

Stock Code: 2889

IBFFH Annual Report is available at
Taiwan Stock Exchange Market Observation

Post System: <https://mops.twse.com.tw>

Corporate Website: [https:// www.ibf.com.tw](https://www.ibf.com.tw)



國票金融控股股份有限公司

IBF Financial Holdings Co.,Ltd.

2021

ANNUAL REPORT

Printed on February 28, 2022

Spokesperson

Name: Andrew Chiu
Title: Executive Vice President
Tel: 886-2-7752-0088
E-mail: service@ibf.com.tw

Deputy Spokesperson

Name: Milton Huang
Title: Assistant Vice President
Tel: 886-2-7752-0088
E-mail: service@ibf.com.tw

Stock Transfer Agent

IBF Securities Co., Ltd.
Address: 15F, No. 188, Sec. 5, Nanjing E. Rd.,
Songshan Dist., Taipei City 105, Taiwan (R.O.C.)
Tel: 886-2-2528-8988
Website: <https://www.ibfs.com.tw>

Auditors

PwC Taiwan
Auditors: Shu-Mei Chi, Wei-Chi Lin
Address: 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 110, Taiwan (R.O.C.)
Tel.: 886-2-2729-6666
Website: <https://www.pwc.tw>

Credit Rating Agency

Fitch Australia Pty Ltd, Taiwan Branch
Address: Rm. A2, 23F., No. 68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei 110, Taiwan (R.O.C.)
Tel.: 886-2-8175-7600
Website: <https://www.fitchratings.com/region/taiwan-china>

Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

IBF Financial Holdings Co., Ltd.

17F., No.128, Lequn 3rd Rd.,
Taipei 104, Taiwan (R.O.C.)
TEL : +886-2-7752-0088
<https://www.ibf.com.tw>

International Bills Finance Corporation

8-10F., No.128, Lequn 3rd Rd.,
Taipei 104, Taiwan (R.O.C.)
TEL : +886-2-2518-1688
<https://www.ibfc.com.tw>

IBF Securities Co., Ltd.

5F., No.128, Lequn 3rd Rd.,
Taipei 104, Taiwan (R.O.C.)
TEL : +886-2-8502-1999
<https://www.ibfs.com.tw>

IBF Venture Capital Co., Ltd.

7F., No.128, Lequn 3rd Rd.,
Taipei 104, Taiwan (R.O.C.)
TEL : +886-2-2528-8077
<http://www.ibf-vc.com.tw>

Rakuten International Commercial Bank Co., Ltd.

11F., No. 433, Songjiang Rd.,
Taipei 104, Taiwan (R.O.C.)
TEL : +886-2-5569-2688
<https://www.rakuten-bank.com.tw>

CONTENTS

ANNUAL REPORT 2021

I. Letter to Shareholders.....	1
1.1 Operating Results in 2021	1
1.2 Business Plan for 2022	4
1.3 Development Strategy	5
1.4 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions.....	7
1.5 Credit Ratings	9
II. Company Profile.....	10
2.1 Date of Incorporation.....	10
2.2 Company History.....	10
III. Corporate Governance Report.....	16
3.1 Organization	16
3.2 Directors and Management Team	20
3.3 Remuneration of Directors, President, Vice President, Consultants and Bonus to Employees	50
3.4 Implementation of Corporate Governance	57
3.5 Information Regarding the Company's Audit Fee and Independence.....	137
3.6 Replacement of CPA.....	138
3.7 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of its Finance and Accounting Operations Hold any Positions in the Company's Independent Auditing Firm or its Affiliates During 2021.	139
3.8 Changes in Shareholding of Directors, Managers and Major Shareholders.....	139
3.9 Relationship among the Top Ten Shareholders	141
3.10 Ownership of Shares in Affiliated Enterprises	143
IV. Capital Overview.....	144
4.1 Capital and Shares	144
4.2 Bonds, Preferred Shares, Global Depository Receipts, Employee Stock Options, and Issuance of New Restricted Employee Shares.....	152
4.3 Status of New Shares Issuance in Connection with Mergers and Acquisitions	152
4.4 Financing Plans and Implementation	152
V. Operational Highlights.....	153
5.1 Business Activities (IBFC, IBFS, IBFVC, RICB).....	153
5.2 Trans-industry and Cross-selling Effectiveness.....	175
5.3 Market and Sales Overview.....	175
5.4 Human Resources	182

5.5 Corporate Social Responsibility and Ethical Behavior	184
5.6 The number of employee, average salary, median salary, and difference from the last year for full-time non-supervisory employees.....	185
5.7 IT Infrastructure.....	186
5.8 Cyber Security Management	189
5.9 Labor Relations.....	195
5.10 Important Contracts	197
VI. Financial Information	202
6.1 Five-Year Financial Summary	202
6.2 Five-Year Financial Analysis.....	205
6.3 Audit Committee's Report for the Year 2021 Consolidated Financial Report	208
6.4 Financial Statements for the Year 2021	208
6.5 For 2021 and Up to the Printing Date of this Annual Report of the Company and Affiliates, Any Occurrence of Financial Difficulties Affecting the Financial Status of the Company.....	208
VII. Review of Financial Conditions, Financial Performance, and Risk Management	209
7.1 Analysis of Financial Status	209
7.2 Analysis of Financial Performance.....	210
7.3 Analysis of Cash Flow	210
7.4 Major Capital Expenditure Items	211
7.5 Investment Policy in the Year 2021, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year	211
7.6 Analysis of Risk Management.....	213
7.7 Emergency Response Mechanism	248
7.8 Other Significant Incidents.....	248
VIII. Special Disclosure	249
8.1 Information of Affiliated Enterprises.....	249
8.2 Private Placement Securities in the Most Recent Year and up to the printing date of the annual report	254
8.3 Shares in the Company Held or Disposed of by Subsidiaries in 2021and up to the printing date of the annual report.....	254
8.4 Other supplementary information.....	254
8.5 For 2021 and up to the printing date of the annual report, occurrence of events having material impact on shareholders' rights and interests or securities prices according to Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act.....	254
Appendix: 2021 Consolidated Financial Statements	255



I. Letter to Shareholders

1.1 Operating Results in 2021

1.1.1 Domestic and External Circumstances

In 2020, the COVID-19 pandemic hit the global economy hard. However, the global economic and trade activities accelerated and commodity transactions have resumed rapidly from 2021 onwards as vaccines were administered, epidemic prevention measures were relaxed, and consumption recovered. With the fiscal incentives, monetary easing policies and low base period effects of various countries, the global economy recovered strongly. The IMF and IHS Markit estimated the global economic growth rate to be 5.9% and 5.7% in 2021, which predicted a significant rebound from -3.1% and -3.7% in 2020. In Taiwan, with the pandemic gradually under control, the relaxation of control measures by the competent authorities, and the government's revitalization program, domestic consumption has gradually recovered. The GDP estimate for 2021 by the Directorate-General of Budget, Accounting and Statistics was 6.45%, up from 3.36% in 2020.

As for the financial situation, the COVID-19 pandemic continued to affect economic activities in 2021, and major central banks around the world maintained policy interest rates at extremely low levels and continued to purchase bonds on a large scale to maintain an accommodative monetary policy. After the second half of the year, the economy rebooted, boosting demand. Still, supply chain problems and rising global inflation came to the forefront, and the Fed began to reduce the size of its bond purchases, gradually normalizing monetary policy. Domestically, Taiwan's central bank's 4th joint meeting of the directors and supervisors in 2021 decided to maintain the interest rate policy unchanged, mainly because the central bank considered inflation was still under control, and expected moderate economic growth in 2022 so to maintain the policy interest rates unchanged, which will help the overall economic and financial stability and development.

As for the securities market, in 2021, with the economic reboot, massive fiscal incentives from various countries, and the maintenance of a very loose monetary policy, the world's major stock markets injected a large amount of liquidity into the financial system. The major stock markets showed a double-digit growing pattern, among which the U.S. stocks led the global stock markets, with the three major indices rising by more than 20% on average. The domestic stock market benefited from the easing of global capital and the

adequate control of the domestic pandemic, as well as the key position of the semiconductor technology industry in the world, which led to record-high export orders and a gradual recovery of the stock market. The weighted index ended the year at 18,218.84 points, up 23.66% for the year, higher than the 22.80% increase in 2020. The market also benefited from the bullish sentiment, with an average daily value of \$378.24 billion in centralized stock transactions for the year, up 102.98% over the previous year.

1.1.2 Change of Company Organization

In 2021, the capital increased by surplus earnings of the Company was at an amount of NT\$ 1,010,268,600, and the paid-in capital after the increase reached NT\$ 29,975,085,550.

Rakuten International Commercial Bank, a 49%-owned subsidiary of the Company, obtained a business license from the FSC on December 8, 2020, and the bank operated on December 30, 2020, and had its grand opening on January 19, 2021.

1.1.3 Outcome from Execution of Business Plan and Strategy

In 2021, due to the influence of central banks' easing monetary policies and global supply chain disruptions, the U.S. bond yield and credit spreads gradually rose, and IBFC reduced the overall foreign currency bond position and duration to avoid the risk of interest rate fluctuations with the revenue structure of the overall position remaining solid. In terms of equity and convertible bond investments, the outbreak of COVID-19 in Taiwan in early May caused increased volatility in the stock market. Still, fortunately the stock market stabilized after the outbreak was controlled. IBFC continued to pay attention to companies with good operating quality and future growth potential in the industry and seized the opportunity to make timely investments, resulting in net profits after tax for 2021 of NT\$ 2.9498 billion.

In 2021, the IBF Securities benefited from the proper control of the domestic pandemic and the global pandemic's slowdown, and the active trading of shipping stocks and the upsurge of day-trading. In the second half of the year, the stock market price and volume of Taiwan stocks increased. The weighted index, over-the-counter index and daily turnover of Taiwan stocks reached record highs, leading to a significant increase in the revenue of the IBF Securities with after-tax profit for 2021 of NT\$ 1.744 billion, up 48.97% over 2020.

The IBF Venture Capital had a higher proportion of investment in semiconductor, cultural and creative, and industrial stocks in 2021 and ended

the year with NT\$ 1.6893 billion of marketable securities investments (excluding NT\$ 1.2429 billion of long-term investments under the equity method) and performed well in the capital market. Together with the profit of CNY21.89 million from the investment in Guo Want International Leasing Corp. in Mainland China, the net profit after tax for the year was NT\$ 479.06 million.

Rakuten International Commercial Bank was officially opened to the public on January 19, 2021. In its first year of operation, the Bank's business objectives were to operate smoothly, refine various management mechanisms, and ensure the security and stability of its information system; it also continued to accumulate a customer base for deposit, develop a dual core business engine for lending and investment, take investment income as the key to profitability, balance risk and income, optimize business processes and interfaces, and precisely control costs as its business strategy. Rakuten International Commercial Bank was awarded the two standard certificates of the "ISO 27001 Information Security Management System Standard" and "BS 10012 Personal Data Protection" by the British Standards Institute (BSI) in 2021, and received the 2021 Annual Global Project Management Award from the "International Project Management Institute" in the U.S and continues to optimize Internet-only banking information security.

1.1.4 Budget Implementation and Profitability Analysis

In 2021, the investment income recognized under equity method of the Company is NT\$ 4.219 billion, net profit after tax is NT\$ 3.884 billion, EPS is NT\$ 1.30.

For IBFC, the net income is NT\$ 4.471 billion, operating expense is NT\$ 795.4 million, net profit after tax is NT\$ 2.950 billion, EPS is NT\$ 1.80.

For IBF Securities, the income is NT\$ 5.325 billion, expenditure and expense is NT\$ 3.495 billion, net profit after tax is NT\$ 1.744 billion, EPS is NT\$ 2.05.

For IBF Venture Capital, the income is NT\$ 658.86 million, expenditure and expense is NT\$ 184.58 million, net profit after tax is NT\$ 479.06 million, EPS is NT\$ 3.11.

For Rakuten International Commercial Bank, the net income is NT\$ 10.17 million, operating expense is NT\$ 566.9 million, net loss after tax is NT\$ 446.03 million, After-tax loss per share is NT\$ 0.45.

1.1.5 Research and Development Status

1. In response to the Group's business development needs and under the principle of safeguarding the rights and interests of all shareholders, we continue to evaluate and propose the consolidation of financial institution businesses in order to expand the scope of financial holding operations and expand the scale of the Group.
2. We encourage business exchanges and joint cooperation among the Group's subsidiaries in order to expand the financial ecosystem and increase customer adhesion.
3. In line with government policies, we encourage IBFC's subsidiaries to cash in on the business opportunities of corporate sustainable management and the principles for responsible investment (PRI) and develop related financial products and services.
4. We assist and encourage employees to participate in education and training organized by professional institutions to enhance their financial expertise in sustainable management, compliance with laws and regulations, and prevention of money laundering to meet the needs of sustainable financial policies and supervision by competent authorities.

1.2 Business Plan for 2022

1.2.1 Operating Policy and Guidelines

1. We continue to develop proposals for diversified mergers and acquisitions of financial institutions to seek appropriate M&A targets to expand the business scope and scale of operations of the financial holding.
2. We cooperate with the competent authorities' financial technology and innovation liberalization policies to assist and encourage subsidiaries to develop new financial services and products to provide more diversified and high-quality services to customers.
3. We strengthen the core businesses of fixed income, corporate finance, securities, venture capital and banking to enhance the operating efficiency of all affiliates and reduce the impact of changes in the financial environment on business.
4. We integrate diverse financial services under the financial holding of the Group and utilize the Group's cash flow platform to continuously develop a common financial ecosphere and increase the Group's overall operational synergy.

1.2.2 Targets

According to the overall economic and financial trend as well as the operating status of the subsidiaries, the Company will continue to strengthen the operational management on the invested enterprises, improve profit contribution of each subsidiary, and assess the feasibility of the development of other financial businesses. The expected 2022 operating goals are:

1. IBFC: guaranteed issues of commercial papers for NTD 900 billion, certification of commercial papers for NTD 1.6 trillion, trading volume of various bills for NTD 3 trillion, and trading volume of various bonds for NTD 1.2 trillion.
2. IBF Securities: Brokerage business volume of consigned transaction for NTD 4.254 trillion, margin trading average balance of NTD 13 billion, short selling average balance of NTD 2.2 billion.
3. IBF Venture Capital: Newly increased the investment amount of NTD 200 million, new investments will focus on localized semiconductor business opportunities, medical materials and electric vehicle related industries.
4. Rakuten International Commercial Bank: Improve return on shareholders' equity, expand customer and asset scale, strengthen financial products and digital financial services, optimize risk control mechanisms, enhance product quality, optimize operational processes, and effectively reduce operating costs.

1.3 Development Strategy

Rakuten International Commercial Bank, which the Company and its strategic partners established, has been officially operating since 2021. In the future, depending on the liberalization policy of the competent authorities, we will continue to expand the scope of Internet-only banking operations. The Group will also continue to seek suitable domestic M&A targets and develop diversified consolidation plans to gradually build a complete financial footprint and achieve its long-term strategic goals.

IBFC will continue to strengthen the fixed income product core business, deep cultivation, maintain and develop target customer groups. In the bill business, in line with the government's policy on sustainable finance, we pay attention to the trend of corporate financial institutions' responsible investment (financing) business, develop ESG-linked commercial paper, develop customers with high-quality credit ratings for issuance of non-guarantee commercial paper, strive for joint underwriting business, continue to develop secondary customer

sources, and strengthen flow operations and quota control in order to maintain the underwriting energy of bills; in the credit business, we continue to develop new financing cases in line with the government's industrial policy in order to improve the spread of self-insured bills, and optimizes the risk control mechanism to dynamically manage the credit status of customers and alert credit degradation of credit customers. At the same time, we integrate various product services and make strategic alliances with our affiliates and financial peers to provide a full range of services to corporate entities and expand our financial footprint. Furthermore, to cope with the trend and demand, we actively introduce the financial technology application in order to provide diverse financial technology services.

IBF Securities will consider the market environmental change and the permission progress of the competent authority on the regulations and businesses to actively seize market opportunities and increase the company's profit sources and use the acquisition strategy as the growth momentum of the brokerage business. Moreover, the company will strengthen the Group's business collaboration mechanism, integrate research resources and strengthen the position operational control methods in order to provide products and services matching with the needs of customers and of greater quality. For the internal, the cost control will continue to be implemented, the investment decision making and risk management mechanism will be strengthened, the corporate governance will be enhanced and the organization's operation efficiency and executive power will be improved. Consequently, under the long-term stable operational strategies, all businesses are able to develop in balance and grow continuously.

The investment portfolio of IBF Venture Capital focuses on localized semiconductor business opportunities, medical materials and electric vehicle related industries. IBF Venture Capital will look to investment opportunities in these industries as they recover from the global pandemic and continue to review the business prospects of our core holding stocks in order to eliminate the weak and retain the strong. In addition, we intend to increase the number of single-stock investments in growth industries to build closer relationships and enhance our influence, thereby establishing a good channel for marketing the companies' products in the Group and improving the overall efficiency.

Rakuten International Commercial Bank will continue to build up its customer base and increase the number of customers by expanding its ecosystem to provide unhindered one-stop services to the public. We will continue to strengthen our digital financial services and upgrade our information

system to seize the opportunity of digitalization and provide "peace of mind, security, and convenience" with high quality information security management. In terms of information security, we will continue to strengthen our information security monitoring and defense capabilities. Through our information security monitoring technology, we will keep abreast of internal information security threats and ensure the security of our systems and information assets to reduce operational risks. At the same time, we will strengthen our risk control mechanism, improve the quality of our products and optimize our internal processes to support our business development. In terms of corporate governance, we focus on sustainable development, strengthen information disclosure channels, and enhance the transparency of corporate governance.

1.4 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

The COVID-19 pandemic was repeated in 2021, and the outbreak of the domestic pandemic in mid-May raised the domestic epidemic alert to Level 3. Although most financial institutions adopted home-based and off-site offices, they had to follow the regulations to draw up plans for uninterrupted operations to maintain their operations. Despite the impact of the local pandemic, our three financial businesses (banking, insurance, and securities) still had pre-tax profits of nearly NT\$1 trillion, up nearly 40% on the year. In addition, Fubon Financial Holdings completed the public acquisition of Jih Sun Financial Holding in 2021, marking the first domestic "merger of 2 financial holdings" milestone. The competent authorities also continue to promote the "Corporate Governance 3.0 - Sustainable Development Blueprint" to strengthen the sustainable ecosystem in the domestic capital market and enhance the competitiveness of financial institutions in the international market.

In terms of financial technology policy, the Financial Supervisory Commission (FSC) issued business licenses for Internet-only banking to Line Bank and Next Bank in the first and fourth quarters of 2021, respectively. With Rakuten International Commercial Bank, which opened at the end of 2020, the competition among the three domestic Internet-only banks was established. In addition to Internet-only banking, the FSC proposed the policy goal and planning direction of liberalizing Internet-only insurance companies at the end of 2021 to promote the digital transformation of Taiwan's insurance industry. On the other hand, in order to respond to the development of financial technology, enhance consumer convenience, strengthen risk control of financial institutions, and promote cooperation among financial institutions, the FSC has formulated and implemented the "Guidelines on Data Sharing among Financial

Institutions", which clearly disclose the relevant processing criteria on the types of data sharing that can be handled among financial institutions. To respond to the trend of financial technology and provide more convenient services that meet customers' needs, all domestic financial market players have been developing new and innovative businesses.

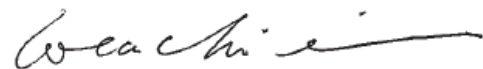
In 2022, with the increasing popularity of vaccination and the continued recovery of the international economy, the global output is expected to return to the pre-pandemic level. However, global inflation is rising due to the spreading of new virus variants, supply chain bottlenecks, and the Russia-Ukraine situation. Whether the Fed will accelerate the tightening of monetary easing in accordance with market expectations will affect the economic outlook and cause financial market turmoil. IHS Markit estimates that the global economic growth rate will be 4.1% in 2022, lower than the 5.7% in 2021. For the domestic part, the momentum of export and private investment is expected to continue to gain traction. The momentum of private consumption is also expected to gradually stabilize, which will contribute to the growth of domestic demand. However, due to the high base period in 2021, the GDP growth rate is estimated to be 4.42% in 2022, lower than the 6.45% in 2021.

In 2022, the FSC will promote the 6 working priorities of sustainable development, develop financial technology information security, enhance capital market efficiency, promote financial inclusion, improve financial resilience, and strengthen the protection of rights and interests. The Company will cooperate with the business liberalization policy of the competent authorities, actively evaluate and expand its business fields, hoping to expand its operation scale, build a complete financial holding system, and continue to strengthen the development of its core business to create stable income and meet the expectations of shareholders.

1.5 Credit Ratings

Company	IBF Financial Holdings	International Bills Finance	IBF Securities	Rakuten International Commercial Bank
Date of Rating	October 22, 2021	June 3, 2021	October 22, 2021	October 27, 2021
National Long-Term Credit Ratings	A+ (twon)	A+ (twon)	A+ (twon)	A(twon)
National Short-Term Credit Ratings	F1(twon)	F1(twon)	F1(twon)	F1+(twon)
International Long-Term Credit Ratings	BBB	BBB	BBB	-
International Short-Term Credit Ratings	F3	F3	F3	-
Outlook	Negative	Stable	Negative	Stable

Chairman



II. Company Profile

2.1 Date of Incorporation

March 26, 2002

2.2 Company History

The company was established as a result of 100% share swap amongst International Bills Finance Corp., Concourse Securities Co., Ltd., and Grand Orient Securities Corp. on March 26, 2002. The company was listed on the TSE on the exact same day.

In order to expand the market share and operating scale of the capital market, to reduce operating cost and to enhance operating efficiency and competitiveness, on October 18, 2002, two subsidiary securities companies were merged with International Bills Union Securities Co., Ltd., the surviving company. The company changed the name to IBF Securities Co., Ltd.

With the aim of expanding the corporate finance business and providing newly-founded companies with the required funds, the company invested NT\$ 500 million to establish its third subsidiary, IBF Venture Capital Co., Ltd., in July 2004.

On June 29, 2005, the shareholders' meeting of the company was held to elect the second-term board of directors and supervisors. The board of directors elected Hsin Li Investment Co., Ltd. (later renamed Nice Commercial Mortgage Corp.) as the chairman. It designated Victor Wei-chi Liu as its proxy to exercise the duties on July 20, 2005.

On June 9, 2006, the new management team not only introduced professional managers and restructured its organizational structure, but also conducted a capital reduction of NT\$ 1,869,210,700 to NT\$ 8,270,789,300 at IBF Securities Co., Ltd. to improve the operating constitution of subsidiaries.

The company acquired an additional 18.94 million shares in IBF Securities Co., Ltd. on October 23, 2007 and another 24,469 shares on January 4, 2008, pushing its stake in the latter to 34.01%. Taking into account the IBF Securities stake held by its subsidiary International Bills Finance Corp., the company now controls 58.02% of the securities unit.

