	December 31	
	2021	2020
Refundable deposits	$ 561,309	$ 36,125
Long-term prepaid expenses	3,962	5,130
Prepaid expenses	8,053	5,328
Others	46	54
	$ 573,370	$ 46,637

As of December 31, 2021 and 2020, the refundable deposits were as follows:

	December 31	
	2021	2020
Deposits placed with the Over the Counter (OTC) exchange for OTC transactions	$ 1,000	$ 1,000
Deposits placed with bank overdrafts	525,000	-
Others	35,309	35,125
	$ 561,309	$ 36,125

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

17. CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS

As of December 31, 2021 and 2020, the balances of call loans from banks and overdrafts on banks amounted to $9,096,125 thousand and $6,140,000 thousand, respectively, with interest rate ranges from 0.21%-0.35% and 0.21%-0.26%, and the latest due date were January 2022 and January 2021, respectively.

As of December 31, 2021 and 2020, the credit lines of call loans from banks and overdrafts on banks were $151,860,350 thousand and $152,777,180 thousand, respectively.

18. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2021 and 2020, bonds and bills in the amounts of $187,056,650 thousand and $179,726,810 thousand, respectively, had been sold under repurchase agreements for $187,122,588 thousand and $179,794,171 thousandbefore their maturities in August 2022 and December 2021, respectively.

19. PAYABLES

	December 31	
	2021	2020
Dividend payable	$ 155	$ 144
Payable for bonds purchased	22,318	101,800
Employee awards payable	160,787	139,986
Withholding tax payable held by prior parties	43,671	51,768
Interest payables	37,294	37,590
Compensation to directors and employees	59,796	51,070
Payable for shares purchased	47,544	6,453
Other service charge payable	22,295	-
Others	41,854	36,989
	$ 435,714	$ 425,800

20. COMMERCIAL PAPER ISSUED, NET

	December 31	
	2021	2020
Commercial paper issued	$ 4,500,000	$ 4,500,000
Less: Discount on commercial paper issued	(1,330)	(773)
	$ 4,498,670	$ 4,499,227

As of December 31, 2021 and 2020, the latest due dates of commercial paper issued were February 9, 2022, January 28, 2021 with interest rate of 0.30%-0.37%, 0.27%-0.36%, respectively.

21. PROVISIONS

	December 31	
	2021	2020
Reserve for losses on guarantees	$ 1,382,077	$ 1,375,077
Provision for employee benefits	51,847	65,114
	$ 1,433,924	$ 1,440,191

Reversals were as follows:

	For the Year Ended December 31	
	2021	2020
Amounts collected from prior years' write-off	$ 13,936	$ 18,125
Amounts reserved for loss on guarantees	(7,000)	(50,000)
	$ 6,936	$ (31,875)

22. 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, 2021 and 2020 amounted to $8,237 thousand, and $7,847 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. The total pension costs recognized for the year ended December 31, 2020 amounted to $532 thousand.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Law, 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	
	2021	2020
Present value of defined benefit obligation	$ 241,820	$ 252,855
Fair value of plan assets	(189,973)	(187,741)
Net defined benefit liability	$ 51,847	$ 65,114

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, 2020	$ 260,115	$ (187,126)	$ 72,989
Service cost			
Current service cost	1,989	-	1,989
Past service cost and loss on settlements	611	-	611
Net interest expense (revenue)	1,871	(1,341)	530
Recognized in profit or loss	4,471	(1,341)	3,130
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(5,727)	(5,727)
Actuarial loss - changes in financial assumptions	5,382	-	5,382
Actuarial loss - experience adjustments	2,390	-	2,390
Others	-	(111)	(111)
Recognized in other comprehensive income	7,772	(5,838)	1,934
Contributions from the employer	-	(12,939)	(12,939)
Benefits paid	(19,503)	19,503	-
Balance at December 31, 2020	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

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	
	2021	**2020**
Discount rates	0.625%	0.500%
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	
	2021	**2020**
Discount rates		
0.25% increase	$ (5,128)	$ (5,382)
0.25% decrease	$ 5,294	$ 5,563
Expected rates of salary increase		
0.25% increase	$ 5,108	$ 5,357
0.25% decrease	$ (4,975)	$ (5,211)

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	
	2021	**2020**
The expected contributions to the plan for the next year	$ 16,744	$ 13,263
The average duration of the defined benefit obligation	8.7 years	8.7 years

23. EQUITY

a. Ordinary share

	December 31	
	2021	2020
Number of shares authorized (in thousands)	1,678,700	1,678,700
Shares authorized	$ 16,787,700	$ 16,787,700
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	
	2021	2020
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	7,757	6,330
	$ 10,231	$ 8,804

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 a fiercely competitive financial industry, which 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 in Note 29.

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.

Under certain rules the Company should appropriate or reverse to a special reserve according to the net debit balance. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriations of earnings for 2020 and 2019 which had been approved in the shareholders' meeting on July 26, 2021 and May 28, 2020, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2020	**2019**	**2020**	**2019**
Legal reserve	$ 496,901	$ 373,395		
Cash dividends	1,168,375	966,931	$ 0.87	$ 0.72

The appropriation of earnings for 2021 are subject to the proposal of the Company's board of directors and the resolution of the shareholders' meeting to be held in 2022.

d. Other equity items

Unrealized valuation gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	**2020**
Balance at January 1	$ 1,521,329	$ 618,250
Recognized during the period		
Unrealized gain or loss		
Debt instruments	(718,700)	924,674
Equity instruments	214,538	124,975
Adjustments of expected credit losses in debt instruments	(8,337)	1,499
Reclassification adjustments		
Disposal of investments in debt instruments	(69,884)	(68,428)
Other comprehensive income recognized in the period	(582,383)	982,720
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	(149,107)	(79,641)
Balance at December 31	$ 789,839	$ 1,521,329

24. NET INTEREST

	For the Year Ended December 31	
	2021	2020
Interest revenue		
Bonds	$ 1,211,028	$ 1,319,362
Short-term bills	366,416	427,350
Convertible bond asset swap	129,057	143,063
Securities purchased under resell agreements	11,003	9,699
Others	1,999	2,298
	1,719,503	1,901,772
Interest expense		
Bonds sold under repurchase agreements	(263,856)	(495,890)
Bills sold under repurchase agreements	(161,339)	(218,309)
Call loans from banks	(22,038)	(56,762)
Convertible bond asset swap	(101)	(2,744)
Lease liabilities	(75)	(77)
Others	(13,271)	(7,352)
	(460,680)	(781,134)
	$ 1,258,823	$ 1,120,638

25. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2021	2020
Service fee income		
Guarantee business	$ 778,083	$ 742,626
Underwriting business	515,301	435,730
Others	41,898	17,830
	1,335,282	1,196,186
Service charge		
Others	(34,223)	(3,838)
	$ 1,301,059	$ 1,192,348

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

	For the Year Ended December 31	
	2021	2020
Short-term bills	$ 91,848	$ 154,711
Bonds	111,396	35,867
Stocks and mutual funds	25,701	(19,958)
Derivative financial instruments	(43,482)	(26,203)
	$ 185,463	$ 144,417

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

	For the Year Ended December 31	
	2021	2020
Government bonds	$ 20,856	$ (8,173)
Corporate bonds	18,169	18,677
Bank debentures	30,859	57,924
Dividend revenues	45,553	35,947
	$ 115,437	$ 104,375

28. FOREIGN EXCHANGE GAINS (LOSSES), NET

	For the Year Ended December 31	
	2021	2020
Gross amount of foreign currency exchange gains	$ 71,236	$ 67,531
Gross amount of foreign currency exchange losses	(93,375)	(119,852)
Net foreign exchange gains or losses	$ (22,139)	$ (52,321)

29. EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2021	2020
Employee benefit		
Salaries and wages (include employees' compensation)	$ 291,865	$ 263,030
Labor insurance and national health insurance	15,173	13,892
Remuneration of directors	38,456	34,039
Pension (Note 22)	10,564	11,509
Others	27,356	25,601
Depreciation	9,695	10,140
Amortization	3,064	3,230

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, 2021 and 2020, the accrual rates and amounts of employees' compensation and remuneration of directors were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	**2020**
Employees' compensation	1.25%	1.25%
Remuneration of directors	1.25%	1.25%

Amount

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

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 2020 and 2019 resolved by the Company's board of directors on February 25, 2021 and February 25, 2020, respectively, were as below:

	For the Year Ended December 31	
	2020	**2019**
Employees' compensation - cash	$ 25,535	$ 19,917
Remuneration of directors	$ 25,535	$ 19,917

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, 2020 and 2019.

The employees' compensation and remuneration of directors of the Company for 2021 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.

30. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2021	2020
Taxation	$ 46,911	$ 44,779
Rental	14,410	13,946
Annual fee and allocated	5,321	5,128
Donations	503	760
Stock service fee	5,685	4,527
Others	53,217	53,012
	$ 126,047	$ 122,152

31. 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	
	2021	2020
Current tax		
In respect of the current year	$ 477,896	$ 417,384
Deferred tax		
In respect of the current year	(3,545)	(3,923)
Income tax expense recognized in profit or loss	$ 474,351	$ 413,461

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	$ 2,332,017	$ 1,991,703
Income tax expense calculated at the statutory rate	$ 466,403	$ 398,341
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	29,821	15,928
Nondeductible expense in determining taxable income	37,566	22,390
Tax-exempt income	(49,756)	(23,394)
Unrecognized deductible temporary differences	(9,683)	196
Income tax expense recognized in profit or loss	$ 474,351	$ 413,461

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
Current period		
Unrealized gains or losses on financial assets at FVTOCI	$ (119,463)	$ 121,793
Remeasurement of defined benefit plans	(148)	(387)
Income tax (benefit) expense recognized in other comprehensive income	$ (119,611)	$ 121,406

c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	$ 141,516	$ 268,510
Current tax liabilities		
Income tax payable	$ 129,536	$ 139,115

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, 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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Reserve for losses on guarantees	$ 48,200	$ 8,253	$ -	$ 56,453
Defined benefit obligation	14,599	(1,962)	387	13,024
Asset impairment	4,339	-	-	4,339
	$ 67,138	$ 6,291	$ 387	$ 73,816
Deferred tax liabilities				
Temporary differences				
Financial assets at FVTPL	$ 10,428	$ 2,368	$ -	$ 12,796
Financial assets at FVTOCI	40,692	-	121,793	162,485
	$ 51,120	$ 2,368	$ 121,793	$ 175,281

e. Income tax assessments

The tax returns through 2017 have been examined by the tax authorities.

32. 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 2021	2020
Earnings used in the computation of basic earnings per share	$ 1,857,666	$ 1,578,242

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

	For the Year Ended December 31 2021	2020
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	2,000	1,910
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,344,960	1,344,870

Unit: NT$ Per Share

	For the Year Ended December 31	
	2021	**2020**
Basic earnings per share	$ 1.38	$ 1.18
Diluted earnings per share	$ 1.38	$ 1.17

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 were 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.

33. 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
O-Bank Education Foundation (OBTEF)	O-Bank is the major donor of the foundation
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, 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

For the year ended December 31, 2020

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2020	Intervals of Interest Rate	Interest Expense
Others	$ 9,520,235	$ 985,402	0.22%-2.40%	$ 5,552

2) Lease arrangements

Related Party Category/Name	For the Year Ended December 31 2021	2020
Lease expense (accounted as other operating expenses)		
Parent company:		
O-Bank	$ 13,216	$ 13,216

In January 2021 and 2020, 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.

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 2021	2020
Total lease payments to be paid in the future	$ -	$ 13,216

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.

3) Donations

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

c. Compensation of key management personnel

	For the Year Ended December 31 2021	2020
Short-term employee benefits	$ 76,590	$ 68,932
Post-employment benefits	10,128	5,143
	$ 86,718	$ 74,075

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

34. PLEDGED ASSETS

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

	December 31		
	2021	2020	Purposes
Financial assets at fair value through profit or loss			
Negotiable certificate of deposits	$ 1,600,771	$ 1,600,783	Credit line for loans
Negotiable certificate of deposits	700,098	700,098	Deposits placed with authorities to carry out bills finance businesses
Negotiable certificate of deposits	1,600,109	1,700,348	Deposits placed with bank overdrafts
Financial assets at fair value through other comprehensive income			
Government bonds	90,118	90,714	OTC online deposits refund
Government bonds	35,046	35,278	Deposits placed with authorities to operate as a security dealer
Other financial assets			
Certificate of deposits	-	525,000	Deposits placed with bank overdrafts
Other assets - refundable deposits			
Demand deposits	525,000	-	Deposits placed with bank overdrafts

35. 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, 2021 were as follows:

Bonds and bills sold under repurchase agreements (at repurchase price)	$ 187,122,588
Bonds and bills purchased under resell agreements (at resell price)	5,365,201
Guarantees on commercial paper	112,558,100
Fixed-rate commercial paper commitments	22,400,000
Benchmark interest rate commercial paper commitments	48,060,000
Purchase commitment contracts	12,900,000
Revolving insurance on commercial paper commitments	12,780,200

36. 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, 2021	December 31, 2020
Eligible capital	Tier 1 capital	$ 24,748,352	$ 23,899,222
	Tier 2 capital	151,242	172,840
	Tier 3 capital	369,873	753,504
	Eligible capital	25,269,467	24,825,566
Risk-weighted assets	Credit risk	129,434,396	125,949,038
	Operational risk	4,062,412	3,807,116
	Market risk	66,290,668	64,163,236
	Total risk-weighted assets	199,787,476	193,919,390
Capital adequacy ratio (Note)		12.65	12.80
Ratio of Tier 1 capital to risk-weighted assets (Note)		12.39	12.32
Ratio of Tier 2 capital to risk-weighted assets (Note)		0.08	0.09
Ratio of Tier 3 capital to risk-weighted assets (Note)		0.18	0.39
Ratio of common shareholders' equity to total assets (Note)		5.87	6.15

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."

37. FINANCIAL INSTRUMENTS

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

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

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, 2021 and 2020 was as follows:

1) The fair value hierarchy

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	-
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	-

Item	December 31, 2020			
	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	$ 63,139	$ 63,139	$ -	$ -
Bonds	176,050	176,050	-	-
Bills	96,213,716	-	96,213,716	-
Fix-rate commercial paper	85,113	-	85,113	-
Beneficiary securities	503,298	-	503,298	-
Financial assets at FVTOCI				
Shares	1,540,078	1,163,982	-	376,096
Bonds	103,551,701	-	103,551,701	-
Beneficiary securities on real estate investment trust	145,500	145,500	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,960	-	1,960	-

(Continued)

Item	December 31, 2020 Total	Level 1	Level 2	Level 3
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 9,114,224	$ -	$ 17,574	$ 9,096,650
Liabilities				
Financial liabilities at fair value through profit or loss	37,292	-	37,292	-

(Concluded)

2) The Company had no significant transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

3) Reconciliation of Level 3 items of financial instruments

For the year ended December 31, 2021

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, 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

For the year ended December 31, 2020

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, 2020	$ 8,623,449	$ 356,967	$ 8,980,416
Recognized in profit or loss	12,301	-	12,301
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	19,129	19,129
Purchases	10,349,800	-	10,349,800
Sales	(9,888,900)	-	(9,888,900)
Balance at December 31, 2020	$ 9,096,650	$ 376,096	$ 9,472,746

Unrealized gain and loss recognized in profit or loss for the years ended December 31, 2021 and 2020 for the assets held on the balance sheet date amounted to net loss of $10,753 thousand and gain of $18,150 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, 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 b) Liquidity risk premium	0.1283%-0.7522% 39BP-220BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Financial assets at fair value through other comprehensive income					
Unlisted shares	367,896	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.

	Fair Value at December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss					
Hybrid financial assets	$ 9,096,650	Discounted cash flow method	a) Discount rate b) Liquidity risk premium	0.2004%-0.6911% 39BP-220BP	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
Financial assets at fair value through other comprehensive income					
Unlisted shares	376,096	Asset method	a) Lack of liquidity discount b) Lack of control discount	10% 10%	The higher of liquidity and control discount, the lower of fair value.

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, 2021						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	$ -	$ 1,830	$ -	$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	45,419

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2020						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	$ -	$ 1,379	$ -	$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	46,431

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, 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

December 31, 2020

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	$ 73,059,276	$ 73,092,529
Bonds sold under repurchase agreements	245,568	245,180
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	99,350,593	101,453,958
Securities purchase under resell agreements		
Bonds sold under repurchase agreements	4,728,980	4,935,143

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, 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		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
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		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Repurchase agreements	$ 187,056,650	$ -	$ 187,056,650	$ 183,815,641	$ -	$ 3,241,009

December 31, 2020

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		Net Amount
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	$ 17,574	$ -	$ 17,574	$ -	$ -	$ 17,574

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		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Derivative financial instruments	$ 270	$ -	$ 270	$ -	$ -	$ 270
Repurchase agreements	179,726,810	-	179,726,810	177,384,417	-	2,342,393
	$ 179,727,080	$ -	$ 179,727,080	$ 177,384,417	$ -	$ 2,342,663

Note: Included non-cash financial collaterals.