At a general meeting on June 27, 2008, shareholders elected the company's third-term board directors and supervisors. On July 10, the newly formed board elected Hungmen Enterprise Co. as chairperson. Mr. Steven Hung was appointed to be its representative to perform the duty.

On October 13, 2008, IBFFH unit IBF Securities Co., Ltd. set up Waterland Securities (HK) Co., Ltd. through Waterland Securities (BVI) Co., Ltd., an investment arm.

At an extraordinary meeting held on December 15, 2008, shareholders of IBFFH unit IBF Securities Co., Ltd. adopted the resolution to take over the six business outlets of Great Wall Securities Inc., including their fixed assets and operating interests.

At a meeting held on December 25, 2009, the board of IBFFH unit IBF Securities Co., Ltd. approved the purchase of a 20% stake in Paradigm Asset Management Co., Ltd. The transaction was completed on February 10, 2010. In an extraordinary session on January 10, 2011, the board of IBF Securities Co., Ltd. approved the purchase of the remaining 80% stake in Paradigm Asset Management Co., Ltd. Upon completion of the settlement on January 24, 2011, Paradigm Asset Management became a wholly owned subsidiary of IBF Securities.

On June 24, 2011, the shareholders' meeting of the company elected the fourth-term board of directors and supervisors. In its turn, the board of directors elected Wea Chi-lin chairman on July 5 of the same year.

On October 26, 2011, the board of directors approved a proposal for IBFFH unit IBF Venture Capital Co., Ltd. to start a financial leasing company in mainland China by means of indirect investment from a third location.

On January 19, 2012, IBFFH unit IBF Venture Capital Co., Ltd. set up BVI-registered IBF Financial Holding (BVI) Co., Ltd. with capitalization of US\$13.10 million.

On February 15, 2012, IBFFH made a NT\$400 million capital injection into unit IBF Venture Capital Co., Ltd., raising the latter's paid-in capital to NT\$900 million.

On May 23, 2012, IBFFH unit IBF Venture Capital Co., Ltd. set up Guo Want International Leasing Corp. through IBF Financial Holding (BVI) Co., Ltd., a BVI-registered investment arm.

On August 24, 2012, the board of directors of IBFFH unit IBF Securities Co., Ltd. approved the dissolution or disposal of Waterland Securities (HK) Co., Ltd.

On June 7, 2013, IBFFH made a NT\$210 million capital injection into unit IBF Venture Capital Co., Ltd., raising the latter's paid-in capital to NT\$1.11 billion.

On July 17, 2013, IBFFH unit IBF Venture Capital Co., Ltd. made a US\$7 million capital injection into IBF Financial Holding (BVI) Co., Ltd., raising the latter's paid-in capital to US\$20.1 million. On July 18, 2013, IBF Financial Holding (BVI) made a US\$7 million capital injection into Guo Want International Leasing Corp.

On August 6, 2013, Guo Want International Leasing Corp. secured an updated business license for an entity capitalized at US\$20 million.

On September 23, 2013, IBFFH unit IBF Securities Co., Ltd. registered a capital decrease by deleting repurchased shares; its paid-in capital was reduced to NT\$8,689,639,630.

On March 18, 2014, IBFFH made a NT\$100 million capital injection into unit IBF Venture Capital Co., Ltd., raising the latter's paid-in capital to NT\$1.21 billion.

On March 20, 2014, IBFFH unit IBF Venture Capital Co., Ltd. made a US\$2 million capital injection into IBF Financial Holding (BVI) Co., Ltd., raising the latter's paid-in capital to US\$22.1 million. On the same day, IBF Financial Holding (BVI) made a US\$2 million capital injection into Guo Want International Leasing Corp., raising the latter's paid-in capital to US\$22 million. Later in the month, Guo Want International Leasing Corp. secured an updated business license for an entity capitalized at US\$30 million.

On June 20, 2014, IBFFH shareholders held their annual general meeting to elect the 5th board of directors, which in turn elected Chi-Lin Wea chairman and established an audit committee.

On June 27, 2014, IBFFH bought 208,854,353 common shares of IBF Securities Co., Ltd. from unit International Bills Finance Corp., thus pushing the company's IBF Securities holdings to 504,761,323 shares or a 58.09% stake.

On September 16, 2014, IBFFH unit IBF Securities Co., Ltd. completed a NT\$70,360,370 capital increase out of earnings and a NT\$200,000,000 capital increase out of capital reserves, pushing its paid-in capital to NT\$8,960,000,000. IBFFH's IBF Securities holdings rose to 520,465,911 shares while keeping its stake at 58.09%.

On August 13, 2014, IBFFH shareholders held an extraordinary general meeting to elect a new board director and an independent director, with the latter also appointed to the company's audit committee.

On November 26, 2014, IBFFH made a NT\$250 million capital injection into unit IBF Venture Capital Co., Ltd., raising the latter's paid-in capital to NT\$1.46 billion.

On December 18, 2014, IBFFH unit IBF Venture Capital Co., Ltd. made an US\$8 million capital injection into IBF Financial Holding (BVI) Co., Ltd., raising the latter's paid-in capital to US\$30.1 million. On the same day, IBF Financial Holding (BVI) made an US\$8 million capital injection into Guo Want International Leasing Corp., raising the latter's paid-in capital to US\$30 million. Later, Guo Want International Leasing Corp. secured an updated business license for an entity with registered and paid-in capital of US\$30 million.

In 2015, IBFFH unit IBF Venture Capital Co., Ltd. completed an NT\$80 million capital increase out of earnings, pushing its paid-in capital to NT\$1.54 billion.

In 2015, IBFFH unit IBF Securities Co., Ltd. completed a NT\$140 million capital increase out of earnings, pushing its paid-in capital to NT\$9.1 billion. IBFFH's IBF Securities holdings rose to 528,598,190 shares while keeping its stake at 58.09%.

From August 27 to October 26 in 2015, IBFFH repurchased 40,000,000 shares, pushing its treasury stock to 90,000,000 shares. On January 30, 2016, IBFFH conducted treasury stock deletion, decreasing its paid-in capital to NT\$26,764,861,800.

On August 14 2016, IBFFH completed the surplus to capital increase of NT\$695,886,410; which resulted in the paid-up capital of NT\$27,460,748,210.

On June 16, 2017, the general shareholders' meeting of the company has elected the directors for the 6th term. On June 19, 2017, the board of directors has elected Mr. Wei, Chi-Lin as the chairman.

On August 14, 2017, the Company has completed the increase in share capital from earnings, and the amount is NT\$ 405,911,230; the amount of paid-in capital thus has become NT\$ 27,866,659,440.

IBF Security Co., Ltd, one of the subsidiaries, has resolved to reduce the capital for NT\$ 1.6 billion in extra shareholders' meeting on September 8, 2017. The capital change for the capital reduction has been registered on November 21, 2017. After the reduction, the paid-in capital has become NT\$ 7.5 billion, and the shares held by the Company are reduced to 435,660,057 shares, representing 58.09% of total shares, as before.

On August 8, 2018, the Company completed the capital increased by surplus earnings at an amount of NT\$ 331,999,920, and the paid-in capital after the increase reached NT\$ 28,198,659,360.

On January 31, 2019, the board of directors' special meeting of the IBF Securities Co., Ltd. passed the resolution on the disposal of the 80% of

shareholding of the (IBF) Paradigm Asset Management Co., Ltd., and it was approved by FSC on February 27, 2019. The transaction was completed on March 4, 2019.

The Company revised the Articles of Incorporation in the shareholders' meeting on June 14, 2019, and according to Article 392-1 of the Company Act, the foreign name of the Company shall be indicated in the Articles of Incorporation as "IBF Financial Holdings Co., Ltd."

To cope with the business development needs of the Company and to prepare the funds necessary for reinvestments, on September 24, 2019, the board of directors (exercising the authorities on behalf of the shareholders) of the subsidiary, International Bills Finance Corp., approved the capital reduction of NT\$ 2.4 billion through resolution for submitting to the Company as indicated in the approval of the FSC on October 30, 2019. The capital after the reduction is NT\$ 15.69 billion, and the Company maintained the shareholding of 100%.

On September 24, 2019, the subsidiary, IBF Securities, completed the capital increase by surplus earnings at an amount of NT\$ 250 million and the paid-in capital after the increase was NT\$ 7.75 billion. The Company shareholding increased to 450,182,044 shares, and the shareholding maintained to be 58.09%.

On September 30, 2019, the Company completed the capital increased by surplus earnings at an amount of NT\$ 281,986,600, and the paid-in capital after the increase was NT\$ 28,480,645,960.

On April 20, 2020, the Board of Directors of IBFC, acting on behalf of the shareholders' meeting, resolved to increase capital by NT\$700 million from 2019 earnings, resulting in a paid-in capital of NT\$16.39 billion. The Company's shareholding remained at 100%.

On June 12, 2020, the general shareholders' meeting of the company has elected the directors for the 7th term. On June 17, 2020 the board of directors has elected Mr. Wei, Chi-Lin as the chairman.

On August 18, 2020, the Company completed the capital increased by surplus earnings at an amount of NT\$ 484,170,990, and the paid-in capital after the increase was NT\$ 28,964,816,950.

On September 23, 2020, the subsidiary, IBF Securities, completed the capital increase by surplus earnings at an amount of NT\$ 250 million and the paid-in capital after the increase was NT\$ 8 billion. The Company shareholding increased to 464,704,043 shares, and the shareholding maintained to be 58.09%.

On September 25, 2020, the Board of Directors of the subsidiary, IBF Securities approved the investment to establish IBF Securities Venture Capital. On December 18, 2020, the registration of IBF Securities Venture Capital was approved by the Taipei City Government.

On May 18, 2020, the subsidiary, Rakuten International Commercial Bank obtained registration approval from the Ministry of Economic Affairs, and obtain a business license from the FSC on December 8, 2020, and the bank operated on December 30, 2020, and had its grand opening on January 19, 2021.

On January 4, 2021, the Company moved to the 17th floor of the "IBF Financial Holdings Building," at No. 128, Lequn 3rd Road, Zhongshan District, Taipei City.

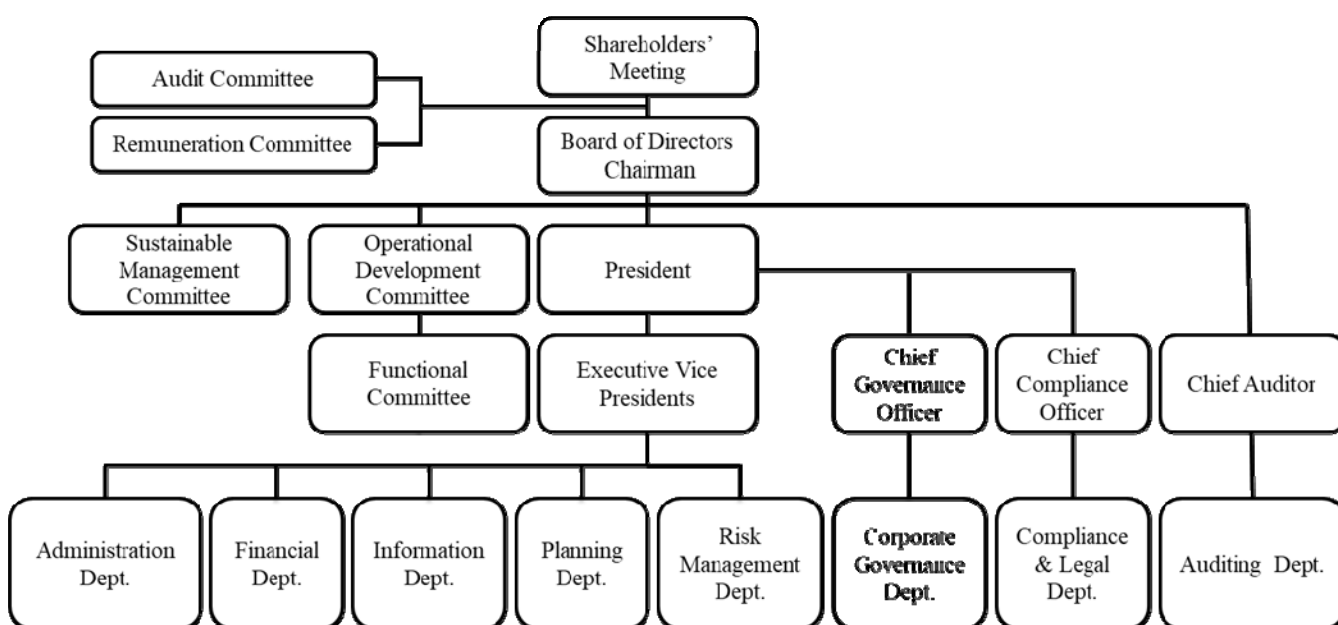
On October 20, 2021, the subsidiary, IBF Securities, completed the capital increase by surplus earnings at an amount of NT\$ 500 million and the paid-in capital after the increase was NT\$ 8.5 billion. The Company shareholding increased to 493,748,045 shares, and the shareholding maintained to be 58.09%.

On October 12, 2021, the Company completed the capital increased by surplus earnings at an amount of NT\$ 1,010,268,600, and the paid-in capital after the increase was NT\$ 29,975,085,550.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

- Audit Committee

The operation of the Audit Committee is mainly to supervise the appropriate presentation of company's financial reports, appointment (discharge) of CPA and independence as well as performance, effective implementation of company's internal control, company's compliance with relevant laws and regulations, and control of company's existing or potential risks.

- Remuneration Committee

The Committee establishes and periodically reviews the performance evaluation of directors and managerial officers as well as the policy, system, standard and structure for the salary and remuneration. It also periodically evaluates and determines salary and remuneration of directors and managerial officers.

- Operational Development Committee

It is established based on the needs of investment business and operation management, and acts as a management unit. Its main function is to manage the capital and financial affairs, investment strategy and scope of the Company, development and operation goals of subsidiaries as well as the cross-selling strategy planning etc.

- Sustainable Management Committee

To ensure sustainable operations, implement corporate governance, and fulfill corporate social responsibility.

- Administration Department

Its function is to handle the administrative management affairs for the organization, documents, personnel, public relationship, secretary, general affairs and the human resource of subsidiaries and shared equipment etc.

- Financial Department

Its function is to handle the Company's capital structure planning and proposal, as well as execution of fund source and utilization planning, establishment of accounting system and preparation of annual budget and settlement, financial planning, analysis, management and tax affairs handling, approval of various expenses and accounting comprehensive management and related matters.

- Information Department

Its function is to handle the planning, design, maintenance and execution of information affairs of the Company, the planning and integration of information system development direction for the Company and subsidiaries, integration of information system architectures and information security control, etc.

- Planning Department

Its function is to handle the operational directives, investment planning of the Company, subsidiary equity management, establishment and execution of cross-selling, projects etc.

- Risk Management Department

Its function is to handle the management of the market risk, credit risk, liquidity risk, operational risk, transaction with interested parties, firewall mechanism, as well as the risk management regulations and system related matters.

- Corporate Governance Department

Its function is to handle relevant matters of the audit committee, board of directors' meeting and shareholders' meeting according to the laws, to prepare meeting minutes for board of directors' meeting and shareholders' meeting, to provide documents necessary for the directors to perform duties, to assist directors in the compliance of laws and matters related to corporate governance etc.

- Compliance & Legal Department

Its function is to handle the research, convey, consultation, coordination,

execution, supervision and evaluation of legal compliance affairs; to analyze cause and propose improvement recommendations on major faults or inappropriateness in the legal compliance of each unit; to assist each subsidiary in the execution of legal compliance system affairs; and to handle affairs related to anti-money laundering and counter terrorist financing.

- Auditing Department

Its function is to handle the establishment, execution, management and evaluation of the auditing affairs of the Company; as well as the auditing matters of the legal compliance system.

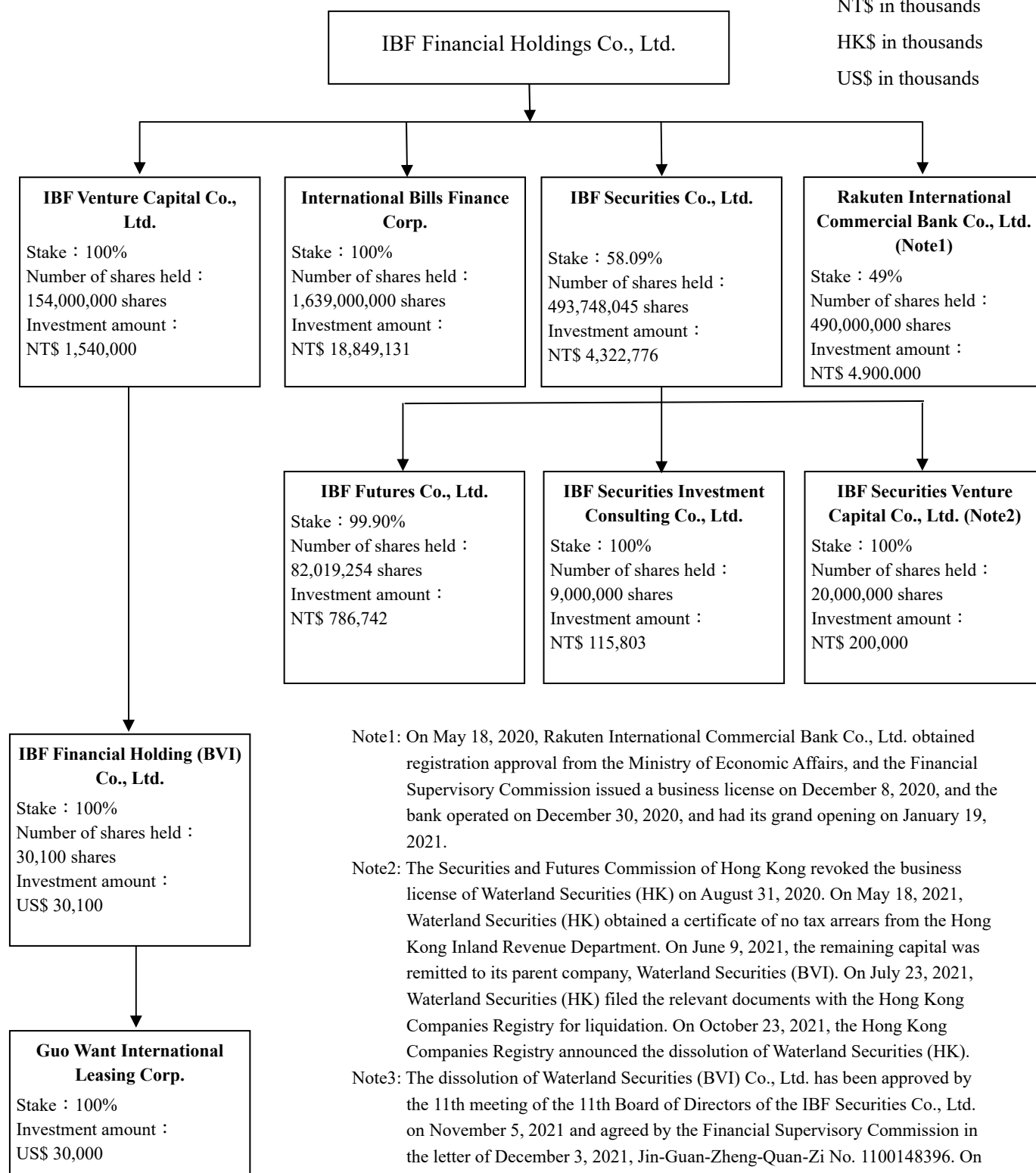
3.1.3 Subsidiaries

February 28, 2022

NT\$ in thousands

HK\$ in thousands

US\$ in thousands



Note1: On May 18, 2020, Rakuten International Commercial Bank Co., Ltd. obtained registration approval from the Ministry of Economic Affairs, and the Financial Supervisory Commission issued a business license on December 8, 2020, and the bank operated on December 30, 2020, and had its grand opening on January 19, 2021.

Note2: The Securities and Futures Commission of Hong Kong revoked the business license of Waterland Securities (HK) on August 31, 2020. On May 18, 2021, Waterland Securities (HK) obtained a certificate of no tax arrears from the Hong Kong Inland Revenue Department. On June 9, 2021, the remaining capital was remitted to its parent company, Waterland Securities (BVI). On July 23, 2021, Waterland Securities (HK) filed the relevant documents with the Hong Kong Companies Registry for liquidation. On October 23, 2021, the Hong Kong Companies Registry announced the dissolution of Waterland Securities (HK).

Note3: The dissolution of Waterland Securities (BVI) Co., Ltd. has been approved by the 11th meeting of the 11th Board of Directors of the IBF Securities Co., Ltd. on November 5, 2021 and agreed by the Financial Supervisory Commission in the letter of December 3, 2021, Jin-Guan-Zheng-Quan-Zi No. 1100148396. On December 22, 2021, the Company remitted the remaining balance of the capital was remitted to IBF Securities Co., Ltd. The dissolution proceedings were completed on February 25, 2022.