38. 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 judgement 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 and investments in debt instruments of financial assets at FVTOCI 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, 2021 and 2020, guarantees with collateral accounted for 57.19% and 61.61%, respectively, of the total guarantees given by the Company.

ii. As of December 31, 2021 and 2020, balances of commercial paper guarantee contracts, which were off-balance sheet risks owned by the Company amounted to $193,167 million and $189,461 million (amounts used of guarantee contracts were $112,558 million and $109,165 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, 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

For the year ended December 31, 2020

	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	$ 15,313	$ 21	$ -	$ 15,334	$ 1,309,743	$ 1,325,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(3,962)	(5)	-	(3,967)	-	(3,967)
Originated or purchased new credit assets	4,091	-	-	4,091	-	4,091
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"	-	-	-	-	49,857	49,857
Changes of model/risk parameter	19	-	-	19	-	19
Balance at December 31	$ 15,461	$ 16	$ -	$ 15,477	$ 1,359,600	$ 1,375,077

v. Exposure to credit risk

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

December 31, 2021

	On- and off- Balance Sheet Credit Assets				
			Stage 3		
	Stage 1 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

December 31, 2020

	On- and off- Balance Sheet Credit Assets				
			Stage 3		
	Stage 1 Performing (12-month ECLs)	Stage 2 Doubtful (Lifetime ECLs)	Doubtful (Lifetime ECLs)	Credit Impairment of Purchase	Total
Rating level					
Internal rating 1-2	$ 109,103,705	$ 111,200	$ -	$ -	$ 109,214,905
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	$ 109,103,705	$ 111,200	$ -	$	$ 109,214,905
Impairment allowance	$ 15,461	$ 16	$ -	$ -	$ 15,477
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"	1,248,416	111,184	-	-	1,359,600
	$ 1,263,877	$ 111,200	$ -	$ -	$ 1,375,077

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 2021	December 31 2020
Financial assets at fair value through profit or loss		
Derivative financial instruments		
Currency swap contracts	$ 7,731	$ 17,574
Non-derivative financial instruments	103,218,241	96,213,716
Investment in short-term bills	435,348	176,050
Bond investments	284,300	63,139
Domestic quoted shares	51,607	85,113
Fixed-rate commercial paper	502,165	503,298
Beneficiary securities		
Hybrid financial assets	9,979,347	9,096,650
Convertible bond asset swap contracts	114,478,739	106,155,540
Financial assets at FVTOCI		
Investments in equity instruments	1,548,293	1,685,578
	$ 116,027,032	$ 107,841,118

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, 2021 and 2020, 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			
	2021		2020	
Industry Sector	**Carrying Amounts**	**Maximum Amounts Exposed to Credit Risk**	**Carrying Amounts**	**Maximum Amounts Exposed to Credit Risk**
Finance and insurance	$ 34,732	$ 34,732	$ 35,725	$ 35,725
Real estate	30,002	30,002	28,799	28,799
Manufacturer	23,048	23,048	23,543	23,543
Wholesaling and retailing	12,493	12,493	11,540	11,540
Others	12,283	12,283	9,558	9,558
	$ 112,558	$ 112,558	$ 109,165	$ 109,165

ii. By collateral

	December 31			
	2021		2020	
Collateral Sector	**Carrying Amounts**	**% to Total**	**Carrying Amounts**	**%to Total**
Without collateral	$ 48,189	42.81	$ 41,905	38.39
With collateral				
Real estate	39,814	35.37	40,451	37.05
Shares	21,707	19.29	24,755	22.68
Bonds	2,081	1.85	1,729	1.58
Bills	767	0.68	325	0.30
	$ 112,558	100.00	$ 109,165	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 39.

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

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

December 31, 2020			
Financial Asset	**Face Value**	**Average Duration (Year)**	**Influence to Fair Value Per 0.01 Fluctuation in Market Value**
Bills	$ 96,295,605	0.1028	$ 989
Bonds	111,036,915	3.039	33,375

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, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	Carrying Amount
Non-Derivative Financial Instrument	**Financial Assets**
3-month USD LIBOR	$ 2,428,992

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, 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, 2020						
	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	$ 264,720	$ -	$ -	$ -	$ -	$ -	$ 264,720
Financial assets at fair value through profit or loss	56,922,411	37,785,598	4,451,159	1,600,057	5,378,741	-	106,137,966
Securities purchased under resell agreements	4,163,529	570,727	-	-	-	-	4,734,256
Receivables	211,456	192,961	152,158	103,007	122,381	-	781,963
Financial assets at FVTOCI	1,373,276	2,421,627	3,912,949	6,699,510	80,039,700	10,790,217	105,237,279
Other financial assets	-	-	-	-	566,011	-	566,011
Refundable deposits	-	-	-	-	-	36,125	36,125
	62,935,392	40,970,913	8,516,266	8,402,574	86,106,833	10,826,342	217,758,320
Liabilities							
Call loans from banks and overdrafts on banks	6,140,000	-	-	-	-	-	6,140,000
Financial liabilities at fair value through profit or loss	-	-	-	512	38,470	-	38,982
Securities sold under repurchase agreements	138,102,330	39,229,803	2,450,172	11,866	-	-	179,794,171
Bills issued, net	4,500,000	-	-	-	-	-	4,500,000
Accounts payable	155,335	88,645	101,532	-	43,070	-	388,582
Lease liabilities	-	823	645	704	560	-	2,732
	148,897,665	39,319,271	2,552,349	13,082	82,100	-	190,864,467
Net liquidity gap	$ (85,962,273)	$ 1,651,642	$ 5,963,917	$ 8,389,492	$ 86,024,733	$ 10,826,342	$ 26,893,853

	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

	December 31, 2020						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Currency swap							
Inflow	$ 1,241,709	$ 685,453	$ -	$ -	$ -	$ -	$ 1,927,162
Outflow	$ 1,225,766	$ 684,092	$ -	$ -	$ -	$ -	$ 1,909,858

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, 2021						
Off-balance sheet item						
Guaranteed commercial paper	$ 26,774,500	$ 71,537,100	$ 11,744,300	$ 2,502,200	$ -	$ 112,558,100
December 31, 2020						
Off-balance sheet item						
Guaranteed commercial paper	28,891,300	67,775,800	9,587,100	2,911,100	-	109,165,300

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, 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)	$ -

	December 31, 2020	
	USD	RMB
Cash and cash equivalents	$ 19,728	$ 2
Financial assets at FVTOCI	22,005,012	-
Receivables, net	137,608	-
Other financial assets	36,319	-
Total assets	22,198,667	2
Call loans from banks and overdrafts on banks	-	-
Securities sold under repurchase agreements	18,594,115	-
Accounts payable	14,340	-
Total liabilities	18,608,455	-
On-balance sheet foreign exchange gap	$ 3,590,212	$ 2
Off-balance sheet currency swaps	$ (1,910,036)	$ -
Exchange rate to NTD	28.508	4.384
Foreign exchange loss	$ (51,179)	$ (1,142)

d) Sensitivity analysis

		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	-

		December 31, 2020	
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%	$ (15,177)	$ -
Foreign exchange financial instruments	Exchange rate of NTD to USD and to RMB depreciated by 1%	15,177	-

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.

39. 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, 2021	December 31, 2020
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	1,375,981	1,196,691
Actual provision for credit losses and reserve for losses on guarantees	1,382,077	1,375,077

b. The principal operation

Year / Item	December 31, 2021	December 31, 2020
Balance of guarantees and endorsement securities	$ 112,558,100	$ 109,165,300
Ratio of guarantees and endorsement securities to net worth	4.71	4.84
Short-term bills and bonds sold under repurchase agreements	$ 187,122,588	$ 179,794,171
Ratio of short-term bills and bonds sold under repurchase agreements to net worth	7.83	7.98

c. Concentrations of credit extensions

Unit: %

<table>
<tr><th>Year / Item</th><th colspan="2">December 31, 2021</th><th colspan="2">December 31, 2020</th></tr>
<tr><td>Credit to common interest party</td><td colspan="2">$ -</td><td colspan="2">$ -</td></tr>
<tr><td>Ratio of credit extensions to common interest parties</td><td colspan="2">-</td><td colspan="2">-</td></tr>
<tr><td>Ratio of credit extensions secured by pledged shares</td><td colspan="2">19.28</td><td colspan="2">22.68</td></tr>
<tr><td rowspan="4">Loan concentration by industry (ratio of top three industry to which credit line issued to credit extension balance)</td><td>Type of Industry</td><td>%</td><td>Type of Industry</td><td>%</td></tr>
<tr><td>Finance and insurance industry</td><td>30.86</td><td>Finance and insurance industry</td><td>32.73</td></tr>
<tr><td>Real estate industry</td><td>26.65</td><td>Real estate industry</td><td>26.38</td></tr>
<tr><td>Manufacturing industry</td><td>20.48</td><td>Manufacturing industry</td><td>21.57</td></tr>
</table>

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 38.