3.2 Directors and Management Team

3.2.1 Directors

1. Information of directors

Title	Name/Gender/Age	Nationality/Cou ntry of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Chairman	Ren Wang Co., Ltd.	Republic of China (Taiwan)	2020.06.12	3	2011.06.24	55,840,826	1.960	58,781,235	1.960
	Representative: Chi-Lin Wea /Male /70-75	Republic of China (Taiwan)	2020.06.12	3	2011.06.24	0	0	0	0

March 29, 2022

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	Ph D in Economics, University of Paris MBA, Imperial College London Dean, Graduate Institute of International Business, National Taiwan University Secretary General of the Cabinet, Taiwan Government (Republic of China) Chairman, Land Bank of Taiwan Commissioner, Research, Development and Evaluation Commission, Executive Yuan	Chairman, International Bills Finance Corp. Chairman, Chi Ting Venture Capital Co., Ltd. Chairman, Yuan Ting Venture Capital Co., Ltd. Director, AcBel Polytech Inc., Director, Nuvoton Technology Corporation Director, Avatack Co., Ltd. Director, Elan Microelectronics Corp.	-	-	-	Note4
0	0	0	0	Director-General, Bureau of Personnel Administration Chairman, Taiwan Financial Assets Service Company Member of the Council for Economic Planning and Development, Executive Yuan Director, Chung-Hua Institution of Economic Research Director, Taiwan Stock Exchange Corporation Director, Chung-Hsin Bills Finance Corp.	Director, Rakuten International Commercial Bank Co., Ltd. Independent Director, Formosa Plastics Corporation Independent director, Inventec Corporation Supervisor, ACES Co., Ltd. Supervisor, Breeze Development Co., Ltd.	-	-	-	

Title	Name/Gender/Age	Nationality/Cou ntry of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Vice Chairman	Ren Wang Co., Ltd.	Republic of China (Taiwan)	2020.6.12	3	2011.6.24	55,840,826	1.960	58,781,235	1.960
	Representative: Tsai, Shao Chung / Male /40-45	Republic of China (Taiwan)	2020.6.12 (Note 5)	3	2020.6.12	0	0	0	0

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	Canadian International School (Singapore) Vice Chairman, Union Insurance Company	Chairperson of Safe Road To Fortune (Stock) Company Chairperson of Yiding Wang (Stock) Company Chairperson of Prologue Activity Integration Marketing Co., Ltd. Chairperson of CTV Cultural Enterprise Ltd. Chairperson of Wang Jia Enterprise (Stock) Company Chairperson of Novus (stock) company Chairperson of New Silk Modeling Agency Limited Chairperson of EeLin Entertainment Co., Ltd. Chairperson of CNplus Production. Inc. Director of China Times Director of Digital Commercial Times Inc. Director of Infotimes Corporation Director of Apollo Survey & Research Co. Ltd. Director of Jiapeng Development Co., Ltd. Director of Want Peng Investment Co., Ltd. Director of I Lan Foods Ind. Co., Ltd. Director of Bao Want Technology Packaging Materials Co., Ltd. Director of Ren Want Co., Ltd. Director of Want Want Construction Co., Ltd. Director of Shen Want Investment Co., Ltd. Chairperson of Tsai Ho Want Enterprise Co., Ltd. Director of Want Want China Holdings Limited Director of Eastern Home Shopping & Leisure Co., Ltd. Director of Shine Time Entertainment Co., Ltd. Director of Earth Want Co., Ltd. Director of Hongkong Da Want Aquaculture Holdings Limited, Taiwan Branch Director of Nuowant Biomedical Technology Co., Ltd. Director of TY Star Network Technology Co., Ltd. Supervisor of San Want Hotel Co., Ltd. Supervisor of Want Pu Construction Co., Ltd. Supervisor of Hao Want Co., Ltd. Supervisor of Wulai Tourism Co., Ltd. Supervisor of Wulai Yunxian Paradise (shares) company				None
0	0	0	0			-	-	-	

Title	Name/Gender/Age	Nationality/Country of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Director	Ren Wang Co., Ltd.	Republic of China (Taiwan)	2020.6.12	3	2011.6.24	55,840,826	1.960	58,781,235	1.960
	Representative: Cheng-Lin Chen / Male /45-50	Republic of China (Taiwan)	2020.6.12	3	2017.6.16	0	0	0	0
Director	Ren Wang Co., Ltd.	Republic of China (Taiwan)	2020.6.12	3	2011.6.24	55,840,826	1.960	58,781,235	1.960
	Representative: Cheng-Fong Shih / Male /40-45	Republic of China (Taiwan)	2020.6.12	3	2020.6.12	0	0	0	0
Director	Ren Wang Co., Ltd.	Republic of China (Taiwan)	2020.6.12	3	2011.6.24	55,840,826	1.960	58,781,235	1.960
	Representative: Yang, Cheng-Hsi / Male /40-45	Republic of China (Taiwan)	2022.02.01 (Note 9)	3	2022.02.01	0	0	0	0

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
						Title	Name	Relation	
0	0	0	0	Vanung University Chairman of Pauguo Real Estate Management Co., Ltd. Chief Strategy Officer, Herzu Investment Co., Ltd.	Chairman, Pauguo Real Estate Management Co., Ltd. Chairman, BS Home Co., Ltd. Director, Crowell Development Corp. Chairman, All Roads Lead to Rome Co., Ltd.	-	-	-	None
0	0	0	0			-	-	-	
0	0	0	0	M.A. (Hospitality Management), Johnson & Wales University, USA Director, IBF Securities Co., Ltd. Customer Service Manager, Business Marketing, China Television Company Advertising Business Manager of TTV Culture Changchun Magazine Project Manager of Yeh Der Enterprise Co., Ltd.	Director, IBF Securities Co., Ltd. Director, IBF Securities Venture Capital Co., Ltd. Supervisor, IBF Securities Investment Consulting Co., Ltd. Customer Service Manager, Business Marketing, China Television Company	-	-	-	None
0	0	0	0			-	-	-	
0	0	0	0	UC San Diego Master's (Graduate School of International Relations and Pacific Studies) Chairman, Maxceed Capital Group Co., Ltd. Chairman, Dun Nan Capital Co., Ltd. Director, Kuo-Kuang Motor Transportation Company Ltd. Director, PPF Holdings Ltd.(Hong Kong)	Director, IBF Venture Capital Co., Ltd. Director, IBF Securities Venture Capital Co., Ltd. Director, Cellmax Taiwan Co., Ltd.	-	-	-	None
3,970,605	0.137	0	0			-	-	-	

Title	Name/Gender/Age	Nationality/Cou ntry of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Director	Michael Chen / Male /50-55	Republic of China (Taiwan)	2020.6.12	3	2011.10.17	1,419,238	0.049	1,618,970	0.054

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	Master, London School of Economics and Political Science Bachelor of Columbia University, New York, USA Managing Director, Senior Executive Officer, Advisor, Bowa Commercial Bank Ltd. Director, IBF Securities Co., Ltd.	Executive V.P., IBF Financial Holdings Director, International Bills Finance Corp. Vice Chairman, Nice Group Director, World Financing Co., Ltd. Director, He Ai Consulting Co., Ltd. Director, Thunder Tiger Corp. Director, Chishing Recreation Village Co., Ltd. Director, Datien International Development Co., Ltd. Director, Taifu International Co., Ltd. Vice Chairman, Nice Plaza Co., Ltd. Director, Taiwan Mineral Water Corp. Independent Director, Mikobeaute International Co., Ltd. Supervisor, Heyuan Entertainment Co., Ltd. Supervisor, iFresh Health Biomedical Co., Ltd. Director, A.G.V. Products Corporation Supervisor, Taiwan First Biotechnology Inc. Director, Yunlin Dairy Technology Corp. Director, Sontenkan Leisure & Recreation Co., Ltd. Director, Koya Biobech Corp. Supervisor, Lei Ying Security Co., Ltd. Supervisor, Aiken Biotechnology International Co., Ltd. Director, Rosa Rose Villas Co., Ltd. Director, Songshan Village Healthy Living Farm, Inc. Director, New Takayama Leisure and Entertainment Co., Ltd. Director, Eastern Taiwan Cultural and Creative Industries Development Co., Ltd. Director, East Coast Leisure Development Co., Ltd. Director, Seven Stars Technology Industrial Co., Ltd. Supervisor, Taifu Food Industry Co., Ltd. Chairman, Eastern Taiwan Resource Development Co., Ltd. Director, Nicemacopolo Management Consultants, Inc. Director, Hoyuan Investment Co., Ltd. Chairman, Dadaigang Leisure and Entertainment Development Co., Ltd. Supervisor, Tokugawa Tea Garden Co., Ltd.	-	-	-	None

Title	Name/Gender/Age	Nationality/Country of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Director	Hua-Kang International Asset Management Corp.	Republic of China (Taiwan)	2020.6.12	3	2008.6.27	205,038	0.007	215,833	0.007
	Representative: James Y. L. Wei / Male /60-65	Republic of China (Taiwan)	2020.6.12 (Note 6)	3	2007.7.20	0	0	0	0
Director	First Commercial Bank.	Republic of China (Taiwan)	2020.6.12	3	2011.6.24	85,984,243	3.019	90,511,914	3.019
	Representative: Hung, Hui-Ching / Female /66-70	Republic of China (Taiwan)	2020.8.31 (Note7)	3	2020.8.31	0	0	0	0

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	Doctor of Law, Wuhan University Master of Law, National Taiwan University Managing Partner Attorney, Li Yuan Attorneys-at-Law Director, International Bills Finance Corp.	Managing Partner of Dacheng Taiwan Law Firm Director, Vantone Capital Pte., Ltd. Director, Blue Flame Investments Limited	-	-	-	None
0	0	0	0	Director, IBF Securities Co., Ltd. President, Chinese Intellectual Property Protection Association Director, Pacific Securities Co., Ltd. Councilor, Taipei City Council Committee Member, Financial Consumption Committee of Consumer's Foundation		-	-	-	
0	0	0	0	B.A. of Accounting, National Chengchi University, Taiwan Supervisor, Taiwan SMECF Director of First Life Insurance Co., Ltd. Deputy General Manager of Corporate Financial Business and Risk Control Management Business,	Supervisor, International Bills Finance Corp.	-	-	-	None
0	0	0	0	Senior Associate and Manager of Kaohsiung Regional Center, Manager of Credit Review Division, Credit Investigation Division and Operation Planning Division of First Commercial Bank		-	-	-	

Title	Name/Gender/Age	Nationality/Country of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Director	Taiwan Cooperative Bank	Republic of China (Taiwan)	2020.6.12	3	2002.1.31	50,465,092	1.771	53,122,431	1.772
	Representative: Tsai, Chia-Ping / Male /55-60	Republic of China (Taiwan)	2021.6.28 (Note 8)	3	2021.6.28	0	0	0	0
Independent Director	Shih-chen Joseph Jao / Male /66-70	Republic of China (Taiwan)	2020.6.12	3	2020.6.12	0	0	0	0

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	Master of Science in Industrial Engineering, Auburn University, USA V.P., Senior Manager of Business Development Department, Senior Manager of Administration Department, Taiwan Cooperative Bank	V. P., Taiwan Cooperative Bank Supervisor, Taiwan Cooperative Securities Investment Trust Co., Ltd. Director, Taiwan Urban Regeneration and Financial Services Co., Ltd.	-	-	-	None
0	0	0	0			-	-	-	
0	0	0	0	MBA, University of Missouri-Columbia B.A.(Public Finance), College of Law and Business, National Chung-Hsin University (currently National Taipei University) Chairman, Taishin Securities Investment Trust Company Limited General Manager, Taishin Financial Holding Co., Ltd. Executive Vice President and International Head of East West Bank and President of Shanghai Sub-branch General manager of Cathay Securities Corporation Director, CEO and spokesperson of corporate finance, CEO and spokesperson of personal finance, Cathay United Bank Company Limited. Director, Deputy general manager and spokesperson of United World Chinese Commercial Bank Manager of Credit Card Department of United World Chinese Commercial Bank and established Consumer Finance Department Manager, Preparation Director, Los Angeles Branch of United World Chinese Commercial Bank	Director of Tigerair Taiwan Co., Ltd. Executive director of PRJ Partners Ltd. Independent director of Amida Technology Inc. Independent director of 8 Ways International Co., Ltd.	-	-	-	None

Title	Name/Gender/Age	Nationality/Country of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Independent Director	Wei-Lung Chen / Male /60-65	Republic of China (Taiwan)	2020.6.12	3	2020.6.12	0	0	0	0
Independent Director	Chen, Shu Chuan /Female /50-55	Republic of China (Taiwan)	2020.6.12	3	2020.6.12	0	0	0	0

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	EMBA, School of Management, National Taiwan University Financial Law Group, Department of Law, National Chengchi University Independent director of South China Insurance Co., Ltd. Director of Taiwan Futures Exchange Chairperson of SinoPac Securities Chairperson of SinoPac Securities Investment Trust Co., Ltd. General manager of Motor Vehicle Accident Compensation Fund General manager of Securities and Futures Institute Director of Chang Hwa Commercial Bank, Co., Ltd. Deputy Director of the Securities and Futures Bureau of the Financial Supervisory Commission Deputy Director of the Insurance Bureau of the Financial Supervisory Commission Audit, Section Chief, Deputy Team Leader, Team Leader and Chief Secretary of the Securities (and Futures) Management Committee of the Ministry of Finance Editorial Review, Statute Council, Executive Yuan	Independent Director of Janfusun Fancyworld Corp. Independent Director of A.G.V. Products Corporation Independent Director of Ocean Plastics Co., Ltd.	-	-	-	None
0	0	0	0	Master of Business Administration in International Finance, National Taipei University Senior Consultant of ZUII Co., Ltd. General Manager, Taipei Branch, The Bank of New York Mellon Vice President, Taipei Branch, The Bank of New York Mellon Chief Representative of Commerzbank Taipei Office and Head of Taiwan	Independent Director, International Bills Finance Corp.	-	-	-	None

Title	Name/Gender/Age	Nationality/Country of Origin	Date Elected	Term (Years)	Date First Elected (Note 1)	Shareholding when Elected		Current Shareholding	
						Shares	% (Note 2)	Shares	% (Note 3)
Independent Director	Ching-Sung Wu / Male /66-70	Republic of China (Taiwan)	2020.6.12	3	2014.6.20	0	0	0	0

Note 1: The first election date refers to the date of assuming the position of director of the Company for the first time.

Note 2: During the election, the shareholding percentage is calculated based on the share capital of 2,848,064,596 shares for the seventh session of director election of the Company on 6/12/2020.

Note 3: The current shareholding percentage is calculated based on the share capital of 2,997,508,555 shares on the annual report printing date.

Note 4: At the 17th meeting of the 7th Board of Directors on 2021.12.17, it was approved that Chairperson Chi-Lin Wea acted as President, and the Chairperson acting as President was approved by the competent authority for a maximum period of three months. On March 14, 2022, the Board approved the appointment of Mr. Sung-Huei Su as the president. The appointment will take effect after the supervisor's consent.

Note 5: On 2020.6.12, the corporate director Ren Want Co., Ltd. appointed Mr. Shao-Chung Tsai as the corporate director representative (the originally elected representative: Mr. Chin-Yuan Kung).

Note 6: The corporate director Hwa-Kang International Asset Management Corp. appointed Mr. James Y. L. Wei as the corporate director representative on 2020.6.12.

Note 7: The corporate director First Commercial Bank appointed Ms. Ying Wu as its corporate director representative on 2020.6.12. Ms. Ying Wu resigned from the post of director on 2020.7.27 due to personal career planning. Corporate director First Commercial Bank then notified the appointment of Ms. Hui-Ching Hung as its equity representative on 2020.8.25, effective since 2020.8.31.

Note 8: The corporate director Taiwan Cooperative Bank reassigned Mr. Tsai, Chia-Ping as its representative on 2021.6.28. (Formerly, Mr. Teng-Shan Tai)

Note 9: The corporate director, Ren Want Co., Ltd., reassigned Mr. Yang, Cheng-Hsi as its representative On 2022.2.1, (the former representative, Mr. Steven Hung, resigned on 2022.2.1)

Note 10: Where a director is institutional shareholders, for its major shareholders, please refer to Table 2. Major shareholders of institutional shareholders below.

Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
Shares	%	Shares	%			Title	Name	Relation	
0	0	0	0	PhD of Business Administration, University of California, Los Angeles (UCLA) Head and Director of Department and Graduate Institute of International Business, National Taiwan University Visiting Professor, School of Economics and Management, Tsinghua University, Beijing Visiting Scholar, John F. Kennedy School of Government, Harvard Kennedy School Director, Vanguard International Semiconductor Co., Ltd. Independent Director, Medigen Biotechnology Corp. Director, Fuhua Financial Holding Co., Ltd. Managing Director, Oversea-Chinese Banking Corporation Limited Director, TaiGen Biotechnology Co., Ltd Professor, Global Business Program & Dean, Business School, Chinese Culture University	Chairman, Cheng Chi Production Ltd. Independent Director, Anderson Industrial Corp. Independent director, J & V Energy Technology Co., Ltd.	-	-	-	None

2. Major shareholders of the institutional shareholders

December 31, 2021

Name of Institutional Shareholders	Major Shareholders (Note)
Ren Wang Co., Ltd.	Norwares Overseas Inc. 100%
Hua-Kang International Asset Management Corp.	World Finance Co., Ltd. 100%
First Commercial Bank	First Financial Holding Co., Ltd. 100%
Taiwan Cooperative Bank	Taiwan Cooperative Financial Holding Co., Ltd. 100%

Note: The major shareholders refer to the shareholders with top ten shareholding percentage. Where the major shareholder of an institutional director is a legal entity, please refer to Table 3 below for its major shareholders.

Source of information: Institutional directors of the Company.

3. Major shareholders of the Company's major institutional shareholders

December 31, 2021

Name of Institutional Shareholders	Major Shareholders (Note)
Norwares Overseas Inc.	Tsai Eng Meng 100%
World Finance Co., Ltd.	Hui-tong International Development Co. 45.80%, Tang-li Culture & Media Co., Ltd. 19.50%, Taiwan NJC Corporation., Ltd. 19.08%, Taiwan First Biotechnology Incorporated 14.85%, Taiwan Miao-nong Dairy Development Co., Ltd. 0.76%
First Financial Holding Co., Ltd.	Ministry of Finance 11.49%, Bank of Taiwan 7.45%, Hua Nan Bank 2.83%, Fubon Life Insurance Co., Ltd. 1.60%, Taiwan Tobacco and Liquor Corporation 1.60%, Taiwan Life Insurance Co., Ltd. 1.49%, Civil Servants' Retirement Fund 1.39%, CITI in custody for Singapore government investment fund 1.25%, CITI Bank Taiwan entrusted by Norges Bank investment Fund 1.23%, China Life Insurance Co., Ltd. 1.18%,
Taiwan Cooperative Financial Holding Co., Ltd.	Ministry of Finance 26.06%, Chunghwa Post Co., Ltd. 3.78%, Taiwan Tobacco and Liquor Corporation 2.34%, National Farmers' Association, R.O.C. 1.54%, CITI Bank Taiwan entrusted by Norges Bank investment Fund 1.10%, JP Morgan Taipei in Custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Fund 1.0%, China Life Insurance Co., Ltd. 0.95%, JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds 0.94%, Labor Pension Fund(New Scheme) 0.64%, Taiwan Life Insurance Co., Ltd. 0.63%

Note: The major shareholders refer to the shareholders with top ten shareholding percentage.

Source of information: Information of shareholders at the last book closure date provided by each institutional directors of the Company.

4. Professional qualifications and independence analysis of directors

February 28, 2022

Name	Criteria	Professional qualifications and experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
Chairman Chi-Lin Wea		Adjunct Professor of Graduate School of Business (Department of Business Administration), National Taiwan University Chairman, IBF Financial Holdings Chairman, International Bills Finance Corp. Chairman, Paradigm Asset Management Co., Ltd. Chairman, Land Bank of Taiwan Chairman, Taiwan Financial Assets Service Company Secretary General of the Cabinet, Taiwan Government (Republic of China) Director, Chung-Hsin Bills Finance Corp.	1. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings. 2. Not a director, supervisor or employee of other company not controlled by the same parties holding a majority of the number seats of directors of the company or a majority of shares with voting rights. 3. Not a director (managing director), supervisor (managing supervisor), managerial officer or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. 4. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 5. Except for Director Michael Chen who is also the Deputy Executive Vice President of the Company, all other directors are not employees of the Company or any of its affiliates.	2	-
Vice Chairman Tsai, Shao Chung		Vice Chairman, Union Insurance Company		0	-
Director Cheng-Lin Chen		Chief Strategy Officer, Herzu Investment Co., Ltd. Chairman, Pauguo Real Estate Management Co., Ltd. Director, IBF Financial Holdings		0	-
Director Cheng-Fong Shih		Director, IBF Securities Co., Ltd. Director, IBF Securities Venture Capital Co., Ltd. Supervisor, IBF Securities Investment Consulting Co., Ltd. Customer Service Manager, Business Marketing, China Television Company Advertising Business Manager of TTV Culture Changchun Magazine Project Manager of Yeh Der Enterprise Co., Ltd.		0	-
Director Yang, Cheng-Hsi		Director, IBF Venture Capital Co., Ltd. Director, IBF Securities Venture Capital Co., Ltd. Chairman, Maxceed Capital Group Co., Ltd. Chairman, Dun Nan Capital Co., Ltd.		0	-
Director Michael Chen		Director, IBF Financial Holdings Executive V.P., IBF Financial Holdings Director, International Bills Finance Corp. Specialist of China Development Asset Management Corporation Director of International Securities Manager of Capital Markets Department, Investment Bank, European Headquarters, Daiwa Securities Group Inc		1	-
Director James Y. L. Wei		Managing Partner Attorney, Dacheng Taiwan Law Firm Director, IBF Financial Holdings Director, IBF Securities Co., Ltd. Director, Pacific Securities Co., Ltd. President, Chinese Intellectual Property Protection Association, Chief Supervisor, Chinese Intellectual Property Protection Association		0	-

Name	Criteria	Professional qualifications and experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
		Taipei City Council Members of the 7th and 8th Terms Huang & Partners, Chen Shyuu & Pun, Li Yun Law Offices			
Director Hung, Hui-Ching		Supervisor, Taiwan SMECF Director of First Life Insurance Co., Ltd. Deputy General Manager of Corporate Financial Business, Deputy General Manager of Risk Control Management Business, Senior Associate and Manager of Kaohsiung Regional Center, Manager of Credit Review Division, Manager of Credit Investigation Division, Manager of Operation Planning Division, First Commercial Bank		0	-
Director Tsai, Chia-Ping		VP., Senior Manager of Business Development Department, Senior Manager of Administration Department, Manager of Xindian and Changchun Branches, Taiwan Cooperative Bank		0	-
Independent Director Shihchen Joseph Jao		Chairman, Taishin Securities Investment Trust Company Limited General Manager, Taishin Financial Holding Co., Ltd. Executive Vice President and International Head of East West Bank and President of Shanghai Sub-branch General manager of Cathay Securities Corporation Director, CEO and spokesperson of corporate finance, CEO and spokesperson of personal finance, Cathay United Bank Company Limited. Director, Deputy general manager and spokesperson, Manager of Credit Card Department and established Consumer Finance Department, Manager and Preparation Director of Los Angeles Branch, Manager of Xindian Branch, Assistant Manager of Business Management Division, Assistant Manager of Zhongxiao Branch, United World Chinese Commercial Bank National American Bank, San Francisco Credit Manager Manager of Business Development Department and Specialist of Foreign Exchange Trading, Taipei Branch, Chemical Bank (U.S.A.) Staff of Overseas Department, Oversea-Chinese Banking Corporation Limited Auditor of PricewaterhouseCoopers Taiwan	The independence of all independent directors complies with the provisions of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, including, but not limited to, the fact that the director him or herself, his or her spouse, relatives within the second degree of kinship are not directors, supervisors or employees of the Company or its affiliates, and are not directors, supervisors or employees of companies that have specific relationships with the Company (as stipulated in Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Nor has any of them received remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years.	2	Note 2

Name	Criteria	Professional qualifications and experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Note
Independent Director Wei-Lung Chen		Independent director of South China Insurance Co., Ltd. Director of Taiwan Futures Exchange Chairperson of SinoPac Securities Chairperson of SinoPac Securities Investment Trust Co., Ltd. General manager of Motor Vehicle Accident Compensation Fund General manager of Securities and Futures Institute Director of Chang Hwa Commercial Bank, Co., Ltd. Deputy Director of the Securities and Futures Bureau of the Financial Supervisory Commission Deputy Director of the Insurance Bureau of the Financial Supervisory Commission Audit, Section Chief, Deputy Team Leader, Team Leader and Chief Secretary of the Securities (and Futures) Management Committee of the Ministry of Finance Editorial Review, Statute Council, Executive Yuan	The independence of all independent directors complies with the provisions of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, including, but not limited to, the fact that the director him or herself, his or her spouse, relatives within the second degree of kinship are not directors, supervisors or employees of the Company or its affiliates, and are not directors, supervisors or employees of companies that have specific relationships with the Company (as stipulated in Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Nor has any of them received remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years.	3	Note 2
Independent Director Chen, Shu Chuan		Senior Consultant of ZUII Co., Ltd. General Manager, Taipei Branch, The Bank of New York Mellon Vice President, Taipei Branch, The Bank of New York Mellon Chief Representative of Commerzbank Taipei Office and Head of Taiwan		1	Note2 Note3
Independent Director Ching-Sung Wu		Independent Director, IBF Financial Holdings Professor, Global Business Program & Dean, Business School, Chinese Culture University Professor, Associate Professor of Department of International Business, College of Management, National Taiwan University Visiting Professor, School of Economics and Management, Tsinghua University, Beijing Visiting Scholar, John F. Kennedy School of Government, Harvard Kennedy School Director, Fuhua Financial Holding Co., Ltd. Managing Director, Oversea-Chinese Banking Corporation Limited Supervisor, Vanguard International Semiconductor Co., Ltd. Director, TaiGen Biotechnology Co., Ltd Independent Director, Medigen Biotechnology Corp.		2	Note2

Note1 : Not been a person of any conditions defined in Article 30 of the Company Act.

Note2 : The members of the Audit Committee have accounting and financial expertise.

Note3 : Concurrent independent director of the International Bills Finance Corporation, a concurrent post between the parent and subsidiaries established in accordance with the Securities and Exchange Act and local laws and regulations.

5. Diversified composition and independence of the Board of Directors

Diversified composition of the Board of Directors

- (1) The Company has established the Corporate Governance Best Practice Principles, in which Article 29 explicitly specifies the director diversity policy of the Company. To establish a sound structure for the board of directors of the Company, the board members shall be diverse and equipped with different professional backgrounds, genders or work fields. In addition, directors shall have the knowledge, skill, and experience necessary to perform their duties.
- (2) The composition of the Board of Directors of the Company has been reviewed by the Financial Supervisory Commission. To implement the diversity of board members of the Company, directors of the Company shall not be limited by the gender and age but shall be considered based on the professional quality and dedication as the formation principle. Among the 13th director seats of the 7th term board of directors, there are 2 female directors, and the average age of the board members is 59 years old. The age distribution of the board members are 3 directors of age between 40~50 years old, 3 directors of age between 51~60 years, 7 directors of age between 61~75 years. Among which, 3 directors of doctoral degree, 6 directors of master degree, 4 directors of bachelor/college degree. The directors are equipped with professional backgrounds in financial industry, general industries and academic fields respectively, and have expertise in financial, finance, commercial, management and legal etc. The Board of Directors of the Company is independent and there are no cases of spouse and relatives within the second degree of kinship among the directors as stipulated in Subparagraphs 3 and 4 of Paragraph 3 of Article 26 of the Securities and Exchange Act. In addition, the Company also places emphasis on gender equality in the composition of the Board of Directors and will work toward the goal of having more than one-third of the Board members of each gender in the future.

The board member diversity implementation status is as shown in the following table:

Plural core items Name	Gender	Operation Judgement	Accounting and Financial Analysis	Business Management	Crisis Management	Industry Knowledge	International Market	Legal Background
Chi-Lin Wea	Male	○	○	○	○	○	○	
Tsai, Shao Chung	Male	○	○	○	○	○	○	
Cheng-Lin Chen	Male	○	○	○	○	○	○	
Cheng-Fong Shih	Male	○	○	○	○	○	○	
Yang, Cheng-Hsi	Male	○	○	○	○	○	○	
Michael Chen	Male	○	○	○	○	○	○	
James Y. L. Wei	Male	○	○	○	○	○	○	○
Hung, Hui-Ching	Female	○	○	○	○	○	○	
Tsai, Chia-Ping	Male	○	○	○	○	○	○	
Shihchen Joseph Jao	Male	○	○	○	○	○	○	○
Chen, Shu Chuan	Female	○	○	○	○	○	○	
Wei-Lung Chen	Male	○	○	○	○	○	○	○
Ching-Sung Wu	Male	○	○	○	○	○	○	

Independence of the Board of Directors

4 Independent Directors take more than 30% of Board seats, The independence of all independent directors complies with the provisions of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, including, but not limited to, the fact that the director him or herself, his or her spouse, relatives within the second degree of kinship are not directors, supervisors or employees of the Company or its affiliates, and are not directors, supervisors or employees of companies that have specific relationships with the Company (as stipulated in Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Nor has any of them received remuneration for business, legal, financial or accounting services provided by the Company or its affiliates in the last two years (Please refer to the information sheet for directors disclosed above).

3.2.2 Management Team

Title (Note1)	Nationality/ Country of Origin	Name/Gender/Age	Date Effective	Shareholding		Spouse & Minor Shareholding	
				Shares	%	Shares	%
President	-	-	-	-	-	-	-
Executive Vice President	Republic of China, (Taiwan)	Michael Chen / Male	2006.07.19	1,618,970	0.054	0	0

March 29, 2022

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
Shares	%			Title	Name	Relation	
-	-		-	-	-	-	Note 3
0	0	Master, London School of Economics and Political Science Bachelor of Columbia University, New York, USA Managing Director, Senior Executive Officer, Advisor, Bowa Commercial Bank Ltd. Director, IBF Securities Co., Ltd.	Director, International Bills Finance Corp. Vice Chairman, Nice Group Director, World Financing Co., Ltd. Director, He Ai Consulting Co., Ltd. Director, Thunder Tiger Corp. Director, Chishing Recreation Village Co., Ltd. Director, Datien International Development Co., Ltd. Director, Taifu International Co., Ltd. Vice Chairman, Nice Plaza Co., Ltd. Independent Director, Mikobeaute International Co., Ltd. Director, Taiwan Mineral Water Corp. Supervisor, Heyuan Entertainment Co., Ltd. Supervisor, iFresh Health Biomedical Co., Ltd. Director, A.G.V. Products Corporation Supervisor, Taiwan First Biotechnology Inc. Director, Yunlin Dairy Technology Corp. Director, Sontenkan Leisure & Recreation Co., Ltd. Director, Koya Biobech Corp. Supervisor, Lei Ying Security Co., Ltd. Supervisor, Aiken Biotechnology International Co., Ltd. Director, Rosa Rose Villas Co., Ltd. Director, Songsan Village Healthy Living Farm, Inc. Director, New Takayama Leisure and Entertainment Co., Ltd. Director, Eastern Taiwan Cultural and Creative Industries Development Co., Ltd. Director, East Coast Leisure Development Co., Ltd. Director, Seven Stars Technology Industrial Co., Ltd. Supervisor, Taifu Food Industry Co., Ltd. Chairman, Eastern Taiwan Resource Development Co., Ltd. Director, Nicemacopolo Management Consultants, Inc. Director, Hoyuan Investment Co., Ltd. Chairman, Dadaigang Leisure and Entertainment Development Co., Ltd. Supervisor, Tokugawa Tea Garden Co., Ltd.	-	-	-	None

Title (Note1)	Nationality/ Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding	
				Shares	%	Shares	%
Executive Vice President	Republic of China, (Taiwan)	Andrew Chiu / Male	2011.07.05	653,940	0.021	0	0
Vice President	Republic of China, (Taiwan)	Wen-Chuan Hung	2020.11.25	272,357	0.009	0	0
Chief Auditor	Republic of China, (Taiwan)	Wen-Chu Hou / Male	2019.04.03	129,057	0.004	357,903	0.012
Chief Compliance Officer	Republic of China, (Taiwan)	Karen Wu/Female	2019.10.23	0	0	0	0
Senior Assistant Vice President, Financial Department	Republic of China, (Taiwan)	Tainyi Luor / Male	2021.05.20	481,973	0.016	0	0

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note 3
Shares	%			Title	Name	Relation	
0	0	MBA, University of Rochester President and Executive Vice President, Paradigm Asset Management Co., Ltd. Manager, Foreign Exchange Department, Standard Chartered Bank (Taiwan) Limited,	Director, IBF Financial Holding (BVI) Co., Ltd. Director, Guo Want International Leasing Corp.	-	-	-	None
0	0	National Taipei College of Business Manager of Business Department, Bills Department, Hsinchu Branch, Taoyuan Branch, International Bills Finance Corp. Assistant Vice President of Kaohsiung Branch, Business Department, Credit Department, International Bills Finance Corp.	Vice President, International Bills Finance Corp. Director, Guo Want International Leasing Corp.	-	-	-	None
0	0	Accounting Department, Soochow University Director, Accounting Division, Oversea-Chinese Banking Corporation Limited Chief Auditor, Central Insurance Co., Ltd. Chief Auditor and Assistant Vice President, International Bills Finance Corp.	-	-	-	-	None
0	0	Master of Business Administration, National Taiwan University of Science and Technology L.L.B., Fu Jen University Vice President of Legal Compliance, Director of Personnel Office, Director of Human Resource Division, Director or General Affairs Division, Manager of Sales Department, Manager of Loan Management Department, Manager of Business Management Department, and Chief Secretary of Secretariat of Board of Directors, Taiwan Business Bank Director of Legal Affairs and Disciplines Committee, Trust Association of R.O.C. Committee Member of Legal Affairs and Disciplines Committee, Bank Association of R.O.C. Passed the Senior Qualification Examination for Attorney Certified Anti-Money Laundering Specialist (ACAMS) Qualification	Chief Compliance Officer and Head of Unit for Prevention of Money Laundering and Anti-Terrorism, Rakuten International Commercial Bank Co., Ltd.	-	-	-	None
0	0	Ph. D, School of Management, National Taiwan University of Science and Technology Senior Assistant Vice President, Zhongshan Branch, Information Dept. International Bills Finance Corp. Chairman, Guo Want International Leasing Corp.	Director, IBF Financial Holding (BVI) Co., Ltd. Vice President, Administration Dept., International Bills Finance Corp. Director, IBF Venture Capital Co., Ltd.	-	-	-	None

Title (Note1)	Nationality/ Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding	
				Shares	%	Shares	%
Senior Assistant Vice President, Risk Management Department	Republic of China, (Taiwan)	An-Fa Chang/ Male	2022.01.01	217,056	0.007	0	0
Assistant Vice President, Administration Department	Republic of China, (Taiwan)	Milton Huang/ Male	2022.01.01	57,885	0.001	200,004	0.006
Chief Corporate Governance Officer	Republic of China, (Taiwan)	Jason Wu/ Male	2019.03.25	69,947	0.002	0	0
Assistant Vice President, Compliance & Legal Department	Republic of China, (Taiwan)	Andre Huang/ Male	2019.09.01	274,785	0.009	0	0
Manager, Information Department	Republic of China, (Taiwan)	Sung-Ta Yang /Male	2021.03.23	125,000	0.004	0	0

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note 3
Shares	%			Title	Name	Relation	
0	0	EMBA, National Chengchi University First Vice President of Offshore Wealth Management Department, Fubon Bank (Hong Kong) Manager of Baba Branch, Standard Chartered Bank Director, Tsinta Branch, Tientsin, Citibank Chief Compliance Officer and Assistant Vice President of Planning Department, International Bills Finance Corp. Senior Assistant Vice President, Administration Department, IBF Financial Holdings	-	-	-	-	None
0	0	Master of Accounting, and Bachelor of Business Administration, National Taiwan University Deputy Manager, Financial Department, Howard Hotels Co., Ltd., Manager, President Securities Corp. Accountant qualification	Assistant Vice President, Risk Management Office, International Bills Finance Corp. Supervisor, Guo Want International Leasing Corp.	-	-	-	None
0	0	Master of Laws, University of South California Vice President and Chief Compliance Officer, First Securities Investment Trust Co., Ltd. General Counsel and Chief Compliance Officer, Hontai Life Insurance Judge, Taiwan High Court Kaohsiung Branch Court, Taiwan Kaohsiung District Court, and Taiwan Shilin District Court Attorney Certified Anti-Money Laundering Specialist (ACAMS) Chief Corporate Governance Officer, International Bills Finance Corp.	-	-	-	-	None
0	0	Master of Laws, National Chengchi University Junior Manager, E.SUN Bills Finance Corp. Attorney Manager, Administration Department, IBF Financial Holdings Certified Anti-Money Laundering Specialist (ACAMS)	Director, IBF Securities Co., Ltd.	-	-	-	None
0	0	MBA, National Taiwan University of Science and Technology Manager of Administration Department, Information Department, Specialist of Accounting Department, International Bills Finance Corp.	Manager of Information Department, International Bills Finance Corp.	-	-	-	None

Title (Note1)	Nationality/ Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding	
				Shares	%	Shares	%
Manager, Planning Department	Republic of China, (Taiwan)	Hsien-Tsung Li /Male	2021.03.23	134,201	0.004	0	0
Deputy Manager, Financial Department	Republic of China, (Taiwan)	Hsin-Hung Lin/ Male	2020.01.02	28,104	0.000	0	0

Note: 1. All job positions including President, Vice President, Assistant Vice President, all departments and branch institution supervisor information, and all positions equivalent to President, Vice President or Assistant Vice President, regardless of the names of the titles, are disclosed.

Note: 2. All of the above personnel are not assuming positions at the accounting firm performing the audit.

Note: 3. At the 17th meeting of the 7th Board of Directors on 2021.12.17, it was approved that Chairman Chi-Lin Wea acted as President (President Michael Y. J. Ding resigned on 2021.12.2), and it was approved by the competent authority for a maximum period of three months. On March 14, 2022, the Board approved the appointment of Mr. Sung-Huei Su as the president. The appointment will take effect after the supervisor's consent.

3.2.3 Chairman or President retired from the company or its affiliates return to assume the position of advisor: None.

Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note 3
Shares	%			Title	Name	Relation	
0	0	MBA, National Cheng Kung University Master of Laws, National Chengchi University Manager of Financial Product Department, Senior Associate Manager of Credit Department, Capital Market Department, Associate Manager of Bills Department, Business Department, International Bills Finance Corp.	Director, Guo Want International Leasing Corp.	-	-	-	None
0	0	Master of Accounting, Cultural University Associate Manager of Audit Service Department, PricewaterhouseCoopers IBF Securities- Chief accountant of International Securities Business Branch	-	-	-	-	None

Range of Remuneration	Name of Directors (Note8)			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements (H)	The company	Companies in the consolidated financial statements (I)
Under NT\$ 1,000,000	Steven Hung, Cheng-Fong Shih, Cheng-Lin Chen, Hung, Hui-Ching, James Y. L. Wei, Teng-Shan Tai, Tsai, Chia-Ping	Cheng-Fong Shih, Cheng-Lin Chen, Hung, Hui-Ching, James Y. L. Wei, Teng-Shan Tai, Tsai, Chia-Ping	Steven Hung, Cheng-Fong Shih, Cheng-Lin Chen, Hung, Hui-Ching, James Y. L. Wei, Teng-Shan Tai, Tsai, Chia-Ping	Cheng-Fong Shih, Cheng-Lin Chen, Hung, Hui-Ching, James Y. L. Wei, Teng-Shan Tai, Tsai, Chia-Ping
NT\$ 1,000,000(Incl.) ~ NT\$ 2,000,000 (Excl.)	-	-	-	-
NT\$2,000,000(Incl.)~NT\$3,500,000 (Excl.)	-	-	-	-
NT\$3,500,000 (Incl.) ~ NT\$5,000,000 (Excl.)	First Commercial Bank, Hua-Kang International Asset Management Corp., Taiwan Cooperative Bank, Michael Chen	First Commercial Bank, Hua-Kang International Asset Management Corp., Taiwan Cooperative Bank, Michael Chen	First Commercial Bank, Hua-Kang International Asset Management Corp., Taiwan Cooperative Bank	First Commercial Bank, Hua-Kang International Asset Management Corp., Taiwan Cooperative Bank
NT\$5,000,000(Incl.)~NT\$10,000,000 (Excl.)	Ching-Sung Wu, Shihchen Joseph Jao, Chen, Shu Chuan, Wei-Lung Chen	Ching-Sung Wu, Shihchen Joseph Jao, Chen, Shu Chuan, Wei-Lung Chen	Ching-Sung Wu, Shihchen Joseph Jao, Chen, Shu Chuan, Wei-Lung Chen	Ching-Sung Wu, Shihchen Joseph Jao, Chen, Shu Chuan, Wei-Lung Chen
NT\$10,000,000(Incl.)~NT\$15,000,000 (Excl.)	-	-	Michael Chen	Michael Chen
NT\$15,000,000(Incl.)~NT\$30,000,000 (Excl.)	Ren Wang Co., Ltd., Chi-Lin Wea, Tsai, Shao Chung	Ren Wang Co., Ltd., Chi-Lin Wea, Tsai, Shao Chung	Ren Wang Co., Ltd., Chi-Lin Wea, Tsai, Shao Chung	Ren Wang Co., Ltd., Chi-Lin Wea, Tsai, Shao Chung
NT\$30,000,000(Incl.)~NT\$50,000,000 (Excl.)	-	Steven Hung	-	Steven Hung
NT\$50,000,000(Incl.)~NT\$100,000,000 (Excl.)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	18	18	18	18

Note 1: The Company selected the 7th term of Directors in the annual shareholders' meeting on June 12, 2020.

Note 2: The Company plans to distribute the 2021 remuneration of directors at an amount of NT\$ 63,536 thousand.

Note 3: It refers to the transportation fee and attendance fee of 2021. In addition, the company car rental provided for the Chairman is NT\$ 942 thousand. The drivers' compensation are not counted into the remuneration.

Note 4: The 2021 net income after tax of the Company is NT\$ 3,883,865 thousand.

Note 5: It refers to the salary, differential pay, various bonuses, allowance, rental cost for cars provided etc. of directors concurrently acting as employees in 2021.

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Wen-Chuan Hung	-
NT\$ 1,000,000(Incl.) ~ NT\$ 2,000,000 (Excl.)	-	-
NT\$2,000,000(Incl.) ~ NT\$3,,500,000 (Excl.)	Karen Wu	-
NT\$3,500,000 (Incl.) ~ NT\$5,000,000 (Excl.)	-	Karen Wu
NT\$5,000,000(Incl.) ~ NT\$10,000,000 (Excl.)	Michael Chen, Andrew Chiu, Wen-Chu Hou	Michael Chen, Andrew Chiu, Wen-Chu Hou, Wen-Chuan Hung
NT\$10,000,000(Incl.) ~ NT\$15,000,000 (Excl.)	-	-
NT\$15,000,000(Incl.) ~ NT\$30,000,000 (Excl.)	-	-
NT\$30,000,000(Incl.)~ NT\$50,000,000 (Excl.)	Michael Y. J. Ding	Michael Y. J. Ding
NT\$50,000,000(Incl.) ~ NT\$100,000,000 (Excl.)	-	-
Over NT\$100,000,000	-	-
Total	6	6

Note 1: It refers to various bonuses, allowances. In addition, the company car rental of NT\$ 714 thousand is provided to President, and the President's driver's compensation is NT\$1,597 thousand, not counted into the remuneration.

Note 2: The Company plans to distribute the 2021 employee's remuneration at an amount of NT\$ 53,609 thousand, all in cash.

Note 3: The 2021 net income after tax of the Company is NT\$3,883,865 thousand.

Note 4: The Company and all companies listed in the consolidated report did not issue the employee stock option certificate and restricted stock awards in 2021.

Note 5: General Manager Michael Y. J. Ding resigned from the position of General Manager of the Company on December 2, 2021.

3.3.3 Bonus of the Managers

December 31, 2021

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value) (Note2)	Employee Bonus - in Cash (Note2)	Total	Ratio of Total Amount to Net Income (%) (Note3)
Executive Officers (Note1)	President	Michael Y. J. Ding	0	24,522	24,522	0.63
	Executive Vice President	Michael Chen				
	Executive Vice President	Andrew Chiu				
	Vice President	Wen-Chuan Hung				
	Chief Compliance Officer	Karen Wu				
	Chief Auditor	Wen-Chu Hou				
	Senior Assistant Vice President	An-Fa Chang				
	Senior Assistant Vice President	Tain-yi Luor				
	Assistant Vice President	Milton Huang				
	Assistant Vice President	Andre Huang				
	Chief Corporate Governance Officer	Jason Wu				
	Manager	Sung-Ta Yang				
	Manager	Hsien-Tsung Li				
	Deputy Manager	Hsin-Hung Lin				

The employees' remuneration (including stocks and cash) for managerial officers proposed to be distributed and approved by the board of directors' meeting in the most recent year is listed. Net profit after tax refers to the net profit after tax of the most recent year.

Note 1: The applicable scope of managerial officers is as follows:

- (1) President and equivalent level.
- (2) Vice President and equivalent level.
- (3) Assistant Vice President and equivalent level.
- (4) Financial Department supervisor.
- (5) Accounting Department supervisor.
- (6) Other personnel with the authority to manage affairs and provide signature for the Company.

Note 2: The Company plans to distribute the 2021 employee's remuneration at an amount of NT\$ 53,609 thousand, all in cash.

Note 3: The 2021 net income after tax of the Company is NT\$ 3,883,865 thousand.

3.3.4 Remuneration of Consultants who are retired Chairman or President from the Company or subsidiaries:

None.

3.3.5 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income.

Unit: NT\$ thousands

Year	2020		2021		Difference	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Total remuneration	128,351	211,302	169,425	235,704	32.00%	11.55%
Net income	3,248,0854		3,883,865		19.57%	
Ratio of total remuneration to net income	3.95%	6.51%	4.36%	6.07%	0.41%	-0.44%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and risks.

The policies, standards, and portfolios for the payment of remuneration

For the remuneration of directors of the Company, according to Article 32 of the Articles of Incorporation, shall be based on the balance obtained from the income before tax of the current year without deducting the employees' remunerations and directors' remunerations, and after the deduction of the reserved amount for making up the accumulated loss, following which an amount within 2% of such balance is appropriated as the remuneration of directors for the current year. The actual appropriation amount shall consider the business outcome of the company, performance contribution etc. in order to appropriate a reasonable remuneration within the amount specified in the Articles of Incorporation. The procedures for remunerations of directors and managerial officers of the Company comply with all of the regulations approved by the board of directors, and are reviewed with approval by the Remuneration Committee, followed by submitting to the board of directors for resolution in order to execute accordingly.

The procedures for determining remuneration, and the correlation with business performance and risks

The remunerations of directors and independent directors are determined by their involvement and contribution to the Company's operation and the usual compensation level at peer companies, then submitted to the Remuneration Committee and board of directors for assessment. The Company continuously monitors the actual operation and changes of related regulations, in order to achieve sustainable management and control operation risk.

The remuneration amount paid to Directors, President and Vice Presidents of the Company in 2021 increased, and such increase is mainly due to the net profit after taxes in 2021 increased by nearly 19.57% from the value in 2020 such that the non-fixed remunerations including the remuneration of directors, performance bonus and remuneration of employees etc. are increased.