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

	December 31			
	2021		2020	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposits)	$ 347,622	0.04	$ 765,369	0.06
Call loans to banks	127,288	0.11	67,757	0.20
Financial assets at fair value through profit or loss - bonds and bills	99,956,081	0.38	88,593,970	0.49
Financial assets at fair value through other comprehensive income - bonds	100,745,035	1.19	99,597,371	1.31
Financial assets at fair value through profit or loss - hybrid financial assets	8,935,605	1.44	9,704,665	1.47
Securities purchased under resell agreements	6,411,458	0.17	4,300,649	0.22
Interest-bearing liabilities				
Due to other banks	9,077,356	0.24	13,971,217	0.41
Bank overdraft	955	1.50	1,308	1.59
Securities sold under repurchase agreements	178,797,692	0.24	163,287,187	0.44
Commercial paper issued, net	4,500,000	0.33	1,885,246	0.43

f. Information on interest rate sensitivity

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

December 31, 2020

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	$ 101,567	$ 8,343	$ 7,059	$ 97,571	$ 214,540
Interest rate-sensitive liabilities	187,907	2,447	12	-	190,366
Interest rate sensitivity gap	(86,340)	5,896	7,047	97,571	24,174
Net worth					25,449
Ratio of interest rate-sensitive assets to liabilities					112.70
Ratio of interest rate sensitivity gap to net worth					94.99

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, 2021

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	$ 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)

December 31, 2020

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	$ 55,095	$ 37,074	$ 3,944	$ 101	$ -
	Bonds	1,599	2,801	4,399	6,958	97,571
	Due from banks	265	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	4,162	571	-	-	-
	Total	61,121	40,446	8,343	7,059	97,571
Cash provided by	Borrowing	10,639	-	-	-	-
	Securities sold under repurchase agreements	138,066	39,202	2,447	12	-
	Eligible capital	-	-	-	-	25,449
	Total	148,705	39,202	2,447	12	25,449
Net cash flows		(87,584)	1,244	5,896	7,047	72,122
Accumulated cash flows		(87,584)	(86,340)	(80,444)	(73,397)	(1,275)

h. Matters requiring special notation

Items / Period	December 31, 2021	December 31, 2020
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.

40. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Others	Closing Balance
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

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	$ 14,500,869	$ (8,360,869)	$ -	$ -	$ 6,140,000
Commercial paper issued, net	-	4,500,000	-	(773)	4,499,227
Lease liabilities	4,773	(3,371)	1,216	77	2,695
	$ 14,505,642	$ (3,864,240)	$ 1,216	$ (696)	$ 10,641,922

41. 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.

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

a. Related information of significant transactions for the year ended December 31, 2021:

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.

43. 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, 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 Revenues and Results For the Year Ended December 31, 2020				
	Headquarters				
	Bills and Bonds	Equity Products	Others	Branches	Total
Bills	$ 845,454	$ -	$ -	$ 634,534	$ 1,479,988
Bonds	629,395	32,288	-	258,972	920,655
Shares and beneficiary certificates	-	(4,214)	14,707	-	10,493
Derivatives	(2,002)	152,644	-	-	150,642
Gain from reportable segments	1,472,847	180,718	14,707	893,506	2,561,778
Net revenues other than interest	(48,635)	-	-	(4,473)	(53,108)
Recognized impairment loss on assets	(1,499)	-	-	-	(1,499)
Provisions	(31,970)	-	-	95	(31,875)
Operating expenses	(212,129)	(42,168)	-	(229,296)	(483,593)
Income before income tax	$ 1,178,614	$ 138,550	$ 14,707	$ 659,832	$ 1,991,703

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	
	2021	2020
Headquarters	$ 171,217,580	$ 161,364,666
Branches	77,091,352	71,890,648
Write-off of internal transactions	(19,575,052)	(14,971,313)
Total assets	$ 228,733,880	$ 218,284,001

TABLE 1

CHINA BILLS FINANCE CORPORATION

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021

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.

Discussion and Analysis of Financial Status and Financial Performance, and Risk Management

One. Financial position

Unit: NT$ thousand

Item \ Year	December 31, 2021	December 31, 2020	Variance		Explanation of ratio changes (Note)
	Amount	Amount	Amount	%	
Cash and cash equivalents, due from the Central Bank and call loans to banks	554,598	264,720	289,878	110	Note 1
Financial assets at fair value through profit or loss	114,478,739	106,155,540	8,323,199	8	-
Financial assets at fair value through other comprehensive income	106,627,030	105,237,279	1,389,751	1	-
Available-for-sale financial assets	Nil	Nil	-	-	-
Securities purchased under resell agreements	5,364,108	4,732,882	631,226	13	
Receivables, net	730,800	782,861	(52,061)	(7)	-
Current tax assets	141,516	268,510	(126,994)	(47)	Note 2
Financial assets held to maturity	Nil	Nil	-	-	-
Other financial assets , net	44,115	566,011	(521,896)	(92)	Note 3
Property and equipment, net	151,544	153,086	(1,542)	(1)	-
Right-of-use assets	3,341	2,659	682	26	--
Deferred tax assets	64,719	73,816	(9,097)	(12)	-
Other assets, net	573,370	46,637	526,733	1129	Note 4
Total Assets	**228,733,880**	**218,284,001**	**10,449,879**	**5**	**-**

Item \ Year	December 31, 2021	December 31, 2020	Variance		Explanation of ratio changes (Note)
	Amount	Amount	Amount	%	
Call loans from banks and overdrafts on banks	9,096,125	6,140,000	2,956,125	48	Note 5
Financial liabilities at fair value through profit or loss	91,626	39,252	52,374	133	
Securities sold under repurchase agreements	187,056,650	179,726,810	7,329,840	4	-
Accounts payable	435,714	425,800	9,914	2	
Commercial paper issued, net	4,498,670	4,499,227	(557)	(0)	
Current tax liabilities	129,536	139,115	(9,579)	(7)	
Other financial liabilities	Nil	Nil	-	-	-
Provision	1,433,924	1,440,191	(6,267)	(0)	-
Lease liabilities	3,371	2,695	676	25	
Deferred tax liabilities	43,028	175,281	(132,253)	(75)	Note 6
Other liabilities	388,051	246,188	141,863	58	Note 7
Total Liabilities	**203,176,695**	**192,834,559**	**10,342,136**	**5**	-
Capital stock	13,429,600	13,429,600	0	0	-
Capital surplus	10,231	8,804	1,427	16	-
Retained earnings	11,327,515	10,489,709	837,806	8	-
Other equity	789,839	1,521,329	(731,490)	(48)	Note 8
Total equity	**25,557,185**	**25,449,442**	**107,743**	**0**	-

Explanation of ratio changes: (Required only if changed by more than 20% and over NTD 100 million)
1. Increase in deposits in the Central Bank and interbank lending: primarily as a result of an increase in remaining balance after funds dispatching in 2021.
2. Decrease in income tax assets for the current term: primarily as a result of a decrease in tax credit receivable in 2021.
3. Decrease in other financial assets – net value: primarily as a result of the decrease in pledged time deposits in 2021.
4. Increase in other assets – net value: primarily as a result of the increase in refundable deposits in 2021.
5. Increase in interbank lending and overdrafts: primarily as a result of the diversified funds dispatching in 2021.
6. Decrease in deferred income tax liabilities: primarily as a result of the valuation loss on FV/OCI position in 2021.
7. Increase in other liabilities: primarily as a result of an increase in temporary receipts in 2021.
8. Decrease in other equities: Same as Note 6.

Two. Financial performance

Unit: NT$ thousand

Year / Item	2021	2020	Variance		Explanation of ratio changes (Note)
	Amount	Amount	Amount	%	
Net revenue	2,847,301	2,507,171	340,130	14	-
Provisions/reversals	6,936	(31,875)	38,811	122	Note 1
Operating expenses	(522,220)	(483,593)	38,627	8	-
Earnings before tax	**2,332,017**	**1,991,703**	**340,314**	**17**	**-**
Income tax expenses	(474,351)	(413,461)	60,890	15	-
Net income	**1,857,666**	**1,578,242**	**279,424**	**18**	**-**

Explanation of ratio changes: (Required only in the case of the increase/decrease by more than 20%.)
Note 1: It is mainly the result of the increased guarantee liability provisions for loans in the real estate industry as governed by the competent authority in 2020.

Three. Cash flow

I. Analysis of liquidity in the most recent year

Item \ Year	2021	2020	Increase (decrease) %
Cash flow ratio (%)	N/A	2.61%	N/A
Cash flow adequacy ratio (%) (Note)	195.52%	143.59%	36%

Explanation of changes:
1. It is not applicable because of the fact that operating activities of 2021 marked net cash outflows.
2. Cash flow adequacy ratio increased by 36%: primarily as a result of the increase in the net cash inflows from operating activities for 2017 through 2021, compared to 2016 to 2020.

II. Analysis of liquidity in the coming year

Unit: NT$ thousand

Cash - beginning Balance ①	Net cash flow from operating activities for the year ②	Cash inflow (outflow) for the year ③	Cash balance (deficit) ①+②+③	Corrective measures against insufficient cash position	
				Investment Plan	Financing Plan
554,598	1,076,100	(1,586,039)	44,659	Nil	Nil

1. Analysis of cash flow changes in 2022
   (1) Operating activities: The net cash outflow of NT$1,076,100 thousand is primarily as a result of the cash inflow from operating profit and cash outflow from the decrease in financial instrument positions.
   (2) Cash inflow (outflow): The cash inflow of NT$1,586,039 thousand, is primarily as a result of the cash inflow from call loans and cash outflow from allocation of cash dividends.
2. Corrective measures against projected insufficient cash position and analysis of liquidity: None.

Four. Material capital expenditures in the most recent year and impact on business/finance:

None.

Five. Rnvestment policy, the main reason for profit or loss, improvement plan and investment plan for the coming year

I. Investment policy and investment plan for the coming year

The Company established its investment policy, “Regulations Governing Investments by China Bills Finance Corporation”, based on the “Regulations Governing Investments by Bills Finance Business”, in response to the government's economic development plans or financial policies as the first priority. The Company has no new investment plan for the coming year.

II. The main reason for profit or loss and improvement plan

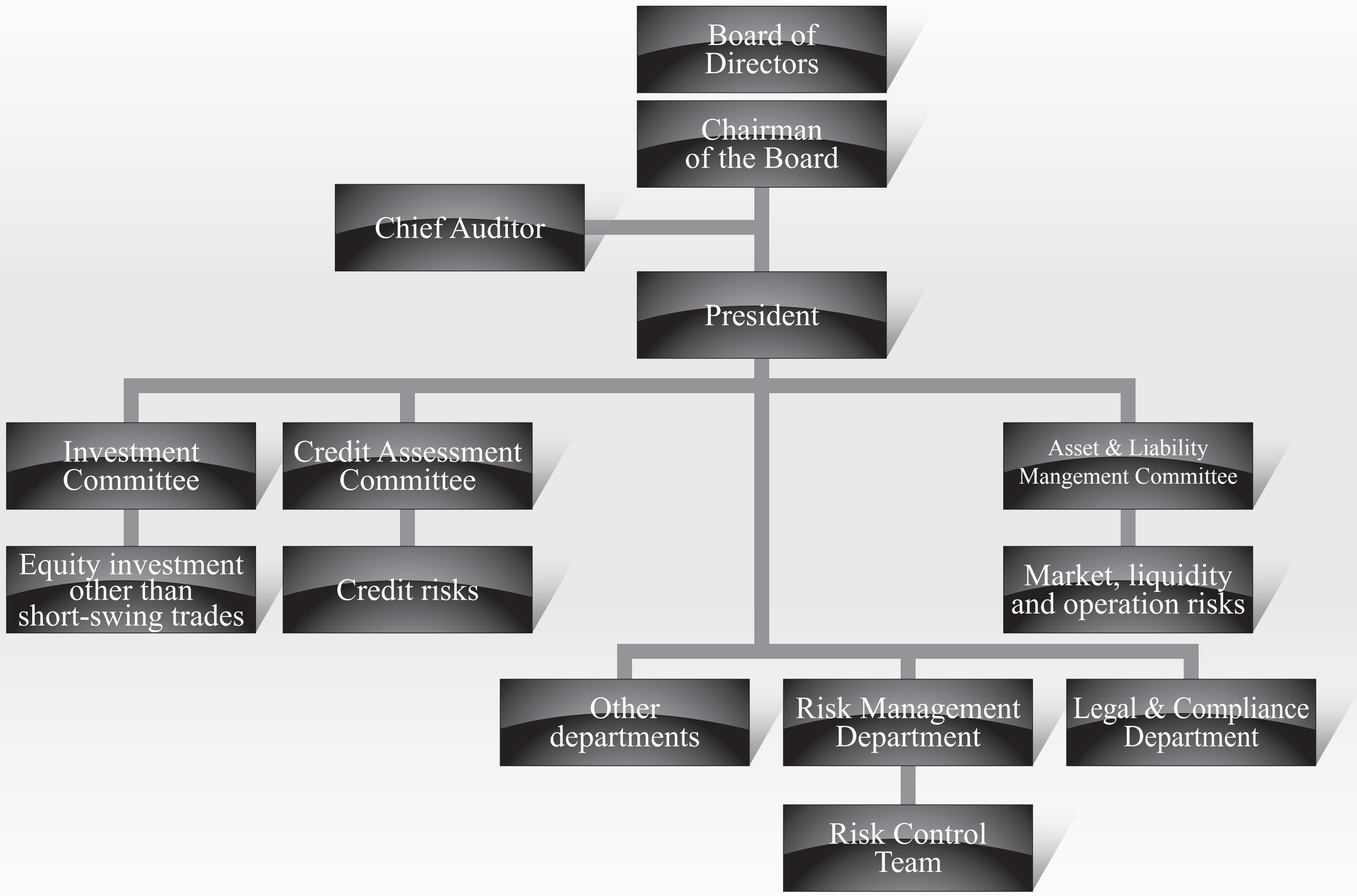
Benefited from the fair economy, the Company's invested enterprises were operating fairly. In 2021 the Company received the cash dividends allocated from the three invested enterprises including NT$8,782 thousand from Taiwan Depository & Clearing Corporation (TDCC), NT$5,386 thousand from Taiwan Futures Exchange , and NT$3,900 thousand from Taiwan Asset Management Corporation.; therefore, the investment income should be considered fair. The Company will continue to practice its investment policies and also strengthen the equity management.

Six. Risk management

I. Risk management structure and policy

(I) Risk management structure

The Company's risk management structure bases the “Regulations Governing Guarantee Business” and “Regulations Governing Risks of Trading Business” as the enabling statutes. The Board of Directors shall be the ultimate policy-making unit for the Company’s risk management and responsible for authorization of the risk management policy & structure and construction of the risk management cultures throughout the Company to take the ultimate responsibility for the entire risk management. The President is responsible for executing the risk management policy and accounting for the policy to the Board of Directors. Risk Management Department is responsible for reviewing and controlling the risk control operations, and reporting the status thereof to the high-rank management and Board of Directors to control credit, market and liquidity risks. The risk control team subordinated to the Dept. is dedicated to processing the integrated management operations for various risks. Legal & Compliance Department is in charge of collection and compilation of the laws about various operations and drafting, approval and review of legal cases, and planning, management and implementation of the compliance system to control the legal risk.


Board of Directors
Chairman of the Board
Chief Auditor
President
Investment Committee
Credit Assessment Committee
Asset & Liability Mangement Committee
Equity investment other than short-swing trades
Credit risks
Market, liquidity and operation risks
Other departments
Risk Management Department
Legal & Compliance Department
Risk Control Team

The risk management policies aim to strive for the maximum interest for shareholders within the risk tolerance authorized by the Board of Directors. In line with external laws and the Company's internal regulations, the management departments reported the risk limits and stop-loss limits to be followed by various operations subject to the business types and annual budget target. The same shall be implemented upon authorization by the Board of Directors or authorized representatives.

In order to maintain the safety, liquidity and profitability of financial assets and liabilities, the Company established the “Credit Assessment Committee” and “Asset and Liability Management Committee”. In principle, the Credit Assessment Committee holds a meeting per week, and Asset and Liability Management Committee holds a meeting per month. In order to carefully assess the equity investment other than short-swing trades, the Company established the “Investment Review Committee” dedicated to reviewing various equity investments other than short-swing trades. In principle, the Committee also holds a meeting per month.

Credit Assessment Committee is primarily engaged in discussing:

1. Various credit risks (e.g., review on guarantor or endorser of commercial papers or bills, buying notes, underwriting of guarantee-free commercial papers, facility of trading counterparts of financial derivatives, and non-government bond purchase limit).
2. Review on the internal regulations governing guarantees.
3. Other credit risk-related operations.

Asset and Liability Management Committee is primarily engaged in discussing:

1. The Company's financial asset and liability portfolio and management policy (exclusive of the guarantee business).
2. Control over the balances of various risk positions related to financial assets and liabilities.
3. Forecast about the future interest rate trend and other financial developments.
4. Assessment on domestic/foreign economic and political environments and capital status.
5. Other management issues about the Company's financial assets and liabilities.

Investment Review Committee is primarily engaged in discussing:

1. Equity investment other than short-swing trades.
2. Other equity investment-related issues assigned by the senior management.

II. Qualitative and quantitative information about various risks

(I) Credit risk management system and capital requirement

Credit risk management system

2021

Item	Content
1. Credit risk strategy, target, policy and process	The Company's credit risk management forms the guarantee policy pursuant to the competent authorities' laws, and establishes related regulations by taking into consideration the safety, liquidity, yield, government's policy-oriented and business growth (see Fig. 1).
2. Credit risk management structure	(1) Guarantees: When underwriting any guarantees, the business units generally will negotiate with the customers at first. The guarantee units conduct comprehensive assessment and credit investigation based on the customers' financial and business positions, as well as the guarantee terms and conditions. If the cases are confirmed to be underwritten upon the assessment, the cases shall be transferred to Review Team of the Risk Management Dept. upon approval of the unit supervisors to have the Dept. propose the review comments on the customers, and then submitted to Business Review Committee or Board of Directors for review and approval case by case. (2) Trading counterparts of non-government bonds and financial derivatives: A. Before purchasing any non-government bonds, the business units shall apply for the purchase limits subject to the level of authority, pursuant to the Company's regulations governing bonds. B. The limits applicable to individual trading counterparts in the financial derivatives transactions to be underwritten by the business units shall be discussed at a meeting of the Credit Assessment Committee and also authorized by the Board of Directors. (3) Underwriting of guarantee-free commercial papers: Before underwriting any guarantee-free commercial papers, the business units shall conduct credit investigation, propose motions, review cases and organize meetings, like the guarantee operations, each year to apply for the risk limit.