The salaries and bonuses paid by the Company to President and Vice Presidents are handled according to the "Employee Salary and Remuneration Payment Regulations" and "Employee Bonus Issuance Regulations", wherein the bonus amount is appropriated according to the budget achievement status in the previous year. The appropriation of remuneration of employees is based on the regulations of Article 235-1 of the Company Act and the Articles of Incorporation of the Company, in which the calculation method for the remuneration of employees, appropriation ratio and issuance subjects etc. of the Company are specified.

The comparison of the remuneration amount of directors and managerial officers as well as the net profit after tax of the Company in 2021 with the amount in 2020 indicates a positive relationship in the remuneration payment and the achievement of business objectives. In addition, the management talent, planning ability and execution of managerial officers are the foundation of the company in achieving stable business and performance creation. Any changes of the remuneration in the "Employee Bonus Issuance Regulations" and "Employee Remuneration Issuance Regulations" of the Company are made with reasonable distribution based on the company's business outcome and individual performance in order to encourage managerial officers to focus on the business objectives of the Company; provided that the Company does not encourage directors and managerial officers to overly seek risk premiums.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

1. The attendance of directors

(1) A total of 10(A) meetings of the 7th Board of Directors (the company elected the 7th Board of Directors on 2020.6.12) were held in 2021. The attendance of directors were as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Ren Wang Co., Ltd. Representative: Chi-Lin Wea	10	0	100	-
Vice Chairman	Ren Wang Co., Ltd. Representative: Tsai, Shao Chung	10	0	100	-
Director	Ren Wang Co., Ltd. Representative: Cheng-Lin Chen	10	0	100	-
Director	Ren Wang Co., Ltd. Representative: Cheng-Fong Shih	10	0	100	-
Director	Ren Wang Co., Ltd. Representative: Steven Hung	9	1	90	-
Director	Michael Chen	10	0	100	-
Director	Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei	10	0	100	-
Director	First Commercial Bank Representative: Hung, Hui-Ching	10	0	100	
Director	Taiwan Cooperative Bank Representative: Teng-Shan Tai	3	1	75	Note
	Taiwan Cooperative Bank Representative: Tsai, Chia-Ping	6	0	100	
Independent director	Shihchen Joseph Jao	10	0	100	-
Independent director	Wei-Lung Chen	10	0	100	-
Independent director	Chen, Shu Chuan	10	0	100	-
Independent director	Ching-Sung Wu	10	0	100	-

Note: Legal person director appointed another representative on June 28, 2021.

(2) 2021 Attendance of Independent Directors

Meeting	7 th Board of Directors									
	8 th	9 th	10 th	11 th	12 th	13 th	14 th	15 th	16 th	17 th
Shihchen Joseph Jao	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Chen, Shu Chuan	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Ching-Sung Wu	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Wei-Lung Chen	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎

Note : ◎Attendance in Person ; ☆By Proxy ; * Absent ◦

2. Other mentionable items:

Where the operation of the board of directors' meeting is subject to any one of the following conditions, the date, session, proposal content, opinions of all independent directors and the handling of the company to the opinions of independent directors shall be described:

(1) Resolutions referred to in Article 14-3 of the Securities and Exchange Act:

None, as the Company has set up Audit Committee.

(2) If resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

Date	Session	Proposal content	Resolution
2021.2.24	The 7 th Term of Board of Directors' 8 th Meeting	The proposal for the Company intends to authorize the chairman or its designee to negotiate with Rakuten Bank, Ltd. (Japan) and Rakuten Card Co. (Japan) for the payment of compensation within NT\$150 million in order to exclude the Company's obligations under the non-compete clause in the joint venture agreement is hereby submitted for approval.	The proposal was not approved by vote, with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		For the purpose of investing in EnTie Commercial Bank, it was intended to acquire 100% of its shares through a share swap using cash	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative:

Date	Session	Proposal content	Resolution
		and preferred shares as the transaction consideration. The chairman or a designee was authorized to negotiate a certain price range and transaction terms.	Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
2021.3.23	The 7 th Term of Board of Directors' 9 th Meeting	Proposal to amend certain provisions of the "Articles of Incorporation" of the Company is hereby submitted for approval.	The proposal was passed with seven directors in favor(Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		The date, location, main proposals, acceptance of proposals from shareholders and other matters of the 2021 Regular Shareholders' Meeting are hereby submitted for approval.	
2021.7.26	The 7 th Term of Board of Directors' 13 th Meeting	In order to meet the fundraising needs for the Company's investment projects, the request for the Board of Directors to authorize the Chairperson of the Board of Directors to negotiate for the contract and appointment within \$8 million for KGI Securities selected by the Internal Underwriter Evaluation Committee in accordance with the progress of the project is hereby submitted for approval.	The proposal was passed with seven directors in favor(Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		In order to prudently evaluate the investment in EnTie Commercial Bank, the Board of Directors' proposal to	

Date	Session	Proposal content	Resolution
		authorize the Chairperson or its designee to appoint an external financial professional institution to conduct due diligence procedures with the updated base date within NT\$2 million is hereby submitted for approval. In order to prudently evaluate the investment in EnTie Commercial Bank, the Board of Directors' proposal to authorize the Chairperson or its designee to appoint an external law firm to conduct legal, due diligence procedures with the updated base date within NT\$2 million is hereby submitted for approval.	
2021.10.14	The 7 th Term of Board of Directors' 15 th Meeting	The Company's proposal to execute a share swap agreement with EnTie Commercial Bank to acquire 100% of its shares by way of share swap in consideration of cash payment and issuance of preferred shares, and submit the necessary documents to the shareholders' meeting for discussion and resolution, and authorize the Chairperson or its designee to sign the share swap agreement and the declaration is hereby submitted for approval. The Company's proposal to issue class A preferred shares for the share swap with EnTie Commercial Bank is hereby submitted for approval. The Company's proposal to issue additional common shares for cash capital increase is hereby submitted for approval.	The proposal was passed with seven directors in favor(Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).

- (3) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Name of Director	Session of Board of Directors' Meeting	Proposal content	Reasons for recusal of conflict of interests	Voting and participation status
Michael Chen	The 7 th Term of Board of Directors' 16 th Meeting	2022 Annual Audit and Inspection Plan (draft) prepared by the Auditing Division is submitted for review. Please proceed with the resolution.	Recusal due to concurrent duties in the managerial department.	Did not participate in discussion or voting on the proposal
Chi-Lin Wea	The 7 th Term of Board of Directors' 17 rd Meeting	The proposal for the Chairperson of the Company's Board of Directors to act as the President of the Company is hereby submitted for approval.	Relevant parties of this case	Did not participate in discussion or voting on the proposal

(4) Evaluation of the implementation of the board of directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once every 3 years	2019.11.01-2020.10.31	Board of Directors and Functional Committees	External Evaluation	1.The composition of the Board of Directors. 2.The guidance of the Board of Directors. 3.The authorization of the Board of Directors. 4.The supervision of the Board of Directors. 5.The communication of the Board of Directors. 6.Internal control and risk management 7.The self-regulation of the Board of Directors. 8.Others such as board meetings, support systems, etc.
Once annually	2021.01.01-2021.12.31	Performances of the Board of Directors and Functional Committees	Internal self-evaluation by the board of Directors and Functional Committees Performance	The evaluation content according to the "Regulations for Evaluation Performance of the Board Directors" is as follows: 1. Participation level in the Company's operations. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. The election of the directors and their continuing professional education. 5. Internal control.

- (5) Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.
- a. The board of directors of the Company is formed by 13 directors (including 4 independent directors). Members of the board of directors are all equipped with professional experience in financial, commercial and management fields. In addition, to strengthen the professional functions of the board of directors and to link with the international trend, the Company has officially established the Remuneration Committee in September 1, 2011, in order to provide assistance to the board of directors in the planning and the evaluation of the directors' remuneration standards, managerial officers' performance evaluation system and remunerations of the Company. Since the fifth year of board of directors' meeting, Audit Committee has been established, and the supervisor system has been abolished. The Audit Committee is formed by all of the independent directors, and the principle of its establishment is mainly to assist the board of directors in the increase of corporate governance performance, and to understand relevant information of the Company as well as risks encountered timely through supervision on the Company's internal control system, in order to enhance the effectiveness of the corporate internal control.
 - b. The Company is committed to the increases of corporate governance outcome such that the Company explicitly specifies the seats, qualification criteria and selection method of independent directors in the Articles of Incorporation. In addition, the Company also follows the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in order to arrange all of the directors to participate in the continuing education courses covering the financial, business and legal etc. of the corporate governance, and the continuing education hours also comply with the requirements.
 - c. To strength the governance system of the board of directors, the Company has also established the Procedures for Board of Directors' Meetings for compliance in order to increase the information transparency of the operation information of board of directors' meetings, to disclose important resolutions of board of directors' meetings in the annual reports and the Company's website, as well as to disclose the status on the directors' attendance of board of directors' meeting and continuing education status on the Market Observation Post System.
 - d. With the consideration on the balance between the exercise of rights and performance of obligations by directors and management officers, as well as the consideration on the effective reduction of risks borne by directors, management officers and the Company, the Company purchases the "Directors & Officers Professional Liability Insurance" for the directors and management officers of the Company.

- e. To further effectively promote the corporate governance operation, the Company has actively completed the establishment of works for various corporate governance operations and relevant regulations, including the establishment of: “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Corporate Social Responsibility Best Practice Principles” etc.
- f. In order to enhance the performance of the Board of Directors, the Company's Board of Directors approved an amendment to the "Board of Directors Performance Evaluation Measures" on November 25, 2020, which specifies that the external evaluation of the performance of the Board of Directors shall be conducted at least once every three years. In November 2020, the Company appointed the Taiwan Corporate Governance Association to perform the 2020 External Board of Directors and Functional Committee Performance Evaluation (from November 1, 2019 to October 31, 2020). The association and the executive experts had no business dealings with the Company. They conducted the evaluation by questionnaires and on-site visits on eight major components of the Board of Directors and functional committees, including composition, guidance, authorization, supervision, communication, internal control and risk management, self-regulation and others. The association issued an evaluation report on January 4, 2021 for the effectiveness of the Board of Directors. In addition, the Company conducted internal self-evaluation of the performance of the Board of Directors, individual board members, the Audit Committee and the Salary and Remuneration Committee in 2021, and the evaluation items include (1) the level of participation in the Company's operations (2) the improvement of the quality of decision-making of the Board of Directors (or functional committees) (3) the composition and structure of the Board of Directors (or functional committees). (4) Election and continuing education of directors (or functional committees) and (5) Internal control, etc. The self-evaluation results were all "excellent", indicating that the directors and committee members had positive comments on the efficiency and effectiveness of the operations of the Board of Directors and functional committees, and the overall operations remained good. The Company will continue to improve the effectiveness of the Board of Directors and functional committees, and use the results of individual directors' performance evaluation as a reference for determining the remuneration of directors for 2021 and the nomination of directors for reappointment for the next term.
- g. The Company has staffed the corporate governance personnel on December 12, 2018 in order to protect the rights and benefits of the shareholders. To ensure the execution of the corporate governance policy and according to the resolution approved by the board of directors of the IBF Financial Holdings in March 2019, the position of “Corporate Governance Officer” was

arranged under the President and the “Corporate Governance Department” was established to act as the responsible unit for corporate governance and ethical management, and assisting the board of directors in promoting the construction of a complete corporate governance structure for the Financial Holding and all of its subsidiaries. The main responsibilities of the corporate governance department include (1) provide documents necessary for directors to perform duties, (2) assist directors to comply with the laws, (3) perform meeting related affairs for the board of directors’ meeting and shareholders’ meeting according to the laws.

The 2021 corporate governance duties execution status is as follows:

- (a) Assist independent directors and general directors to perform job duties, provide necessary documents and arrange the training for the directors:
 - i. For the amendment and development of latest laws and regulations in the corporate operation field and corporate governance relevant field, provide periodic notices to members of the board of directors.
 - ii. Provide company information required by the directors, maintain smooth communication and discussion between the directors and the units of auditing, legal compliance and financial etc. of the Company.
 - iii. Assist the independent directors to perform individual interviews with the internal audit supervisors or CPA according to the corporate governance best practice principles in order to understand the needs of the financial service of the Company, and to assist the arrangement of relevant meetings.
 - iv. For the continuing education of the Company’s directors in 2021, the Company invited Securities and Futures Institutes to hold the "Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications" and "The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG" on 2021.9.7 and 2021.12.10, respectively, with Prof. Yuan-Yi Fang (Dean of Academic Affairs, Chinese Culture University) and Prof. Yen-Liang Chen (Head of Department of Law, National Taipei University) as the lecturers.)
- (b) Assist with the legal compliance of board of directors’ meeting and shareholders’ meeting procedure and resolution:
 - i. Provide reports on the corporate governance operation status of the Company in the board of directors’ meeting, confirm that the shareholders’ meeting and board of directors’ meeting conventions comply with the relevant laws and the corporate governance best practice principles.
 - ii. Assist the directors to comply with relevant laws of the Company Act,

and Securities and Exchange Act etc. during the performing of duties or making resolution for the board of directors' meeting, including the recusal requirements for the agendas of board of directors' meeting etc.

- iii. After a board of directors' meeting, responsible for verifying the major information announcement of important resolutions in order to ensure the legality and accuracy of the major information content and to ensure the properness of the investor transaction information etc.

(c) Maintain investor relationship:

Assist the organization of the institutional investors' conference; arrange the interaction and communication among the company's spokesman, senior executives and corporate investors or general shareholders, in order to allow the rights and benefits of the shareholders to be properly maintained.

- (d) Establish the board of directors' meeting agenda, and provide notices to all directors 7 days in advance (except for emergency meetings). During the issuance of the meeting convention notices, provide complete meeting documents, and complete the meeting minutes for a board of directors' meeting within 20 days after the board of directors' meeting.
- (e) Handle the preliminary registration for the shareholders' meeting date, prepare meeting notice, meeting handbook and meeting minutes within the statutory deadlines.

3. Professionalism and independence of the Board of Directors

In accordance with Article 29 of the Company's "Corporate Governance Best Practice Principles", directors are expected to generally possess the knowledge, skills, and qualities necessary to carry out their duties. In order to achieve the desired objectives of corporate governance, it is desirable that the Board of Directors as a whole have the following competencies:

- (1) The ability to make judgments about operations.
- (2) Accounting and financial analysis ability.
- (3) Business management ability (including the management of subsidiaries)
- (4) Crisis management ability.
- (5) Industry Knowledge
- (6) An international market perspective.
- (7) Leadership ability.
- (8) Decision-making ability.
- (9) Risk management knowledge and capabilities.

The composition of the Board of Directors of the Company has been reported to the Financial Supervisory Commission and is in compliance with the

requirements of the competent authorities.

4. Succession planning for board members and management

- (1) The Company's Articles of Incorporation provide for a candidate nomination system for the election of directors, and the composition of the Board of Directors is planned in accordance with the structure of the Board, the diversity policy and the ability of the Board of Directors as a whole as stipulated in the Company's "Procedure for Election of Directors" and "Corporate Governance Best Practice Principles" in order to arrange for suitable successors.
- (2) In evaluating the successor candidates, not only their professional qualifications and experience will be considered, but also their familiarity with the corporate culture of the Company, their familiarity with business control and their mastery of the management of subsidiaries, etc. In line with the Company's development blueprint, professionals from the financial industry or other industries, government and academia will be recruited, and if they are current directors within the Group, the results of their board performance evaluation will be also referred to in order to make board arrangements for the whole Group.
- (3) In order to maintain the professional and experience succession of board members, the Company has established a database of directors' talent through the following means to serve as a reference for succession planning of directors:
 - a. Consult with various parties for suitable candidates to serve as directors of the Company.
 - b. Refer to the independent director talent database.
 - c. Appoint existing directors or appropriate outside organizations or consultants to propose suitable directors.
 - d. Refer to the results of the Board of Directors' performance evaluation for the reappointment nomination of directors.
- (4) "Talent is the most important asset of a company." The Company has been promoting a function-oriented talent strategy for years, and has developed various professional and management training programs based on the strategy. In recent years, the Company has further integrated the world-renowned leadership assessment tools to comprehensively examine the leadership potential and characteristics of management personnel across businesses, functions and levels in order to capture the driving factors that motivate individuals to develop.
- (5) At the same time, the Company also set up talent development committees at all levels to take stock of personnel performance and potential, to improve discussions, to plan customized career development blueprints, and to build a complete potential talent pool through on-the-job training, project assignments, or cross-country, cross-business, and cross-function rotations.

3.4.2 Audit Committee

The purpose of the Audit Committee is to assist the board of directors to perform is supervision on financial, auditing and financial report processes executed by the Company as well as the quality and integrity in terms of the financial control.

Annual work focus:

- Review financial report: The board of directors of the Company has prepared the 2021 business report, consolidated financial statements and earnings distribution proposal, in which the consolidated financial statement has been audited and certified by CPA Shu-Mei Chi, and CPA Wei-Chi Lin of PwC Taiwan. The aforementioned business report, consolidated financial statements and earnings distribution proposal have been reviewed by the Audit Committee completely and are considered to be proper with compliance.
- Evaluate the effectiveness of the internal control system: The Audit Committee evaluates the effectiveness of the internal control system policies and procedures (including financial operating risk management, legal compliance and control measures), and also reviews the periodic reports conducted by the audit department, independent auditors and the management level of the Company.
- Review the matters requiring the consent of the Audit Committee specified in Article 14-5 of the Securities and Exchange Act.

1. The attendance of the independent directors

A total of 7(A) Audit Committee meetings were held in 2021. The attendance of the independent directors was as follows:

The 3rd Term of Audit Committee

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】
Independent director	Shihchen Joseph Jao	7	0	100
Independent director	Wei-Lung Chen	7	0	100
Independent director	Chen, Shu Chuan	7	0	100
Independent director	Ching-Sung Wu	7	0	100

2. Other mentionable items:

- (1) Where the operation of the Audit Committee's meeting is subject to any one of the following conditions, the date, session, proposal content of the Audit

Committee, dissents, reserved opinions or material suggestions by independent directors, and opinions of Audit Committee and the handling of the company to the opinions of Audit Committee shall be described:

a. Resolutions referred to in Article 14-5 of the Securities and Exchange Act

Date	Session	Proposal content	Resolution
2/24/2021	The 7th Term of Board of Directors' 8th Meeting	The proposal for the Company intends to authorize the chairman or its designee to negotiate with Rakuten Bank, Ltd. (Japan) and Rakuten Card Co. (Japan) for the payment of compensation within NT\$150 million in order to exclude the Company's obligations under the non-compete clause in the joint venture agreement is hereby submitted for approval.	The 5th meeting of the 3rd Audit Committee (2021.2.23) resolution: The Chairman consulted all the members present. Two members were in favor of the proposal: Mr. Shih-Chen Jao and Ms. Shu-Chuan Chen, and two members were against the proposal: Mr. Ching-Sung Wu and Mr. Wei-Lung Chen. The proposal was passed and submitted to the Board of Directors for approval. Opposing opinion: Disagreed with the amendment of the terms and conditions of the joint venture contract with the partner regarding the negotiation terms proposed by the managerial department. Resolution of the Board of Directors: The proposal was not approved by vote, with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).

Date	Session	Proposal content	Resolution
2/24/2021	The 7th Term of Board of Directors' 8th Meeting	For the purpose of investing in EnTie Commercial Bank, it was intended to acquire 100% of its shares through a share swap using cash and preferred shares as the transaction consideration. The chairman or a designee was authorized to negotiate a certain price range and transaction terms.	The 5th meeting of the 3rd Audit Committee (2021.2.23) resolution: The Chairman consulted all the members present. Two members were in favor of the proposal: Mr. Shih-Chan Jao and Ms. Shu-Chuan Chen, and two members were against the proposal: Mr. Ching-Sung Wu and Mr. Wei-Lung Chen. The proposal was passed and submitted to the Board of Directors for approval. Favorable opinion: This investment will increase the size of the Company's assets, revenues and the Group's overall efficiency. Opposing opinion: The following doubts remain regarding this investment 1. Whether it can improve the group's overall efficiency. 2. The investment structure and fundraising conditions are not yet clear. 3. Whether the financial condition of the Company can afford it. 4. Whether the proposed authorized negotiation price is appropriate. Resolution of the Board of Directors: The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung,

Date	Session	Proposal content	Resolution
			Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
3/23/2021	The 7th Term of Board of Directors' 9th Meeting	The 2020 final accounting reports of the Company are hereby submitted for approval.	The 6th meeting of the 3rd Audit Committee (2021.3.16) resolution: Approved by all of the attending committee members, and submitted to the board of directors' meeting for resolution. Board of directors' meeting: Approved by all attending directors.
		Proposal for 2020 earnings distribution of the Company is hereby submitted for approval.	
		Proposal to increase capital by retained earnings and issuance of new shares of the Company is hereby submitted for approval.	
		Proposal to amend certain provisions of the "Measures for the Administration of Material Contingencies," is hereby submitted for approval.	
		Proposal to amend certain provisions of the "Remuneration Committee Charter" of the Company is hereby submitted for approval.	
		Proposal to amend certain provisions of the "Measures for Managing Equities" of the Company is hereby submitted for approval.	
		Proposal to amend some provisions of the "Measures for Risk Management" of the Company is hereby submitted for approval.	
		Proposal to amend some provisions of the "Measures for Managing Large Exposures" of the Company is hereby submitted for approval.	
		Proposal to amend some provisions of the "Rules of Procedure for Shareholders Meetings" of the Company is hereby submitted for approval.	
		Proposal to amend certain provisions of the "Procedure for Election of Directors" of the Company is hereby submitted for approval.	
		Proposal for the change in the officer of the Information Department and in the officer of the Financial Department of the Company is hereby submitted for approval.	
		Proposal to amend certain provisions of the "Articles of Incorporation" of the Company is hereby submitted for approval.	The 6th meeting of the 3rd Audit Committee (2021.3.16) resolution: The Chairman consulted all the members present. Two members were in favor of the proposal: Mr. Shih-Chan Jao and Ms. Shu-Chuan Chen, and two members were against the proposal: Mr. Ching-Sung Wu and Mr. Wei-Lung Chen. The proposal was passed and submitted to the Board of Directors for approval. Committee member Wei-Long Chen opposed the proposal and suggested to withdraw or postpone it. 1. The non-compete clause with Rakuten Bank of Japan has not been agreed to be lifted.