Item	Content
3. Credit risk report and scope & characteristics of the measurement system	The report and scope of measurement shall cover the potential risks about the debtor's and trading counterpart's failure to perform contract or repay principal and interest. The guarantee business shall be reported to the management by the contents of guarantee, category of industry, the same related party, and affiliates. Meanwhile, the debtor's and trading counterpart's exposures shall also be compiled into the relevant business statistics and risk management reports to be submitted to the management, and reported to the competent authority pursuant to the relevant requirements periodically.
4. The policy for hedging and mitigation of credit risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools	The Company has established the "Guidelines Governing Guarantee Review" to continue supervising and controlling the customers' movements and strengthening the post-loan management. Risk Management Dept. and business units will also provide the information about credit ratings and credit of the bond/bill issuers and guarantors, equity product issuers, and trading counterparts of financial derivatives to help the assessment and follow-up on the credit risk. Meanwhile, Risk Management Dept. will set out the various credit limits with respect to various transactions, by individual financial institutions, the same enterprise and group, and have the same authorized by the President for control.
5. Approaches adopted by capital requirement	Standardized approach

Fig. 1: Credit risk strategy, target, policy and process

External laws

- Act Governing Bills Finance Business and related sub-laws
- Applicable provisions under Banking Act

↓

Guarantee policy

- Regulations Governing Guarantees

↓

Credit risk management

- Articles of Association of Credit Assessment Committee
- Articles of Association of Investment Review Committee
- Regulations Governing Level of Authority for Guarantee Business
- Regulations Governing Appraisal on Collaterals
- Regulations governing assessment on assets, provision of allowance for loss, and non-performing guarantees, overdue receivables and bad debts.
- Regulations Governing Underwriting of Short-Term Bills
- Regulations Governing Pricing of Guarantees
- Regulations Governing Inter-Bank Loans

↓

Post-loan management

- Guidelines Governing Guarantee Review
- Guidelines Governing Pre-Warning and Responsive Measures for Collaterals of Securities

Capital requirement and risk-weighted assets for market risk

(Standardized Approach)

Unit: NT$ thousand

Record date: December 31, 2021

Type of Risk Exposure	Capital requirement	Risk weighted assets
Sovereigns	0	0
Non Central -Government Public Sector Entities	297	3,710
Banks (including multilateral development banks)	335,977	4,199,710
Enterprises (including securities firms and insurance companies)	9,572,697	119,658,712
Retailed credit	57,628	720,353
Equity-securities investment	368,226	4,602,823

Type of Risk Exposure	Capital requirement	Risk weighted assets
Guarantees made for the parent company or any subsidiary, and guarantees made for the securities issued by the parent company or any subsidiary.	0	0
Other assets	19,927	249,088
Total	10,354,752	129,434,396

(II) Securitization risk management system, exposures, and capital requirement

Securitization risk management system

2021

Item	Content
1. Securitization management strategy and process	The Company's securitization risk management establishes the related internal regulations pursuant to the external laws. Specifically, the Company establishes the “Regulations Governing Bonds Trading and Risk Positions” with respect to the beneficiary certificate valid for more than one year, and the “Regulations Governing Asset-Based Short-Term Bills” with respect to the beneficiary certificate-current portion, in order to govern the limit management, limit review, risk management and business management about purchase of beneficiary certificates to pursue the optimization of risk and income.
2. Securitization management structure	Before purchasing any securitization products, the business units shall assess individual cases in detail and apply for the purchase limits subject to the level of authority, pursuant to the Company's “Regulations Governing Bonds Trading and Risk Positions” and “Regulations Governing Asset-Based Short-Term Bills”. Risk Management Dept. and other related units will also supervise and control the risk profiles of the securitization products.
3. Securitization risk report and scope & characteristics of the measurement system	Risk Management Dept. will value the exposures of various beneficiary certificates and asset-based short-term bills on a daily basis, and submit the summarization of the entire positions to the management to achieve the routine control. Further, it will submit the summarization of exposures and income to Financial Asset and Liability Management Committee on a monthly basis.

Item	Content
4. The policy for hedging and mitigation of securitization risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools.	The Company will evaluate various income positions for securitization products periodically, and review the credit, market and liquidity risk profiles for the securitization products. If necessary, the Company will evaluate the hedging cost and take appropriate measures to transfer risks.
5. Approaches adopted by capital requirement	Standardized approach

Status of securitization business

Record date: December 31, 2021

Type	Total amount issued	Outstanding balance	Balance of repurchase
Not applicable.			

(III) Operational risk management system and capital requirement

Operational risk management system

2021

Item	Content
1. Operational risk management strategy and process	For the time being, the Company's operational risk measurement focuses on the internal audit, compliance and self-audit on internal control. According to the Company’s “Regulations Governing Risks of Trading Business”, “Guidelines Governing Risk Controls”, “Guidelines Governing Compliance System”, “Regulations Governing Internal Control System and Self-Audit”, “Instructions to Prevention of Insider Trading” and “Regulations Governing Security of e-Repo Trading of Bonds”, the Company strengthens the management about internal audit, compliance and self-audit on internal control.

Item	Content
2. Operational risk management structure	The operational risk management aims to avoid the extra costs or losses potentially cased by the negligence in operations or internal control. Auditing Department is an independent internal audit unit dedicated to assessing the design of internal control and effectiveness of implementation thereof periodically. Meanwhile, the Company has retained independent external auditors to audit (or review) the internal control system related to financial statements periodically.
3. Operational risk report and scope & characteristics of the measurement system	The units dedicated to business, custody of property and information shall conduct the general self-audit at least once per six months, and the special audit-audit at least once per month. Auditing Department shall conduct the general audit and special audit on each unit dedicated to business, custody of property and information at least once per year, and conduct the special audit on the other management units at least once per year, and also follow up and control the deficiencies to be corrected based on the audit result. In order to effectively manage operational risks, respective units throughout the Company shall file operational risk events in real time and regularly and the responsible unit is to compile the Operational Risk Event Summary Report and submit it to the President and the Board of Directors.
4. The policy for hedging and mitigation of operational risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools.	Categorized into the front office and back office, based on the principles for division of functions. The business units are responsible for the authorization and approval about transactions in the front office. The operation units are responsible for execution and documentation of transactions in the back office. They both verify the accuracy of transactions mutually. Meanwhile, the standard operating procedures are established in order to strengthen the employees' training, computerized operation and review mechanism, and reduce the possibility for operational risk.
5. Approaches adopted by capital requirement	Basic Indicator Approach (BIA)

Capital requirement and risk-weighted assets for operational risk (BIA)

Unit: NT$ thousand

Record date: December 31, 2021

Type	Total amount issued	Outstanding balance	Balance of repurchase
2019	2,014,655		
2020	2,507,794		
2021	2,847,103		
Total	7,369,552	368,478	4,605,970

(IV) Market risk management system and capital requirement

Market risk management system

2021

Item	Content
1. Market risk management strategy and process	The Company's market risk management establishes the Regulations Governing Risks of Business Trading in accordance with the Act Governing Bills Finance Business and related sub-laws, and the management regulations applicable to various products as well (see Fig. 2 for details).
2. Market risk management structure	The senior manager in charge of the market risk management shall be served by the President, aided by Financial Asset and Liability Management Committee. Various business units serve as the execution units.
3. Market risk report and scope & characteristics of the measurement system	The report and scope of measurement shall cover the effects produced by the risk over bills, bonds, equity products and financial derivatives on the Company's net worth and income due to any changes in the market risk factors. Meanwhile, appropriate management policies will be adopted to control the market risk level to be borne by the Company. Risk Management Dept. will report to the management in the form of the summary table of the entire positions and stop-loss control report by month/year on a daily basis to achieve the routine control. Meanwhile, it will summarize the positions of various products, income and stress testing result on changes in interest rate and value at risk (VaR) to Financial Asset and Liability Management Committee on a monthly basis.