Date	Session	Proposal content	Resolution
			2. The details of the merger and acquisition have not yet been approved by the Board of Directors. 3. The issuance of "preferred shares with conversion rights" is usually a financial instrument to bail out, enter and host a acquisition target, and is not applicable to the proposed bank acquisition by IBFFH, and should not be included in the amendment. Committee member Ching-Sung Wu objected the proposal with written opinion: In order to meet the funding needs for operational growth, investment plans or strategic development, the Company should carefully develop a long-term, comprehensive fund raising plan and submit it to the Board of Directors for careful discussion and approval. If necessary, it should also be reported to the shareholders' meeting for discussion. The fund raising channels can be more diversified and flexible, including short-, medium- and long-term bank borrowings, cash capital increase through issuance of new shares, issuance of overseas depositary receipts, issuance of corporate bonds, etc. The advantages and disadvantages of different fund raising tools and their impact on the financial structure should be specifically evaluated, and then the capital raising tools to be adopted by the Company should be recommended. To amend the Articles of Incorporation for the Preferred Stock with "certain criteria" without a comprehensive plan is not appropriate. Resolution of the Board of Directors: The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen,

Date	Session	Proposal content	Resolution
			Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
5/20/2021	The 7th Term of Board of Directors' 10th Meeting	The proposal for the change in the head of the Company's Financial Department is hereby submitted for approval.	The 7th meeting of the 3rd Audit Committee (2021.5.18) resolution: After the Chairperson inquired about the opinions of all attending members, no dissenting opinion was raised and the proposal was passed as presented and submitted to the Board of Directors for approval. The managerial departments were reminded to conduct a comprehensive review of human resources planning issues such as staff secondment, part-time and full-time appointments. Board of directors' meeting: Approved by all attending directors.
8/23/2021	The 7th Term of Board of Directors' 14th Meeting	Proposal to amend some provisions of the "Measures for Risk Management" of the Company is hereby submitted for approval.	The 8th meeting of the 3rd Audit Committee (2021.8.17) resolution:
		The proposal to amend the "Official Duties Delegation of Responsibility and Approval Hierarchy Detail List" of the Company is submitted for approval.	Approved by all of the attending committee members, and submitted to the board of directors' meeting for resolution.
		The proposal to amend certain provisions of the "Measures for Managing Transactions between the Company and Stakeholders" of the Company is hereby submitted for approval.	Board of directors' meeting: Approved by all attending directors.
14/10/2021	The 7th Term of Board of Directors' 15th Meeting	The Company's proposal to execute a share swap agreement with EnTie Commercial Bank to acquire 100% of its shares by way of share swap in consideration of cash payment and issuance of preferred shares, and submit the necessary documents to the shareholders' meeting for discussion and resolution, and authorize the Chairperson or its designee to sign the share swap agreement and the declaration is hereby submitted	The 9th meeting of the 3rd Audit Committee (2021.10.14) resolution: The Chairman consulted all the members present. Two members were in favor of the proposal: Mr. Shih-Chen Jao and Ms. Shu-Chuan Chen, and two members were against the

Date	Session	Proposal content	Resolution
		for approval.	proposal: Mr. Ching-Sung Wu and Mr. Wei-Lung Chen. The proposal was passed and submitted to the Board of Directors for approval. Ching-Sung Wu opinion: 1. With the deal completed, acquirer becomes minor in the shareholding structure. The shareholding ratio of current top 10 shareholders decreases from 30% to 25%, and that of general public shareholders drops from 60% to 49%, whereas pan-PE fund group holds 10.5% controlling interest. It leaves huge impact to the rights and benefits of a large number of shareholders. After the completion of the deal, the Company will become the sole financial institution with a PE fund group as its largest shareholder. 2. The deal price is proposed at around P/B: 0.99 (Jun. 2021), based on previous deals in the market and financial model calculation. However, it is found in EY D.D. report that the valuation is suggested to be adjusted by NT\$ 2.6~5.8 billion downward, with EnTie Bank's loan quality and other factors brought into consideration. According to the aforementioned P/B ratio, it is appropriate that the proposed deal price is adjusted downward accordingly. 3. The transaction premium of this deal is 6.4% (1.2%) based on the average closing price of EnTie Bank for the past 20 (1) trading day(s). Since acquirer becomes minor in the shareholding structure after the deal completion, it may not be appropriate for the Company to pay premium as acquirer could potentially be acquired in reverse. 4. The average net-income after tax of EnTie Bank in the past 3 years is NT\$ 2.155 billion, with an annual growth rate at

Date	Session	Proposal content	Resolution
			1.1% and ROE at 6.45%. It is far from the Company's target rate of return, which is 8%~10%. EnTie Bank's future net-income after tax (before bringing in reasonable annual growth) may deviate a lot from the Company's requirement. With the proposed deal price invested, shareholders' equity of the Company may be diluted and impaired. 5. The sources and rationales of the synergy assessment on this deal are not yet clearly evaluated and reviewed. 6. Various issues on the price of the convertible preferred shares issued by the Company for this deal are not thoroughly discussed and reviewed. The short, mid and long term impact on the Company's financial statements are not yet comprehensively discussed. Therefore, an objection is raised based on the aforementioned reasons. Wei-Lung Chen opinion: 1. The procedure is not completed and the information is not sufficient. Correction shall be made in advance. The second version of new reasonableness opinion on the transaction consideration (September 30, 2021) issued by Chen, Wei-Yue, CPA, the independent expert, has not been formally reviewed by the special committee. The project review meeting shall be held in advance. 2. Substantial issues (1) Opposing the share exchange cooperation between IBF Financial Holdings Co., Ltd. and a private equity fund (commonly known as vulture), which may subsequently allow the private equity fund become a major shareholder of IBF Financial Holdings Co., Ltd.. This project is proposed to issue "convertible preferred shares" to commit the share

Date	Session	Proposal content	Resolution
			exchange cooperation with private equity funds (PE), including the Longreach Group and Orix Group etc., which are the major shareholders of EnTie Commercial Bank, Ltd. The transaction cannot help the growth of business of IBF Financial Holdings Co., Ltd. but complicates the structure of major shareholders of IBF Financial Holdings Co., Ltd. and causes the difficulty to implement the corporate governance. (2) The transaction consideration sitting on a higher side is not fair and reasonable. The proposed gross transaction consideration amounts to 33.7 billion dollars (P), while the book value of EnTie Commercial Bank, Ltd. was 34.14 billion by the end of June, 2021 (B). The P/B ratio is 0.99 time. a. The non-performing loan ratio of EnTie Commercial Bank, Ltd. sits on a higher side but the coverage sits on a lower side, whose quality of loan is not good and ranks low among the domestic banks. The general P/B ratio ranges between 0.8 time to 0.9 time. b. This project is to issue the "convertible preferred shares" as part of the consideration, so that the major shareholders of the counterparty may exercise the "conversion right" after holding for at least one year and is expected to become one of the major shareholders of IBF Financial Holdings Co., Ltd. and lead to the circumstances that it may jointly govern IBF Financial Holdings Co., Ltd., which is different from the general situation of purchasing the management right by cash (buyout) since the management level of EnTie Commercial Bank, Ltd. will not be substantially changed,

Date	Session	Proposal content	Resolution
			which is difficult to expect the significant synergy. As such, the control premium shall not be paid. c. According to the information of business due diligence report (D.D), EnTie Commercial Bank, Ltd. shall increase the allowance for uncollectible accounts under the most conservative circumstances, so as to have a general coverage similar to other banking competitors. d. Illegal use of business office According to the findings of legal due diligence report (D.D), the use of nearly half of business offices of the target bank is involved in the illegal issues of not in compliance with the use license or lack of use license without any improvement plan as of today. Those issues shall be properly reflected in the merger and acquisition price. (3) The first reasonableness opinion issued by Chen, Wei-Yue, CPA of the JYH HER CPAs, the independent expert, on February 5, 2021 recognized that the value of each ordinary share of EnTie Commercial Bank, Ltd. sits between 13.77 dollars and 20.27 dollars, the range of which was too significant. The second report was issued on September 30, 2021, and the price was adjusted to between 16.13 dollars and 19.02 dollars. As the variation was too significant in comparison with the first report and the due diligence report was not taken into consideration, it is not acceptable to determine that the transaction price of 17.21 dollars per share is fair and reasonable. (4) The annual interest rate of the convertible preferred share A at 3.85% is too high and harmful to the rights of the

Date	Session	Proposal content	Resolution
			shareholders of IBF Financial Holdings Co., Ltd. Especially, the preferred shares include the "option of conversion". In addition, according to the recent case of the acquisition of China Life Insurance Co., Ltd. by China Development Financial Holding Corporation, it issued the preferred shares (without conversion right) with annual interest rate at 3.55%, so that the rate of 3.85% in this case is not reasonable and shall be lowered. Furthermore, it is reasonable that the conversion price of the preferred shares shall be set on the top of the reference price of IBF Financial Holdings Co., Ltd. (tentatively, 15.65). (5)The situation that the minor shareholders control IBF Financial Holdings Co., Ltd. shall be improved in advance so as to comply with corporate governance. The shares held by Ren Wang Co., Ltd. and Norwares Overseas Inc. totaled only 10.3%, but have the right of controlling major shareholders (exceeding 25 % of shares), together with seven directors, including 5 ordinary directors (five seats of legal representative of Ren Wang Co., Ltd.) and two recommended independent directors, which represents more than half seats of the board of directors and shows a material discrepancy between its shares and management right. As the merger and acquisition can be resolved by more than half of directors under current law, it is obvious that the future development of a financial holding company can be decided by minor shareholders (representing 10.3% of shares), which might cause damages to the interest of most other shareholders. Resolution of the Board of

Date	Session	Proposal content	Resolution
			Directors: The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
14/10/2021	The 7th Term of Board of Directors' 15th Meeting	The Company's proposal to issue class A preferred shares for the share swap with EnTie Commercial Bank is hereby submitted for approval.	The 9th meeting of the 3rd Audit Committee (2021.10.14) resolution: The Chairman consulted all the members present. Two members were in favor of the proposal: Mr. Shih-Chen Jao and Ms. Shu-Chuan Chen, and two members were against the proposal: Mr. Ching-Sung Wu and Mr. Wei-Lung Chen. The proposal was passed and submitted to the Board of Directors for approval. Ching-Sung Wu opinion: Various issues and terms on the price and conversion ratio of the convertible preferred shares issued by the Company for this deal are not thoroughly discussed and reviewed. The short, mid and long term impact on the Company's individual and consolidated financial statements are not yet comprehensively discussed. Therefore, an objection is raised based on the aforementioned reasons. Wei-Lung Chen opinion: (1) Opposing the share exchange cooperation between IBF
		The Company's proposal to issue additional common shares for cash capital increase is hereby submitted for approval.	

Date	Session	Proposal content	Resolution
			Financial Holdings Co., Ltd. and a private equity fund (commonly known as vulture), which may subsequently allow the private equity fund become a major shareholder of IBF Financial Holdings Co., Ltd.. This project is proposed to issue "convertible preferred shares" to commit the share exchange cooperation with private equity funds (PE), including the Longreach Group and Orix Group etc., which are the major shareholders of EnTie Commercial Bank, Ltd.. The transaction cannot help the growth of business of IBF Financial Holdings Co., Ltd. but complicates the structure of major shareholders of IBF Financial Holdings Co., Ltd. and cause the difficulty to implement the corporate governance. (2)The proposed gross transaction consideration amounts to 33.7 billion dollars (P), while the net value of EnTie Commercial Bank, Ltd. was 34.14 billion by the end of June (B). The P/B ratio is 0.99 time. a. The non-performing loan ratio of EnTie Commercial Bank, Ltd. sits on a higher side but the coverage sits on a lower side, whose quality of loan is not good and ranks low among the domestic banks. The general P/B ratio ranges between 0.8 time to 0.9 time. b. The project is to issue the "convertible preferred shares" as part of the consideration, so that the major shareholders of the counterparty may exercise the "conversion right" after holding for at least one year and is expected to become one of the major shareholder of IBF Financial Holdings Co., Ltd. and lead to the circumstances that it may

Date	Session	Proposal content	Resolution
			jointly govern IBF Financial Holdings Co., Ltd., which is different from the general situation of purchasing the management right by cash (buyout) since the management level of EnTie Commercial Bank, Ltd. will not be substantially changed, which is difficult to expect the significant synergy. As such, the control premium shall not be paid. c. According to the information of business due diligence report (D.D), EnTie Commercial Bank, Ltd. shall increase the allowance for uncollectible accounts under the most conservative circumstances, so as to have a general coverage similar to other banking competitors. d. Illegal use of business office According to the findings of legal due diligence report (D.D), the use of nearly half of business offices of the target bank is involved in the illegal issues of not in compliance with the use license or lack of use license without any improvement plan as of today. Those issues shall be properly reflected in the merger and acquisition price. (3) The annual interest rate of the convertible preferred share A at 3.85% is too high and harmful to the rights of the shareholders of IBF Financial Holdings Co., Ltd. Especially, the preferred shares include the "option of conversion". In addition, according to the recent case of the acquisition of China Life Insurance Co., Ltd. by China Development Financial Holding Corporation recently, it issued the preferred shares (without conversion right) with annual interest rate at 3.55%, so that the rate of 3.85% of this case is not reasonable and shall be lowered.

Date	Session	Proposal content	Resolution
			Resolution of the Board of Directors: The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
19/11/2021	The 7th Term of Board of Directors' 16th Meeting	The proposal for the amendment of the "Accounting System" of the Company is hereby submitted for approval.	The 10th meeting of the 3rd Audit Committee (2021.11.16) resolution: Audit Committee: Approved by all of the attending committee members, and submitted to the board of directors' meeting for resolution. Board of directors' meeting: Approved by all attending directors.

b. Resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

None.

(2) If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

None

(3) Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

The Auditing Department of the Company periodically organizes the directors' seminars for the internal operation handling status and auditing result by inspection agencies according to the "Corporate Governance Best Practice Principles for Financial Holding Companies", and the Chief Auditor leads the staff of the Auditing Department to provide reports, explanation to the directors and exchange opinions with the directors. In addition, the seminar status and records are prepared for reporting to the board of directors' meeting.

The Auditing Department periodically reports the "Audit Execution Status" in the board of directors' meeting and the audit committee's meeting. The report content is mainly directed to the status of the audit conducted on the Company and subsidiaries, improvement status on the audited deficiencies reported by the Company and subsidiaries, review status on the deficiencies handled by the Auditing Department and important matters for the internal and external audits.

The Auditing Department also periodically delivers detailed written documents on the audit handling status (including financial examination improvement status) of the Company to all independent directors, in order to help all independent directors timely and sufficiently understand the internal control and audit system implementation status of each company. Relevant audit handling status is also reported to the board of directors periodically.

The annual reports and semi-annual reports of the Company shall be approved by more than 1/2 of all of the members of the Audit Committee in order to report to the board of directors' meeting for resolution. During the review of the financial report by the Audit Committee, certified accountants (CPA) are invited to attend the review, and CPA provides sufficient communication on the company business operation overview, main auditing plans and procedures, audit results, and internal control inspection evaluation scope, method and discoveries etc. In addition to the periodic communications twice per year, meetings may also be held for communications at any time depending upon the needs.

a. Independent Directors' Communication with Internal Audit Supervisor :

Date	Communication method	Focus of communication	Result of communication
03/16/2021	Audit Committee	1.2020 second-half audit report. 2.2020 "Internal Control System Declaration"	Acknowledged by attending committee members. Proposal was passed as proposed.
08/17/2021	Audit Committee	2021 first-half audit report.	Acknowledged by attending committee members.
11/16/2021	Audit Committee	2022 audit plan.	Proposal was passed as proposed.
11/16/2021	Workshop for chief auditors in the group	1.Audit manpower arrangement 2.Progress of audit work for the current year.	Acknowledged by attending committee members.

Date	Communication method	Focus of communication	Result of communication
		3.Internal deficiencies identified and their improvement for the current year. 4.Overview of the significant deficiencies inspected by the competent authority and their improvement for the current year. 5.Analysis of the causes of the above-mentioned matters sanctioned for correction and their improvement (Each subsidiary's chief auditor or audit head will report on the above items)	

b. Independent Directors' Communication with Certified Public Accountant (CPA) :

Date	Focus of communication	Result of communication
11/25/2020	The evaluation of the independence and competency of the attesting CPAs for 2021 financial statements.	Acknowledged by attending committee members
03/16/2021	1.2020 operation overview. 2.2020 governance issues to be communicated in relation to financial reporting 3.Effect of COVID-19 on Financial Reporting 4.Risk assessment and key audit matters 5.Independent directors' opinion 6.Audit strategy 7.The content and schedule of the 2021 service plan 8.Scheduled audit plan for 2021. 9.Importantly updates to the law 10.Role and responsibilities of CPA 11.Independence of CPA.	Acknowledged by attending committee members
08/17/2021	1.2021 first-half operation overview. 2.2021 first-half governance issues to be communicated in relation to financial reporting 3.Effect of COVID-19 on Financial Reporting 4.Risk assessment and key audit matters 5.Independent directors' opinion 6.Audit strategy 7.The content and schedule of the 2021 service plan 8.Scheduled audit plan for 2021. 9.Importantly updates to the law 10.Role and responsibilities of CPA 11.Independence of CPA.	Acknowledged by attending committee members

3.4.3 Disclosure according to Guidelines for Corporate Governance Practices of Financial Holdings

1. Framework and rules for corporate governance

The Company has established corporate governance related procedures and regulations, such as “Procedures for Shareholders’ Meetings”, “Procedures for Board of Directors’ Meetings”, “Procedure for Election of Directors”, “Board of Directors Performance Evaluation Measures”, “Audit Committee Charter”, “Remuneration Committee Charter”, “Rules Governing the Scope of Powers of Independent Directors”, “Information Disclosure Operation Regulations”, “Ethical Corporate Management Best Practice Principles”, “Guidelines for the Adoption of Codes of Ethical Conduct”, “Report Case Handling Operation Procedures”, “Guidelines for Legal Compliance System Execution”, “Corporate Governance Best Practice Principles”, “Corporate Social Responsibility Best Practice Principles”, “Procedure for Anti-Money Laundering and Counter Terrorism Information Sharing” and “Anti-Money Laundering and Counter Terrorism Plan” etc. The Company convenes shareholders’ meetings and board of directors’ meetings according to regulations of the Company Act and relevant laws, executes according to the meeting procedures, and periodically provides financial and business information of the Company to shareholders via the information system of the Market Observation Post System and the Company’s website.

The Company periodically plans the overall business strategies, risk management policy and directive principles for the Company and subsidiaries, as well as establishes independent risk management department in order to perform comprehensive risk assessment on the subsidiaries, and implement necessary control mechanisms. The Company also establishes a legal compliance unit under the President to be responsible for the planning, management and execution of legal compliance system, as well as assigns supervisors of the ranking of Vice President to act as the legal compliance supervisor of the headquarter in order to coordinate and manage legal compliance affairs. The legal compliance status is reported to the board of directors and Audit Committee at least once every half a year.

The Company explicitly specifies the functions of each unit in the organization charter, and clearly define the management responsibilities of personnel, asset and financial. In addition, the Company also signs non-disclosure agreements with the subsidiaries related to the disclosure of customer information in order to ensure the privacy of customer information.

2. Stockholding Structure and Shareholders’ Right

(1) Stockholding Structure : (Please refer to page 145)

(2) Shareholders’ Right :

The Company convenes the shareholders' meetings according to the regulations of the Company Act and relevant laws, and also establishes meeting procedures. The board of directors stipulates the proposals for the shareholders' meetings, and provides appropriate opportunities for shareholders to explain their opinion. The Company has established the spokesman and deputy spokesman system in order to uniformly announce messages to the external. In addition, the Company discloses the financial, business and internal shareholding status of the Company on the Market Observation Post System and the Company's website in order to provide information to the shareholders. Furthermore, according to the regulations of the Company Act, the Company announces the acceptance of shareholders' meeting proposal related matters made by shareholders with more than 1% of shareholding in order to enhance the protection of the rights and benefits of shareholders.

(3) Dividend Policy : (Please refer to page 148)

3. The structure of Board of Directors, and the professional qualifications and independence of directors

(1) The structure of Board of Directors : (Please refer to pages 20~35)

(2) The professional qualifications and independence of directors : (Please refer to pages 37~39)

4. Responsibilities of Board of Directors and Managers

(1) Responsibilities of Board of Directors :

The board of directors shall be responsible to the shareholders, and shall carry out its functions in compliance with acts and regulations, the articles of incorporation, and the resolutions of the shareholders' meetings. Directors shall perform duties in good faith and act as a prudent administrator with good care in the fulfillment of obligations. According to the Article of Incorporations, the authorities of the board of directors are as follows:

- Proposal and resolution for Article of Incorporation of the Company.
- Review of organization charter of the Company.
- Review of business plan.
- Proposal and resolution for capital increase/decrease.
- Proposal and resolution for surplus distribution and making up of loss.
- Review of budget and final accounts.
- Resolution for issuance of corporate bonds.
- Review of important contracts.
- Resolution on acquisition or disposal of important assets.
- Appointment and discharge of important employees.
- Designation of directors and supervisors of subsidiaries.
- Resolution for other important business affairs.

- Other authorities according to the laws or granted by the shareholders' meeting.

(2) Responsibilities of Managerial Officers :

Manage affairs for the Company according to the regulations of the Articles of Incorporation, resolutions of shareholders' meetings and board of directors' meetings as well as within the contract authorization scope. Department managerial personnel shall attend the board of directors' meetings in order to provide reports on the current company business status and respond to inquiries of the directors, in order to assist directors in understanding the current status of the Company and to make appropriate decisions.

5. Formation, responsibilities and independence of Audit Committee

(1) Formation of Audit Committee :

The Audit Committee shall be formed by all of the independent directors of the Company, and the independent director, Shihchen Joseph Jao, acts as the convener. For the independent directors' roster, main educational background and experience information, please refer to pages 30~35.

(2) Responsibilities of Audit Committee :

The operations of the Audit Committee of the Company shall follow the regulations of the Company Act, Securities and Exchange Act and other relevant laws, and shall also be handled according to the Audit Committee Charter of the Company. The main responsibilities of the Audit Committee include: supervise the effective implementation of internal control of the company, supervise company's compliance with relevant laws and regulations, examine the appropriateness of the presentation of the company's financial reports, appointment/discharge of financial, accounting, and internal audit supervisor as well as the selection (discharge) of CPA and independence review etc.

(3) Independence of Audit Committee:

(Please refer to pages 37~39)

6. Formation, responsibilities and operation status of Remuneration Committee

(Please refer to pages 102~106)

7. Information of remuneration structure and policy

(Please refer to pages 50~56)

8. Continuing education status of directors

Presently, the Company uploads the directors' continuing education status onto the "Market Observation Post System" of the Taiwan Stock Exchange (TWSE):

Job Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Name	Training Hours	Whether training complies with requirements (note)
			Start date	End date				
Corporate director representative	Chi-Lin Wea	06/12/2020	03/30/2021	03/30/2021	Taiwan Corporate Governance Association	Sharing of the Current Status and Future Challenges of Information Security in the Technology Industry	1.5	Yes
			05/11/2021	05/11/2021	Taiwan Corporate Governance Association	The General Trend of ESG and Corporate Governance 3.0	1.5	
			08/10/2021	08/10/2021	Taiwan Corporate Governance Association	Global Minimum Tax System	1.5	
			09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	
Corporate director representative	Tsai, Shao Chung	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	
Corporate director representative	Cheng-Lin Chen	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes

Job Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Name	Training Hours	Whether training complies with requirements (note)
			Start date	End date				
			10/08/2021	10/08/2021	Taiwan Corporate Governance Association	Board of Directors' Response and Application to Corporate Governance Evaluation	3	
Corporate director representative	Cheng-Fong Shih	06/12/2020	04/08/2021	04/08/2021	Securities & Futures Institute	Legal Risks and Responses of Directors and Supervisors from Major Corporate Malpractice Cases	3	Yes
			04/15/2021	04/15/2021	Securities & Futures Institute	Economic outlook and industry trends for 2021	3	
			09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	
Corporate director representative	Steven Hung	06/12/2020	04/23/2021	04/23/2021	Taiwan Corporate Governance Association	Business and M&A Strategies of Taiwanese Companies from Global Political and Economic Situation	3	Yes
			05/13/2021	05/13/2021	Securities & Futures Institute	Technology Development and Business Model of Blockchain	3	
			11/12/2021	11/12/2021	Securities & Futures Institute	The Key to Becoming a Sustainable Enterprise - ESG in Practice	3	
Director	Michael Chen	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	

Job Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Name	Training Hours	Whether training complies with requirements (note)
			Start date	End date				
Corporate director representative	James Y. L. Wei	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	
Corporate director representative	Hung, Hui-Ching	08/31/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	
Corporate director representative	Tsai, Chia-Ping	06/28/2021	08/04/2021	08/04/2021	Securities & Futures Institute	Case Studies on Fraud in Corporate Financial Statements	3	Yes
			08/06/2021	08/06/2021	Securities & Futures Institute	Analysis of Corporate Financial Information and Application of Decision Making	3	
			09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	
			10/06/2021	10/06/2021	Securities & Futures Institute	Discussion on the Liabilities of Directors and Supervisors from Illegal Cases in Securities Market	3	

Job Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Name	Training Hours	Whether training complies with requirements (note)
			Start date	End date				
Independent Director	Shihchen Joseph Jao	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	
Independent Director	Wei-Lun g Chen	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/21/2021	12/21/2021	Chinese Corporate Accounting Association	Corporate Governance Evaluation of Corporate Social Responsibility (CSR, ESG) Model Practice Analysis	3	
Independent Director	Chen, Shu Chuan	06/12/2020	1/15/2021	1/15/2021	Taiwan Association of Listed Companies	Taiwan's Economic Development and Future Prospects in the Post-Pandemic Era	2	Yes
			3/15/2021	3/15/2021	Taiwan Association of Listed Companies	50 Years of Looking Forward and Backward in Taiwan: Talent Development and Disaster Prevention	2	
			4/14/2021	4/14/2021	Independent Director Association Taiwan	Board of Directors' View on M&A Strategy and Corporate Transformation Recipes	3	
			5/7/2021	5/7/2021	Independent Director Association Taiwan	Analyzing the Substantive Meaning of Financial Statements from the Chairperson's Perspective	3	
			8/6/2021	8/6/2021	Independent Director Association Taiwan	Practical Operation of Shareholders' Meetings of Public Companies and Case Studies	3	Yes

Job Title	Name	Date of Assumption of Duty	Date of Training		Organizer	Course Name	Training Hours	Whether training complies with requirements (note)
			Start date	End date				
			9/7/2021	9/7/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			9/15/2021	9/15/2021	Taiwan Association of Listed Companies	Taiwan Industry M&A and Transformational Innovation	2	
			12/8/2021	12/8/2021	Independent Director Association Taiwan	Strategies and Secrets of the Board of Directors in leading the Digital Transformation of Enterprises	3	
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	
			12/15/2021	12/15/2021	Taiwan Association of Listed Companies	Cashing in on the New Opportunity of International Wave Development	1.5	
Independent Director	Ching-Sung Wu	06/12/2020	09/07/2021	09/07/2021	Securities & Futures Institute	Operating Specifications and Supervision Mechanism of Financial Holding Companies and ESG Related Specifications	3	Yes
			12/10/2021	12/10/2021	Securities & Futures Institute	The Opportunity of PE Industry Development in Taiwan and the Need to Construct and Strengthen Anti-Money Laundering from the Perspective of ESG	3	

Note: It refers to whether the requirements for the number of continuing education hours, scope of continuing education, system of continuing education, arrangement of continuing education and information disclosure specified in the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies” are satisfied.

9. Interested parties’ rights, relationship, complaint channel, concerned issues and appropriate response mechanism

The Company holds the issues concerned by all interested parties in high regard, and provides diverse communication channels and information disclosure mediums in order to maintain proper dialogue and communication with the

interested parties, as described below:

- (1) Employees: The Company maintains unobstructed communication channels with employees, and employees can express opinions directly. The internal of the Company also establishes the “Report Case Handling Operation Procedures” to explicitly specify the reporting channels and handling procedures. In addition, the Company also sets up e-mail box as one of the internal report and complaint channels. Verification and relevant operation are performed by designated personnel depending upon the situation. In addition, when the Company makes profits, employees can receive employee remuneration, and performance bonuses are also issued depending upon the budget target achievement status. In addition, if the Company makes a profit as concluded by year-end accounting closing, the Company will make appropriations for employee remuneration, and pay performance bonuses will be paid according to the achievement of budget targets.
 - (2) Customers: The Company maintains excellent relationship with customers in a long term. Each subsidiary is established with customer service direct line and e-mail box. Relevant standard contracts are handled according to the regulations of the competent authorities, and review period is also provided according to the law in order to ensure the rights and benefits of customers. Subsidiaries also organize customer social activities from time to time in order to promote the communication and exchange between the two parties.
 - (3) Correspondent banks and other creditors: The Company maintains close relationships with the financial institutions and banks in the financial industry, provides detailed financial and business information upon signing of lending or interbank contracts, provides relevant documents through internally approved procedures, as well as provides collateral according to financing conditions when it is deemed necessary, in order to ensure the rights and benefits of the bank or creditor.
 - (4) Community: The Company and all subsidiaries maintain excellent interaction with the communications where they are located, and actively participate in the communication development or social welfare related activities. In addition, the Company and subsidiaries also provide care and assistance to disadvantaged groups in the community under the name of “IBF Charity Foundation”, and the Company emphasizes the social responsibilities.
10. Disclosure of Financial Holding Company’s Consolidated Financial Report and Subsidiary’s Financial Report.
- The consolidated financial report of the Company and the financial report of publicly held subsidiaries are disclosed at the Market Observation Post System of TWSE according to the regulations. (Please refer to pages 255~384.)
11. Disclosure of large exposure
- (Please refer to page 356.)

12. Relevant information of interested party transactions

For the transactions with interested parties, the Company has established the “Regulations Governing the Transactions of the Company with Interested Parties” in order to prevent damages to the rights and benefits of the shareholders due to special transaction terms. (Please refer to pages 316~326.)

13. Disclosure of capital adequacy

(Please refer to page 334~335.)

14. Detailed handling status for information disclosure specified in the regulations:

- (1) Publish the revenue and earning status of the previous month on a monthly basis, and publish the quarterly, semi-annual and annual financial reports according to the time specified.
- (2) The meeting convention time of shareholders’ meetings, proposals of shareholders’ meetings, meeting agenda and annual report, resolutions of shareholders’ meetings are published according to the time specified.
- (3) Shareholding change status of directors, major shareholders and managerial officers, board meeting attendance status and directors’ continuing education status are all published according to the regulations.
- (4) Where the Company and its subsidiaries encountering major information events, such events are inputted into the internet network information reporting system Market Observation Post System of TWSE for publication two hours prior to the transaction time of the business day following the day the event occurred.

15. Difference between execution outcome of corporate governance and financial holding company governance best practice principles and causes thereof.

(Please refer to pages 95~101.)

16. Specific plans and measures for improving corporate governance

- (1) In 2021, the subsidiaries IBF Securities, subject to disciplinary actions from the competent authority due to internal control weakness, and have established improvement measures (please refer to pages 122~125., required correction and improvement plan for internal control system) with the completion of improvement or continuous improvement in progress.
- (2) To implement the ethical management of the Company, it is encouraged to report any illegal conducts in violation of the morality and ethics. The Company established the “Report Case Handling Operation Procedures”, and effective whistle-blowing channel and handling procedures have been established. In the future, the Company assigns Auditing Department with authority execution independence to be in charge of the acceptance and investigation of whistle-blow cases in order to further strengthen the “Whistle-Blower Reporting System”.

- (3) To implement the corporate governance and to facilitate the board of directors to achieve their required functions, the Company has followed 'Taiwan Stock Exchange Corporation Operation Directions for the Appointment of Independent Directors by TWSE Listed Companies' and internal demand to set up Corporate Governance Department under President in March 2019, in order to handle relevant matters of the audit committee, board of directors' meeting and shareholders' meeting according to the laws, to prepare meeting minutes for board of directors' meeting and shareholders' meeting, to provide documents necessary for the directors to perform duties, to assist directors in the compliance of laws and matters related to corporate governance etc.
- (4) The Company's Board of Directors resolved to approve an amendment to the "Board of Directors Performance Evaluation Measures " on November 25, 2020, which specifies that the external evaluation of the performance of the Board of Directors shall be conducted at least once every three years. In November 2020, the Taiwan Corporate Governance Association was appointed to conduct the 2020 external evaluation of the performance of the Board of Directors and Functional Committees (for the period from November 1, 2019 to October 31, 2020).

17. Risk management

(Please refer to pages 213~248.)

18. Other information regarding corporate governance

- (1) The Company periodically convenes board of directors' meetings, plans and establishes the meeting proposals in advance. The Company also informs all directors to attend according to the time specified (please refer to page 57 for the attendance status), and also provides sufficient meeting materials in advance in order to facilitate the directors in the decision making. During the proceeding of the meeting, the Presidents of each subsidiary and relevant department managerial personnel of the Company are arranged to attend the meeting in order to report the current business overview of the Company and the business development status of subsidiaries, as well as to respond to the questions raised by directors, thereby assisting the directors to understand the current business operation status of the Company and subsidiaries.
- (2) The Company properly assigns the matters according to the resolutions of the board meeting to appropriate units for execution, and also lists such matters for tracking and management, such that the execution status is reported in the next board meeting in order to allow the board meeting to sufficiently manage the execution progress.
- (3) For proposals subject to one's own conflict of interest, such directors shall recuse according to the law.
- (4) The Company has appointed a legal advisor to provide legal advice to the Company and to assist the Board of Directors and the management in

discussing legal issues related to the operation of the Company, with a view to ensuring the compliance of the Company's operating decisions.

3.4.4 Corporate Governance Implementation Status and Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
1. Stockholding structure and shareholders' equity (1) Does the financial holding company institute a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and suits, as well as act in accordance with the said procedures? (2) Does the financial holding company have access to the identity of major shareholders who have actual control over it as well as that of their ultimate control persons? (3) Does the financial holding company establish and implement risk control and management as well as firewall mechanisms for its dealings with affiliated businesses?	✓ ✓ ✓		(1) The Company makes itself accessible to shareholders either by phone or by email. Designated personnel are responsible for handling shareholders' proposals or complaints, which will be passed on to management when necessary. (2) In addition to the list of shareholders after stock registration, the Company keeps close track of their stockholdings by drawing from their own reporting in accordance with the Financial Holding Company Act and insiders' monthly reports of stockholding changes. A special section is set aside on the Company's website for downloading of the needed application forms. (3) The Company has laid down a set of guidelines over risk management. Of these is a package that regulates transactions between the Company or its subsidiaries and related parties, such as lending and endorsement, to avoid conflicts of interest. A firewall mechanism has also been installed to regulate joint operations or transactions involving the IBF Company and its subsidiaries. Also meant to avoid conflicts of interest, it applies to any collaboration in business endeavors and common use of information, equipment, business space or personnel, as well as cross-selling of financial products. A separate set of guidelines is enacted to preserve information security at the Company's meetings attended by affiliated enterprises.	None
2. Composition and duties of the Board of Directors (1) Has the Company established a diversification policy and concrete management targets for its Board of Directors?	✓		(1) The Company has established the Corporate Governance Best Practice Principles, in which Article 14 explicitly specifies the director diversity policy of the Company. To establish a sound structure for the board of directors of the Company, the	

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Note	
(2) Besides setting up the Compensation Committee and Audit Committee according to law, does the financial holding company voluntarily set up other functional committees?	✓		board members shall be diverse and equipped with different professional backgrounds, genders or work fields. In addition, directors shall have the knowledge and skill. (2) The Company has established the Compensation Committee and Audit Committee according to law. In accordance with its Articles of Incorporation, however, the Company has set up the Management and Development Committee and Sustainable Management Committee as a supportive unit to the board of directors.	None
(3) Has the publicly listed financial holding company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis? In addition, has the results of the performance assessment been submitted to the board of directors' meeting and used as reference for the remuneration and nomination or reelection of individual director?	✓		(3) The Company has established the “Board of Directors Performance Evaluation Measures” and the performance evaluation of the board of directors is conducted at the end of each year and the result is submitted to the board of directors' meeting. The Company's Board of Directors resolved to approve an amendment to the "Board of Directors Performance Evaluation Measures " on November 25, 2020, which specifies that the external evaluation of the performance of the Board of Directors shall be conducted at least once every three years.	
(4) Does the financial holding company evaluate the independence of its CPA on a regular basis?	✓		(4) In accordance with the Corporate Governance Best Practice Principles for Financial Holding Companies, the Company evaluates the independence of its CPA on a regular basis (at least once a year). The findings are then presented to the Audit Committee and Board of Directors. In the highlight are an evaluation form and a statement on CPA impartiality and independence drafted in accordance with the Bulletin of Norm of Professional Ethics for Certified Public Accountant (No. 10): Integrity, Objectivity and Independence. The evaluation items are as follows : A. Whether or not the CPA has direct or material indirect financial interest relationship with the Company and subsidiaries? B. Whether or not the CPA engages in financing or guarantee actions with the Company and subsidiaries? C. Whether or not the CPA or his or her spouse, minor children are assuming the positions of directors, supervisors or managerial officers of the Company and subsidiaries or	

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Note	
			job positions in direct relation with and having major impacts on the auditing work? D. Whether or not the CPA provides evaluation service for the Company and subsidiaries, and whether or not the results of such evaluation becomes part of the financial statements? E. Whether or not the CPA accepts major preferential treatment or gifts from the Company and subsidiaries? To date the Company has identified no compromise of independence that warrants penalties and thus there is no need for replacing its CPA.	None
3. Has the financial holding company employed competent and appropriate number of corporate governance personnel and also designated a corporate governance supervisor to be responsible for the corporate governance related affairs (including but not limited to providing directors and supervisors with the information needed to perform their duties, assisting directors and supervisors in legal compliance, handling matters related to the convention of board meetings and shareholders meetings according to the laws, preparing board meeting and shareholder meeting minutes etc.)?	✓		(1) The Company has established Corporate Governance Best Practice Principles for Financial Holding Companies to build up an effective framework for corporate governance, vitalize the function of the Board and protect the rights of shareholders. (2) The Company has set up Corporate Governance Department and designated a corporate governance supervisor under President in March 2019, which coordinates Audit Committee meetings, Board meetings and Shareholders' Meetings. It also performs the function of corporate governance and is responsible for assisting the continuing education and supply of information necessary for the directors in performing their duties and ensuring their immediate awareness of substantial events, coordinating meetings for the Board and Shareholders at regular intervals as required by law, making company registration and registration for making changes. Legal advisors and Compliance & Legal Department also provide directors with all sorts of legal information that help them abide by related regulation.	None

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
4. Has the financial holding company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to interested parties (including but not limited to shareholders, employees and customers etc.)?	✓		(1) The Company makes public financial and operational information and announces other material information on its own website and the Taiwan Stock Exchange’s Market Observation Post System. (2) The Company’s website includes a special related parties section that lists telephone and fax numbers and email addresses for use by business partners, shareholders, and other related parties. (3) A spokesperson and an acting spokesperson are appointed to facilitate communication with interested parties. (4) All the major subsidiaries have set up their respective customer service hotlines to respond to inquiries and questions.	None
5. Information disclosure (1) Does the financial holding company build a website for disclosing information on finances, operations, and corporate governance? (2) Does the financial holding company resort to other means of information disclosure (such as building an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)? (3) Has the financial holding company made public announcements and reported the annual financial statements within the time-limit specified by the relevant regulations of the Financial Holding Company Act and Securities and Exchange Act after the end of each fiscal year? Has the financial holding company also made announcement and provided report of the first, second and third quarter financial statements and the operating status of each month early before the time-limit specified?	✓ ✓ ✓		(1) The Company has built a website to disclose monthly revenue and earnings; consolidated quarterly results reviewed or audited by an attesting CPA; important internal regulations; and other information related to corporate governance. Designated personnel are charged with the website. (2) The Company’s website is presented in both Chinese and English, and linked to Taiwan Stock Exchange’s Market Observation Post System for the release of unaudited monthly earnings or losses and other material information, of both the Company and its subsidiaries. In addition, a spokesperson and an acting spokesperson are responsible for relaying important messages of the Company to the general public. Designated personnel are given the duty of collecting and disclosing material information. (3) The financial reports of the Company at all periods are announced and declared according to the regulations.	None

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Note	
6. Is there other important information that can facilitate better understanding of the financial holding company's corporate governance practices (including but not limited to employee rights and interests, employee welfare, investor relations, rights of interested parties, training records of directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of insurance for directors and supervisors, and donations to political parties, stakeholders, and public interest organizations)?	✓		(1) Employee rights, employee welfare, investor relations, and rights of related parties: As dictated by law, all employees of the Company and its subsidiaries are entitled to national health insurance and labor insurance. On top of employees' compensation by their performance and corporate earnings, employees will receive a year-end compensation by their performance. Employee rights are spelled out in the Labor Standards Law. There are clearly defined internal regulations with regard to providing employees with incentives for pursuit of self-improvement and acquisition of certificates of specialized competence. Multiple channels are made available for employees to express themselves, thereby fostering a harmonious labor-management relationship. Building on friendly relations with customers, all subsidiaries have set up their respective hotlines and email to better promote customer relations. Standardized contracts are drawn out by patterning after government models, and clients are always given a legally required period to scrutinize them. Likewise, the Company makes itself accessible to shareholders either by phone or by email. Designated personnel are responsible for handling shareholder proposals or complaints. The Company has a frequent need to deal with banks and other financial institutions. Alongside various internally approved documents, detailed, truthful financial and other pertinent information is always provided as it is called upon to sign contracts on general lending or call loans. When necessary, collateral is also provided to better protect banks or other creditors. The Company makes it a point to honor and protect the legitimate rights and interests of its investors. In order to maximize shareholder interests, it gives top priority to honesty and credibility in every aspect of business endeavors. (2) Training records of directors: The Company's directors, who possess the expertise needed to perform their duties, make it a point to undertake self-enhancement programs from time to time. Upon learning of	None

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
			courses on corporate governance, the Company regularly holds training sessions, and passes related information on to directors and supervisors irregularly. In addition, the Company has reported the directors’ training records on the Market Observation Post System. For more information, please refer to the P. 87~91. (3) Implementation of risk management policy and risk measurement: Please refer to the P. 213~242. (4) Implementation of customer relations policies: In accordance with the Financial Holding Company Act and pertinent regulations, the Company and its subsidiaries have taken measures to protect the confidentiality of customer data and signed contracts intended to uphold customer rights and interests. The disclosure, transfer and common use of customer data are undertaken in tandem with the Regulations Governing Cross-selling Among Subsidiaries within Financial Holding Company and other directives from the regulatory authority. The Company also has in place a set of internal guidelines on cross-selling by its subsidiaries. Furthermore, all subsidiaries have launched hotline and email services so that customer complaints, if any, can be dealt with in a timely fashion. (5) Purchases of insurance for directors: The Company has taken out liability insurance for directors and key staff members, providing them with a hedge against risks that may arise as they exercise their rights and perform their duties. (6) Donations to political parties, interested parties and charitable groups: IBF Financial Holdings Company donations in 2020: None.	None
7. Explain the status of the improvements made in response to the most recent annual assessment results published by the Corporate Governance Center of the Taiwan Stock Exchange Corporate, and propose priority improvement items and measures for matters that have not yet been improved. The seventh term (evaluation year of 2020) corporate governance evaluation result of the Company was ranked 6% to 20% along all evaluated public companies. In 2019, the Company has newly-established the Corporate Governance Department and staffed the Corporate Governance Officer and corporate governance personnel to be responsible for handling corporate governance related affairs. In addition, the Company has also stipulated relevant corporate governance measures, including the “Stipulation of the standard operation for handling requests made by the directors”, and revised numerous corporate governance regulations. The Company’s Board of Directors resolved to approve an amendment to the "Board of Directors Performance Evaluation Measures" on November 25, 2020,				

Evaluation Item	Implementation Status			Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
which specifies that the external evaluation of the performance of the Board of Directors shall be conducted at least once every three years. In November 2020, the Taiwan Corporate Governance Association was appointed to conduct the 2020 external evaluation of the performance of the Board of Directors and Functional Committees (for the period from November 1, 2019 to October 31, 2020). The association has issued an evaluation report on the effectiveness of the board of directors on January 4, 2021. In the future, the Company will continue to cooperate with the supervision trend of the competent authority and will continue to improve the corporate governance performance of the Company according to the guiding principles of the corporate governance evaluation indicators and the planning of “Corporate governance 3.0” adopted by the competent authority.				