4. The policy for hedging and mitigation of market risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools	The hedging strategy aims to evade the cash flow risk or risk over changes in fair value through individual hedging tools or portfolio of hedging tools when the positions held by the Company suffer any changes in interest rate or price, in order to achieve the risk management target. The fair value or projected cash flow of the financial assets held by the Company might vary due to the changes in market interest rate and foreign exchange rate, if any. If the risk is assessed as material, the Company will sign the interest rate swap contract or engage in foreign exchange or other qualified hedging tools for the purpose of hedge.
5. Approaches adopted by capital requirement	Standardized approach

Fig. 2: Market risk strategy, target, policy and process

External laws

- Act Governing Bills Finance Business and related sub-laws

↓

Internal regulations

- Regulations Governing Risks of Business Trading

↓

Market risk management

- Guidelines Governing Risk Controls
- Regulations Governing Bonds Trading and Risk Positions
- Operating Procedure for Financial Derivatives Transactions
- Regulations Governing Investment in Equity Products
- Operating Procedure for FRCP and UCCP
- Operating Procedure for Proprietary Operations and Investment of Foreign Bonds
- Regulations Governing Foreign Short-Term Bills
- Regulations Governing Asset-Based Short-Term Bills

Capital requirement and risk-weighted assets for market risk

(Standardized Approach)

Unit: NT$ thousand

Record date: December 31, 2021

Type of Risk	Capital requirement	Risk weighted assets
Interest rate risk	5,067,531	63,344,140
Equity securities risk	137,008	1,712,602
Foreign exchange risk	98,714	1,233,926
Commodity risk	-	-
Options operated under Simplified Standardized Approach	-	-
Total	5,303,253	66,290,668

(V) Review and analysis on liquidity risk

1. Asset and liability maturity analysis

Unit: NT$ million

Record date: December 31, 2021

	Total	Balance until maturity				
		0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year
Assets	225,133	57,174	49,256	12,173	11,795	94,735
Liabilities	200,652	156,310	41,508	2,719	115	0
Gap	24,481	(99,136)	7,748	9,454	11,680	94,735
Accumulated gaps	24,481	(99,136)	(91,388)	(81,934)	(70,254)	24,481

2. Approach to manage asset liquidity and capital gap liquidity

The Company establishes the “Guidelines Governing Control Over Liquidity of Bond and Equity Product Risk” to control the asset liquidity in accordance with the “Regulations Governing Risks of Business Trading”. The Company sets the limit of credit by product, and reports the liquidity by product to Financial Asset and Liability Management Committee periodically.

According to the “Capital Liquidity Risk Management Policy”, the Company expressly defined that the liquidity risk shall be managed in a quantitative manner, the limit of risk management indicators shall be set, and 90% of the limit shall be set as the threshold for altering. Meanwhile, the Company produced the statements periodically and submitted the same to Financial Assets and Liabilities Management Committee, and designated the units dedicated to execution and monitoring of the liquidity risk. The execution unit shall adjust the gap in liquidity subject to the routine cash flows and changes in the market condition to ensure adequate liquidity. The monitoring unit shall check the adequacy of the execution’s execution process periodically. Further, the Company established the “Guidelines Governing Capital Gaps” to control the capital gap liquidity, defining each business unit’s daily capital gap, the maturity capital gaps throughout the Company, and limit of each customer's matured capital gap, net on each business day to control the liquidity risk at an appropriate level. The unit dedicated to risk management also controls the total major liabilities and percentage of maturity capital gaps to total assets for next 0~30 days at the end of month on a daily basis. The business units engage in stimulation and testing under different stress scenarios periodically, in hopes of establishing the routine maintenance mechanism and emergency response plan therefor.

III. Impact on the Company’s financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

(I) Material changes in the acts governing bills finance business in 2021 until the date of publication of the annual report

Date of Promulgation	Laws & Regulations	Change/Addition	Effect/Countermeasures
2021.9.23	Amendment to the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”	In order to enforce the “Financial Security Action Plan,” the operating procedure for the banking sector to issue the declaration is streamlined and it is added that a Vice President or a higher-ranking or an equivalent officer shall be assigned in the banking sector to also serve as the Chief Information Security Officer.	To go with the revisions made to the Internal Control System Declaration, the Company started to enforce the plan while preparing the 2021 Annual Report; effective March 1, 2022, the President shall also serve as the Company’s Chief Information Security Officer.
2021.9.28	Financial Supervisory Commission FSC Banking Act No. 11001448694 Letter	The order interpreting the stakeholder credit loan requirements are indicated in the Banking Act, which governs primarily the scope of “responsible person of the Bank” or “responsible person of a bank” under Articles 32 to 33-2 of the Banking Act when a corporation or the government is a shareholder of the bank and the scope of “a staff member in charge of credit extensions’ under respective sub-paragraphs of Article 33-1 of the Banking Act and the significance of “ responsible person” under Article 127-1 of the Banking Act.	There are no substantial impacts on the parties loans released to as part of the credit loan business of the Company. Through the letter, the Company’s “Credit Loan Processing Handbook” is revised accordingly.

Date of Promulgation	Laws & Regulations	Change/Addition	Effect/Countermeasures
2021.10.20	Central Bank TCB Wei-Qi No. 1100037875 Letter	Relaxation of limitations for underwriting targets for interbank loans and borrowings of a bills finance company and the demand for funds in foreign currencies of a bills finance company in undertaking foreign bills business to allow raising through borrowings in foreign currencies or interbank loans in foreign currencies and related requirements to be followed.	Addition of sources of funding in foreign currencies for the Company. The Company has revised the "Guidelines for Processing Foreign Currency Interbank Loans and Borrowings."
2021.12.17	Financial Supervisory Commission FSC Banking Bill No. 11002742782 Letter	Addition of the control over the limits of guarantees for promissory notes issued to the real estate sector by the bills finance company For the categorization and control over guarantee customers in the real estate sector, besides the Real Estate Sector Categorization and Control Criteria defined by the R.O.C. Bills Finance Association that shall be followed, non-real estate property guarantees that the funds will be provided to and be used by affiliates in the real estate sector shall be included. The ratio of the real estate sector guarantee balance to the overall guarantee balance may not exceed	The Company has revised its "Credit Investigation Handbook" and "Credit Loan Processing Handbook" accordingly and controls the ratio of its real estate guarantee balance to the overall balance through daily reports.

Date of Promulgation	Laws & Regulations	Change/Addition	Effect/Countermeasures
		30%. Meanwhile, the know-your-customer process shall be precisely followed during review in order to correctly categorize guarantees in the real estate sector.	
2021.12.17	Financial Supervisory Commission FSC Banking Bill No. 11002742786 Letter	Addition of the promissory note guidelines and handbook defined by the bills finance company; the guarantee criteria, credit limits, and other control measures under the " Requirements for Real Estate Mortgages of the Central Bank Versus Financial Institutions" shall be included.	The Company has cooperated to revise the "Credit Loan Processing Handbook."

(II) Important related laws and regulations under research or to be implemented

Nil

IV. Impact on the Company’s financial standing due to technological or industrial changes, and corresponding countermeasures:

The Company's decision-making supporting system integrates internal/external critical information effectively and presents the same systematically. It provides the managers with the information about management to help their decision making and also provides the employees with the source of information about analysis on routine business.

Fixed Income Products Department establishes New Financial Instrument Team to keep concerning and promoting the new services and opportunities for the bills finance industry. In line with the FinTech innovation trend prevailing in the financial industry in the recent years, New Financial Instrument Team also engages in assessing the potential applications of the FinTech innovation to the bills finance industry and the Company.

With regard to the impacts of information and communication security risks on the Company’s financial operations and the countermeasures, please refer to VI. Information Disclosure for Information and Communication Security Management under Business Overview of the Company’s Annual Report (Pages 137–138).

V. Impact of changes in the corporate identity of the Company, and corresponding countermeasures:

The Company is identified as a historical company with outstanding goodwill and high trust from customers. It upholds the core management strategy focusing on the development based on “Gratitude, Contentment and Improvement”. Under the existing fair foundation (Gratitude and Contentment), the Company secures its competitive strength through continuing learning, improvement and innovation, and provide customers, shareholders and employees with higher value (Improvement). Notwithstanding, in response to the current changes in financial trends, the Company also uses its best efforts to develop new business lines and new financial instruments, and move forward toward the target for becoming a professional fixed-income securities dealer.

VI. Expected benefit(s) and possible risk(s) of mergers and acquisitions:

Nil.

VII. Expected benefits, risks and responsive measures associated with business location expansions:

Nil.

VIII. Risk from concentrated operations, and corresponding countermeasures:

In order to evade the risk over concentrated operations, the Company controls the total guarantees or ratios of the same related party and the same affiliate, and also controls the limits by category of industry, type of collateral and business line. Meanwhile, the Company establishes the Risk Control Team subordinated to Risk Management Dept. to integrate the identification, measurement, control and report of the Company's risk profiles, in hopes of controlling the tolerable risk limit authorized by the Board of Directors.

IX. Effect and risk caused by the changes of the right to manage to the Company, and the countermeasures thereof:

O-Bank remained the Company's largest shareholder. PJ Group also joined the operations of the Board of Directors as new director to create the maximum interest for the shareholders together.

X. Effects, risks and countermeasures following a major transfer or conversion of shareholding by directors, or shareholders with more than 1% ownership interest:

Nil.

XI. Litigation or non-litigation matters:

(I) For the Company

Nil.

(II) For any director, President, or major shareholder with more than 1% ownership interest, and affiliated company

1. For the director and President

   Please see XI.(I) Penalties imposed during the most recent two years and until the date of publication of the annual report for illegalities and major deficiencies, and improvements made on Page 94 hereof.

2. For any major shareholder with more than 1% ownership interest, and affiliated company

Name of Shareholder	Litigation or non-litigation matters	Remarks
O-Bank	Nil	Note1
PJ Asset Management Co., Ltd.	Nil	
Mingshan Investment Co., Ltd	Nil	
Ho-Chu Investment Co., Ltd.	Nil	
Standard Chartered Bank, Dunhua Branch as Trustee of iShares MSCI Emerging Market ETF Investment Account	Nil	
Bank SinoPac	Nil	

Note 1: he Company asked major shareholders holding 1% or more of the Company’s shares through a letter on February 17, 2022 (the roster of shareholders as of the book closure date of August 5, 2021) to provide information about serious lawsuits, non-contentious matters, or administrative action with sentence or pending ruling, with critical influence on shareholders’ equity or stock price and those who did not provide the information would be considered as no such information. By the deadline of March 1 this year, the above-mentioned companies replied by saying absence of litigation or non-litigation cases.

XII. Other significant risks and corresponding countermeasures

None.

Seven. Crisis Management and Emergency Response

I In order to reduce the possibility for the Company's routine operation to be affected by any disaster in the important information system, and to recover the normal operation of the information system promptly, the Company implements the following protective measures with respect to the information system:

(I) In order to prevent the business trading system from any disaster, the business trading system data would be backed up immediately, and after 15 minutes remotely. The data center and data storage device at the same site are equipped with HA backup mechanism. Upon outbreak of failure in the data center or data storage device at the same site, the HA backup mechanism will be automatically activated and switched to the backup host or data storage device to ensure that the business trading may keep operating. If the local information machine room is not functional, the business trading system can also be switched to a remote backup environment to keep the operations going.

(II) In order to prevent against disasters that occur to the interbank remittance system, the inter-bank remittance system and lines with a sound backup mechanism were re-built in 2021. Data in local and remote inter-bank remittance systems are synchronized once every 5 minutes to ensure synchronization of data in inter-bank remittance systems to the remote end can take place within a short period of time. In the event that the local information machine room does not function at all, the inter-bank remittance system can also be switched to the remote backup setting to continue with operations so that the Company’s operations are not interrupted.

(III) In order to prevent the AD system, OA-related system, Computer anti-virus system, Resources Management system, DLP Data Leakage Protection system, Network security web browsing filtering system, Email APT attack prevention ESG system and the Company’s official website from any disaster, the Company implements the VMWare virtual technology and also constructs formal/backup VMWare hosts. Upon outbreak of failure in the VMWare system host, the VMWare system will activate the HA backup mechanism automatically and switch the online OA-related system to the backup VMWare system host to enable the OA-related system to recover normal operation and, therefore, upgrade the availability and safety of the system. Meanwhile, in order to protect the OA-related system, the Company uses the HDPS Commvault backup system to perform the backup of the OA-related system at the same site and remotely each day.

(IV) The Company sets up a remote backup data center in Taoyuan. In order to ensure that the remote backup data center in Taoyuan can meet the important information system backup function, the Company will organize the remote backup stimulation drill with respect to the business trading system and OA-related system on a yearly basis. If it is impossible for the data center at the same site to operate, the business trading system and OA-related system may be switched to the remote backup environment manually to keep operating and also keep the Company's operation uninterrupted.

(V) In order to ensure the uninterrupted power supply, the systems' host power will be supplied by the UPS system of the building. Meanwhile, in order to maintain the environment and equipment safety in the data center for the computer host, the Company installs the environmental monitoring system, central control system for the air conditioners, automatic air-jet fire protection system, access control system and monitoring system, etc. If any water leakage, temperature/humidity abnormality and fire, etc., are detected, dedicated personnel will receive the automatic phone call, and the fire extinguisher will be activated automatically to deal with the abnormalities as early as possible lest the damage should be expanded.

II In order to well-found the Company's disaster relief system and management crisis management mechanism, the Company enhances its policies responsive to various emergencies, and establishes the "Instructions to Implementation of Emergency Responsive Measures" and "Guidelines Governing Responsive Actions Against Information System Disaster" to respond to any disaster and reduce the damage to keep the Company's financing operate normally.

Eight. Other Significant Events

Nil.

Special Items

One. Information on Affiliates

I. Consolidated business reports of affiliated enterprises

Not applicable.

II. Consolidated financial statements of affiliates

Not applicable.

III. Affiliation report

(I) Statement of Declaration by China Bills Finance Corporation

See Page 251

(II) Independent Auditor's Opinion Statement

See Page 252

Declaration of Statement

The Company hereby declares that the Company's 2021 Affiliation Report (from January 1, 2021 to December 31, 2021) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

China Bills Finance Corporation
Responsible person: Cheng-Chuan Chang

February 24, 2022

Deloitte

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March 8, 2022 Deloitte & Touche No. 11101844

Addressee: China Bills Finance Corporation

Subject: Comments on the declaration of statement certifying no significant inconsistencies in the information disclosed in your 2021 Affiliation Report

Descriptions:

1. You declared that your 2021 Affiliation Report (from January 1, 2021 to December 31, 2021) prepared on February 24, 2022, was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there are no significant inconsistencies between the information disclosed herein and the supplementary information disclosed in the notes to financial statements for the above period. For the Declaration of Statement, please see the attachment hereto.
2. We have audited your Affiliation Report prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and compared it with the notes to your 2021 financial statements. As a result, we found no significant inconsistences from said declaration of statement.

Deloitte & Touche
Joe Chen, CPA
Eric Lin, CPA

(III) Relationship between the subordinate company and the controlling company

Relationship between the subordinate company and the controlling company

Unit: shares; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and managers representing the controlling company	
		Shares held	Shareholding ratio (%)	Quantity of pledged shares	Title	Name
O-Bank	Control the Company's personnel and business directly or indirectly	380,981,600	28.36%	-	Director (Chairman of the board） Director (President) Director Director	Cheng-Chuan Chang Cheng Hsiang Wei Niel Chang Chih-You Hsiao

(IV) Information on transactions:

1. Purchase (sales) transactions: None

2. Property transaction: None.

3. Capital financing: Not applicable.

4. Assets leasing: Schedule 1-1, 1-2.

The Company signed the lease agreements for real estate and parking lots with O-Bank on November 24, 2020 and September 8, 2021, under which the monthly rent, 1,101 thousand, should be payable from January 1, 2021 to December 31, 2021 and January 1, 2022 to December 31,2024.

Schedule 1-1

Type of transaction	Lease Agreement for “Real Estate” and “Parking Lots”
Name of premises	Real estate: 4F, No. 99, Sec. 2, Tiding Blvd., Taipei City, in whole, occupying an area totaling 679.85 pings. Parking lots: 2 parking lots at B2, 9 parking lots at B4, and 6 motorcycle parking spaces at B1 of the premises at No. 99, Sec. 2, Tiding Blvd., Taipei City
Location of premises	No. 99, Sec. 2, Tiding Blvd., Taipei City
Term of lease	January 1, 2021 ~ December 31, 2021
Nature of lease	Operating lease
Basis for rent	Subject to the areas occupied by the premises, NT$1,575 (after tax) per ping, NT$2,500 per lot, and NT$100 per motorcycle parking space (after tax).
Payment method	To be paid by the Company by T/T before 15th day of each month.
Comparison with the general rent level	According to the appraisal reports issued by Global Vision and Hong Bang real estate appraisal offices, the reasonable rent should range from NT$1,400 to NT$1,510 per ping. Therefore, said rent per ping is considered reasonable.
Total rents in the current period	The rent expenses and management fees total NT$13,216 thousand in the current period.
Collection and payment in the current period	Paid regularly.
Other agreements	-

Schedule 1-2

Type of transaction	Lease Agreement for “Real Estate” and “Parking Lots”
Name of premises	Real estate: 4F, No. 99, Sec. 2, Tiding Blvd., Taipei City, in whole, occupying an area totaling 679.85 pings. Parking lots: 2 parking lots at B2, 9 parking lots at B4, and 6 motorcycle parking spaces at B1 of the premises at No. 99, Sec. 2, Tiding Blvd., Taipei City

Location of premises	No. 99, Sec. 2, Tiding Blvd., Taipei City
Term of lease	January 1, 2022 ~ December 31, 2024
Nature of lease	Operating lease
Basis for rent	Subject to the areas occupied by the premises, NT$1,575 (after tax) per ping, NT$2,500 per lot, and NT$100 per motorcycle parking space (after tax).
Payment method	To be paid by the Company by T/T before 15th day of each month.
Comparison with the general rent level	According to the appraisal reports issued by Global Vision and Hong Bang real estate appraisal offices, the reasonable rent should range from NT$1,420 to NT$1,530 per ping. Therefore, said rent per ping is considered reasonable.
Total rents in the current period	The rent expenses and management fees total NT$39,649 thousand in the current period.
Collection and payment in the current period	Paid regularly.
Other agreements	-

5. Other important transactions: None.

(V) Endorsements/guarantees: None.

Two. Status of Securities in Private Placement

None

Three. Shares of the Company Held or Disposed of by Subsidiaries:

None

Four. Other matters that materially affect shareholders' equity or the prices of the Company's securities

None.

China Bills Finance Co., Ltd.

Cheng-Chuan Chang

Chairman of the Board

CHINA BILLS FINANCE CORPORATION

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The cover image was photographed at the entrance signage of China Bills Finance Corporation.