3.4.5 Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional qualifications and independence analysis of remuneration committee members

Title	Criteria Name	Professional qualifications and experience	Independence Criteria 1	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director (Convener)	Chen, Shu Chuan	Compliance with the following professional qualifications and experience. Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company <u>Education:</u> Master of Business Administration in International Finance, National Taipei University <u>Experience:</u> Senior Consultant of ZUII Co., Ltd. General Manager, Taipei Branch, The Bank of New York Mellon Vice President, Taipei Branch, The Bank of New York Mellon Chief Representative of Commerzbank Taipei Office and Head of Taiwan	According to the relevant laws and regulations, Independent Director Shu-Chuan Chen signed all statements for inauguration in accordance with the qualification requirements as stipulated in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, the requirements as stipulated in Articles 14-2 and 14-3 of the “Securities and Exchange Act”, and the relevant provisions as stipulated in Articles 5 and 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. Ms. Chen fully understands and recognizes the relevant laws and regulations governing the independent directorship and membership of the Remuneration Committee and agrees to assume the responsibility and maintain the independence pertaining to independent directors.	0
Independent Director	Wei-Lung Chen	Compliance with the following professional qualifications and experience. Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company <u>Education:</u> EMBA, School of Management, National Taiwan University Financial Law Group, Department of Law, National Chengchi University <u>Experience:</u> Independent director of South China Insurance Co., Ltd. Director of Taiwan Futures Exchange Chairperson of SinoPac Securities Investment Trust Co., Ltd. General manager of Motor Vehicle Accident Compensation Fund	According to the relevant laws and regulations, Independent Director Wei-Lung Chen signed all statements for inauguration in accordance with the qualification requirements as stipulated in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, the requirements as stipulated in Articles 14-2 and 14-3 of the “Securities and Exchange Act”, and the relevant provisions as stipulated in Articles 5 and 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. Mr. Chen fully understands and recognizes the relevant laws and regulations governing the independent	3

Title	Criteria	Professional qualifications and experience	Independence Criteria 1	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
	Name			
		General manager of Securities and Futures Institute Director of Chang Hwa Commercial Bank, Co., Ltd. Deputy Director of the Securities and Futures Bureau of the Financial Supervisory Commission Deputy Director of the Insurance Bureau of the Financial Supervisory Commission Audit, Section Chief, Deputy Team Leader, Team Leader and Chief Secretary of the Securities (and Futures) Management Committee of the Ministry of Finance Editorial Review, Statute Council, Executive Yuan	directorship and membership of the Remuneration Committee and agrees to assume the responsibility and maintain the independence pertaining to independent directors. Mr. Chen is an independent director of IBF Financial Holdings Co., Ltd., member of the Remuneration Committee, and concurrently an independent director of the company known as an interested party to this Company under the Financial Holding Company Act.(Independent Director of Janfusun Fancyworld Corp. and A.G.V. Products Corporation), While Independent Director Chen holds non-executive posts in both companies, there is no question about his independence as an independent director of this Company.	
Committee Member	Jia-Dong Hsu	Compliance with the following professional qualifications and experience. 1. An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university 2.Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company <u>Education:</u> PhD in Economics, Stanford University, USA. MA, Department of Economics, National Taiwan University, Taiwan <u>Experience:</u> Chairperson, Taiwan Academy of Banking and Finance Chairperson, Central Trust of China Limited Chairperson, Taiwan External Trade Development Council Minister, Ministry of Finance Vice Chairperson, Central Bank of the Republic of China (Taiwan) Director, Institute of Economics, Academia Sinica Professor, Department of Economics, National Taiwan University Chair Professor, Soochow University	According to the relevant laws and regulations, Mr. Jia-Dong Hsu in accordance with the qualification requirements as stipulated in Articles 5 and 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange”. Mr. Hsu fully understands and recognizes the relevant laws and regulations governing the membership of the Remuneration Committee and agrees to assume the responsibility and maintain the independence pertaining to membership of the Remuneration Committee.	1

2. Attendance of members at remuneration committee meetings

- (1) There are 3 members in the Term of the Fourth Remuneration Committee.
- (2) Term of the Fourth Remuneration Committee is from Jun 17, 2020 to Jun 16, 2023, 3(A) meetings were held from January 1, 2021 to December 31, 2021(4th term). The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director (Convener)	Chen, Shu Chuan	3	0	100	-
Independent Director	Wei-Lung Chen	3	0	100	-
Committee Member	Jia-Dong Hsu	3	0	100	-

(3) Other mentionable items:

- a. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion:

None.

- b. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

None.

c. Major Resolutions of Remuneration Committee

Date	Term No.	Proposal content	Resolution
02/26/2021	The 3rd Meeting of 4th Term of Remuneration Committee Meeting	Proposal submitted for approval of the re-approval of the title and remuneration of the acting officer OO Li of the Company's Marketing Division, with details as follows.	1. Advice to review the procedures for the internal substitution system according to the actual situation. 2. Amendment to the text of reasons for proposal: "...Proposal...for approval of the remuneration for the acting officer OO Li of the Company's Marketing Division ...", the addition of the candidate's actual performance to provide fuller information. 3. Advice to delete paragraph 1 of Annex 1. 4. The proposal was passed with amendments after the chair inquired about the opinions of all attending members and referred to the Board for approval.

Date	Term No.	Proposal content	Resolution
		Proposal submitted for approval of an officer change of the Company's financial department and information department.	1. Amendment to the text of reasons for proposal: "Proposal for the remuneration after the managerial change in the Company's financial division and information division..." 2. The proposal was passed with amendments after the chair inquired about opinions of all attending members and is submitted to the Board for approval.
03/11/2021	The 4th Meeting of 4th Term of Remuneration Committee Meeting	Proposal submitted for approval of the 2020 remuneration for the Company's directors.	Acting Chair OO Hsu suggested a 1.60-1.65% range for the remuneration for directors in 2020 and submitted the proposal to the Board for approval.
		Proposal submitted for approval of the 2020 remuneration for the Company's employees.	After the chair's inquiry, all attending members suggested 1.35% as the remuneration for employees in 2020 and submitted the proposal to the Board for approval.
12/09/2021	The 5th Meeting of 4th Term of Remuneration Committee Meeting	Proposal submitted for approval of the pension and performance bonus of former president OO Ting.	1. Advice to amend the text of subparagraph (3): "in accordance with the Labor Standards Act..." and subparagraph (4): "in accordance with IBFC..." in paragraph 1 of the Description to "with reference to". 2. Advice to supplement the actual performance in a table of former president OO Ting's during his office in paragraph 3. 3. All attending members approved without objection the performance bonus amounting to 16 months of his salary for former president OO Ting. However, whether or not the pension calculation at 27 units complies with the Labor Standards Act and the performance bonus was referred to Board deliberation and resolution.
		Proposal submitted for approval of the additional proposal for 2021 performance bonus.	1. Plan 2 was adopted for 2021: Additional performance bonus amounting to 2.5 months of the base salary. The proposal was referred to the Board for approval. 2. Before the end of 2022 Q2, the administration division should determine the need to replace the interval design of exceeding the target earnings by 130% with ROE achievement as the indicator for bonus distribution in the "Employee Bonus Distribution Regulations" and submit the focus of amendment to the Remuneration Committee for deliberation and approval. 3. When planning the annual budget, the financial division should consider the careful assessment of the base period for determining budget targets to prevent a high achievement rate when the figures for the budget base period are too low.
		Proposal submitted for recommendation for the amount of additional performance bonus of subsidiary IBF Venture Capital in	After the deliberation of all attending members, recommendations for the IBF Financial Holdings are as follows:

Date	Term No.	Proposal content	Resolution
		2021.	1. According to Article 3 of the “Employee Performance Bonus Distribution Regulations” of IBF Venture Capital, if the achievement rate in 2021 is 140%, as stipulated in the Regulations, IBF Financial Holdings is recommended to determine the approval of IBF Venture Capital to apply to the Board according to the regulations for performance bonus distribution at a maximum of 7.5 months of the base salary. 2. Regarding the distribution of performance bonus for excessive investment in 2021 of IBF Venture Capital, as the amount of unrealized profit is rather high, and market change factors remain unknown, IBF Financial Holdings is recommended to determine the approval of IBF Venture Capital to apply to the Board for an additional performance bonus at 12% of the quotient after deducting from the actual profit the (1) 300% of the 2021 budget target and (2) deducting the total amount of performance bonus at 7.5 months of the base salary as mentioned in point 1. 3. Regarding the unrealized profit is too high, IBF Financial Holdings is recommended to consider the need to request IBF Venture Capital to design a reserve deferment mechanism for the unrealized portion.

3.4.6 Proposing Sustainable Development

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Note	
1. Does the company establish a governance structure for sustainable development, and exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the sustainable development policies? How is it overseen by the Board of Directors?	✓		In order to implement the philosophy of sustainable management, promote corporate governance, and integrate the planning and practice of sustainable management and appropriate allocation of resources among subsidiaries, the Company established the Corporate Sustainable Management Committee in 2021. Additionally, in response to the name change of the Company’s Corporate Social Responsibility Best Practice Principles into the Sustainable Development Best Practice Principles, the Committee was also renamed to the Sustainable Management Committee, as approved by the Board meeting on March 14, 2022. which is the highest-level decision making center for sustainable development within the Company and serves as a cross-entity communication platform for top-down integration and horizontal linkage. The Committee is chaired by the Chairman of the Financial Holding, who is responsible for overseeing the operation of the Committee, convening meetings, and acting as the Chair. The Committee's members include the Vice Chair and Executive Committee members, who assist in promoting the Committee's affairs and supervise the subsidiaries and charitable foundations respectively. The Company has also set up six functional groups, including the Corporate Governance Issue Group, the Environmental Issue Group, the Employee Issue Group, the Customer and Product Issue Group, the Social Welfare Issue Group, and the Responsible Finance Issue Group, which are responsible for corporate sustainability-related proposals, execution and reporting. The Corporate Sustainable Management Committee meets twice a year, with ad hoc meetings held when necessary, and is responsible for identifying sustainability issues relevant to the Company's operations and of concern to stakeholders, formulating corresponding strategies and work guidelines, preparing budgets for each organization and sustainable development, planning and implementing annual programs, and tracking the effectiveness of implementation to ensure that sustainable development strategies are fully implemented in the Company's daily operations. "Sustainable Management Committee" reports to the Board of Directors on the conclusions of its meetings and the implementation results on a semi-annual basis.	None
2. Has the company conducted risk assessment on the environment, society and corporate governance issues related to the company’s operations according to the materiality principle and has the company established relevant risk management	✓		1.The Company's operating performance hinges on the Group's operations in Taiwan. The risk assessment boundary includes six entities, including the Company, its subsidiaries and affiliates (including IBFC, IBF Securities, IBF Venture Capitals, IBF Futures, and IBF Securities Investment Consulting), and the IBFC Charity Foundation. 2.The Company has established the materiality	None

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
policies or strategies?			principle according to the content of GRI standards and identifies the material topics based on the four major procedures of “identification, arrangement, confirmation, review” in order to select the essential sustainability topics, followed by collecting the corporate governance, economy, environment and society material topics of the domestic and foreign financial industry, thereby determining the priority level of the environment, society and corporate governance issues, and establishing relevant management strategies or performance goals. Please refer to the Corporate Social Responsibility (CSR) report of the Company. In addition, in order to build a sustainable development blueprint for the Group, and in accordance with international sustainable finance initiatives and the direction of green finance-related policies of the competent authorities, On March 14, 2022, the board of directors of the company approved the "sustainable financial policy", specifying five major areas, including sustainable financial products/services, participation in international initiatives, operation management, risk management, and construction of sustainable values.	
3. Environment Development (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) The Company adopts the computer-controlled air conditioning system to automatically shut down the air conditioning supply at 8:00 PM, and the air conditioner temperature is set at 26 degrees, all of the toilets use the sensor faucets in order to prevent waste of water resources. In 2022, the Company intends to evaluate the introduction of ISO14064-1 greenhouse gas inventory and ISO50001 energy management system for greenhouse gas assessment.	None
(2) Does the company endeavor to utilize resources more efficiently and use renewable materials with little impact on the environment?	✓		(2) In view of the new wave of global green pulse, although the financial industry is a low-pollution industry, in order to care for the earth and respond to global climate change, the Company not only continues to implement environmental protection measures and actively promote energy conservation and carbon reduction, but also expects to take actions to resist climate change and adapt to the impact of climate change in line with the United Nations Sustainable Development Goals (SDGs) No. 13, Climate Action. In 2021, the Company purchased environmental labels, energy-saving labels, water-saving labels, green building materials, and recycled paper, actively responding to green procurement and supporting sustainable consumption to drive more change. In 2021, the Company's electricity intensity was 0.01 kWh/\$1,000 net revenue, Electricity consumption is 126.29% higher than last year, caused by relocation to a new building in 2021,	

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
(3) Has the company evaluated the climate change on the present and future potential risks and opportunities of the corporation and has the company adopted responsive actions on climate-related issues?	✓		which contains larger floor area, more partitions, and thus more air conditioning and illumination; the fuel intensity of gasoline consumption for business vehicles was 0.0008 liters/\$1,000 net revenue, 44.13% less than last year. (3) The Company implements the energy saving and carbon reduction plans, replaces the lighting equipment in the office to LED lighting fixtures gradually, and promotes the paperless operation in the office, as well as gradually attempts to replace the meeting materials in traditional printing method of written papers by information technology in order to reduce the consumption of papers. In 2021, the Company established the Corporate Sustainable Management Committee with an Environmental Issues Group to develop, promote and maintain relevant environmental management systems and specific action plans. Additionally, in response to the name change of the Company’s Corporate Social Responsibility Best Practice Principles into the Sustainable Development Best Practice Principles, the Committee was also renamed to the Sustainable Management Committee, as approved by the Board meeting on March 14, 2022. In 2022, the Company expects to define its climate change strategy and goals in accordance with the financial disclosure guidelines on climate risk issued by the competent authorities, and to continuously pay attention to the impact of climate change on its operating activities in order to take countermeasures to address climate-related issues.	None
(4) Has the company statistically analyzed the greenhouse gas emission, water usage and waste total weight over the past two years, and has the company established policies for energy saving, carbon reduction, greenhouse emission reduction, reduction of water usage or other waste management?	✓		(4) To fulfill the corporate social responsibility, the Company and its subsidiaries have actively promoted the environmental education and employees have also jointly responded to implement energy-saving measures. In 2021, the carbon emissions of greenhouse gases were about 87,791 (kgCO₂e), and the emission intensity was 0.0086 (kgCO₂e/thousand dollars of net revenue), down 11.02% compared to 2020; The company was relocated to a new building in 2021, where brand new sensor faucets and water conservation facilities are equipped, the intensity of water use was 0.00005, down 57.12% compared to 2020, which is a remarkable result of energy reduction.	
4. Public Welfare				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The development of sustainable human resources is the foundation of the Company to provide professional and innovative services. We hope to provide an environment for our employees to develop their careers in the long run to take good care of each employee's family and make society more stable. We have long been concerned about workplace harmony, gender equality and employee rights and	

Evaluation Item	Implementation Status			Discrepancies from "the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Note	
(2) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave and other welfare etc.), and has the company appropriately reflected the operation performance or outcome in the remuneration of employees?	✓		interests. In addition to following the labor-related laws and regulations to prevent sexual harassment in the workplace, we also plan and implement gender equality advocacy courses in our annual education and training programs to facilitate the cultivation of talents, maintain harmonious labor relations, provide fair and reasonable compensation and benefits, improve professional core functions, make labor-management communication barrier-free, and provide comprehensive care for their physical and mental health, to support the development of sustainable management. Specific programs: • A 1.5-hour break at noon to give employees sufficient time for a lunch break. • A complete and smooth promotion pipeline. • Implementation of a rest system to encourage employees to focus on work-life balance. (2) The Company has a "fair and reasonable" salary and remuneration system to stabilize people's confidence and recruit outstanding talents. The rights and benefits of employees of the Company all comply with the relevant regulations of the Labor Standards Act, and the Company also establishes various personnel rules for employees in order to specify the employee remuneration, service, evaluation etc. in order to be used as a basis for the conduct of employees. The employment policy does not involve any discrimination in gender, race, age, marriage and family status etc., but implements the equality for remuneration and employment criteria, training and promotion opportunities. The Company's operating results are fully reflected in the compensation of its employees. As a result, the Company has been rated by the Taiwan Stock Exchange and included in the "Taiwan High Compensation 100 Index" for 2018, 2019 and 2020 consecutively. The Company has met the key quantitative indicators of "average compensation of employees", "net profit", "net worth per share," and "total compensation of employees", which show that the IBF Financial Holdings Group attaches importance to employee compensation, retention of talents and social responsibility. <u>Employee Salary and Remuneration</u> The Company's year-end bonus is three months, of which two months are fixed and one month is based on individual's performance. Performance awards are based on the Company's earnings position and the performance of each unit and individual. The Company's employee profit sharing rate is calculated within 2% and more than 0.1% in accordance with Article 32 of the Company's Articles of Incorporation. <u>Employee welfare measure</u> The Company plans and provides quality	None

Evaluation Item	Implementation Status			Discrepancies from "the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Note	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		benefits for its employees, such as birthday allowance, marriage subsidy, childbirth subsidy, funeral subsidy, education subsidy for employees' children, leisure travel subsidy, health checkup subsidy, three festival stipends for Spring Festival, Dragon Boat Festival and Mid-Autumn Festival, retirement and retirement consolation pay by special application, employee separation pay, and employee's license subsidy and incentive, etc. In the rest system, on top of the fixed two rest days, employees who have been employed for one year or more are given seven days of special rest days each year (those who have not yet completed one year are given rest days on a pro rata basis). In the event that employees need to take a longer period of leave for childcare, major injuries or illnesses, or major accidents, they can apply for leave without pay to take care of their personal and family needs. <u>Operating performance is reflected in employee salary and remuneration.</u> Article 32 of the Company's Articles of Incorporation. The Company shall be based on the balance obtained from the income before tax of the current year without deducting the employees' remunerations and directors' remunerations, and after the deduction of the reserved amount for making up the accumulated loss, following which an amount above 0.1% and within 2% of such balance is appropriated as the remuneration of employees and within 2% of such balance as the remuneration of directors for the current year. The profit-sharing remuneration of employees may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of affiliates satisfying certain criteria.	None
(4) Does the company provide its employees with career development and training sessions?	✓		(3) The Company sends its employees to participate in on-the-job occupational safety and health training to prevent occupational accidents. There was no occupational disaster in 2021. (4) One of the core competitive values of the Company is "professionalism". We actively cultivate financial professionals to meet the ever-changing financial market. We refine the core functions of each employee through education and training and provide our clients with services tailored to their needs by talented individuals with professional financial knowledge and experience. Each entity within the Group has a training subsidy program. In addition to financial licenses, we also provide subsidies for educational degrees, language learning, computer skills and overseas study. We hope to encourage our employees to further	

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary Note													
(5) Has the company complied with laws and international standards with regards to the customer health and safety, the customer privacy, marketing and labeling of products and services? Has the company established policies and reporting procedures related to consumer or customer right and benefit protection?	✓		study and develop into all-around talents through positive incentives. 2021 Employee Education and Training <table><tr><th>Item (NT\$ thousands)</th><th>Management position</th><th>Non-management position</th></tr><tr><td>External training</td><td>77</td><td>223</td></tr><tr><td>Internal training</td><td>63</td><td>248.5</td></tr><tr><td>Total</td><td>140</td><td>471.5</td></tr></table> (5) The Company regularly reviews the data files held by each unit for proper management and confidentiality and prepared the 2021 annual risk assessment report on personal data files to confirm whether each unit carried out the management of these files. In order to strengthen the awareness of all employees on personal data protection, the Company held the "Personal Data Protection Act Promotion" educational training course in 2021. In accordance with the Financial Holding Company Act, the Regulations Governing Co-Marketing among Subsidiaries of Financial Holding Companies, the Personal Data Protection Act and relevant regulations of the competent authorities, the Company and its subsidiaries undertake to implement appropriate security measures to prevent theft, alteration, destruction, loss or leakage of customers' personal data files in order to fulfill the duty of non-disclosure of customers' data. The personal data protection mechanisms within the Company and among its subsidiaries are as follows: 1. Use a firewall to control and isolate between the company and each subsidiary, and use an IP control mode. 2. Undertake hierarchical management of personal data and use information security technology to prevent unauthorized access. 3. Establish a control mechanism that complies with internal and external regulations for personal data to ensure proper protection of personal data. 4. Regularly adopt external personal data scanning mechanism to take stock of the Company's internal personal data retention and requests for approval. Depending on the nature of the business of the entities within the Group, customers can be divided into corporate customers and natural person clients, with most of the customers of IBFC being corporate customers, and more of the customers of IBF Securities, IBF Futures, and IBF Securities Investment Consulting being natural person customers. Regardless of the type of customer, the Group values feedback from its customers. In order to provide our internal staff with a procedure for handling customer complaints, our subsidiary, IBFC, has established the "Regulations for Financial Consumer Protection", which stipulates that the deputy	Item (NT\$ thousands)	Management position	Non-management position	External training	77	223	Internal training	63	248.5	Total	140	471.5	None
Item (NT\$ thousands)	Management position	Non-management position														
External training	77	223														
Internal training	63	248.5														
Total	140	471.5														

Evaluation Item	Implementation Status			Discrepancies from "the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary Note	
(6) Has the company established supplier management policies, requested suppliers to comply with relevant regulations with regards to the issues of environmental protection, occupational safety and health or labor rights, etc. and the implementation status thereof?	✓		head of each sales unit shall serve as the complaint channels in the event of financial consumer disputes, and the head of the Legal Compliance Office shall be the main window for complaints; if a financial consumer files a complaint directly with the Financial Ombudsman Institution, or if the result of its reply regarding its handling is unacceptable and the consumer applies for evaluation to the Center, the Legal Compliance Office shall be the contact window. Or if the result is not acceptable and a request is made to the Institution for review, the Legal Compliance Office will act as the contact window with the Institution. As for the other affiliates, the "Regulations for Handling Customer Disputes" have been established separately for IBF Securities, IBF Securities Investment Consulting, and IBF Futures, and customer complaints are handled in accordance with the procedures. Customer Relationship Management is the goal of an enterprise's management efforts. Understanding or creating customer needs is the core of an enterprise's management. With the changes in the economy and society, a successful enterprise is not only able to continuously provide innovative products that meet market demands, but also maintaining good interaction with customers and cultivating loyal customers is considered one of the key factors of business success. The Group is committed to listening to customers' needs, responding to their opinions, improving the quality and efficiency of its services, and providing professional financial services driven by customers' needs. These are important areas for the financial industry. To this end, the Group has established various channels to collect and respond to customers' needs. (6) In order to ensure that our suppliers follow and fulfill our commitment to corporate social responsibility with us, in addition to establishing the Corporate Social Responsibility Best Practice Principles, the Company has established the "Supplier Management Guidelines", which stipulates that the Company shall consider the ethical standards of suppliers when selecting suppliers, including but not limited to ethical operations, fair trade, open information and avoidance of improper earnings and false advertising, and compliance with intellectual property rights related regulations, etc. The Company has gradually enforced integrity clauses in its contracts with suppliers since 2019 to ensure ethical transactions and to protect the mutual interests of both parties. In addition to the promotion of business, the Company also has the "Sustainability Procurement Principles", which are based on the government's "Regulations for Priority Procurement of Eco-Products" and the principles	None

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
			of green procurement, as a practical action for selecting products or suppliers for the Company to fulfill its corporate social responsibility.	
5. Has the company stipulated standards or guidelines according to the internationally-accepted report, prepared sustainable development report etc. and reports for disclosing non-financial information of the Company? Has the aforementioned reports obtained the assurance or guarantee opinions from a third-party verification unit?	✓		The financial performance data of the Company's CSR report for 2020 has been attested by CPAs and published in the annual report of the shareholders' meeting. The relevant statistics are based on the International Financial Reporting Standards approved by the Financial Supervisory Commission. All financial figures in the report are expressed in NTD. The process of collecting non-financial performance data in the report by the relevant departments is based on the data of daily operation and management, education and training, discussion of issues and interviews with various units, and the compilation of economic, social and environmental performance information of the IBF Financial Holdings Group in accordance with GRI criteria and indicators. Each indicator's data collection, measurement, and calculation methods are mainly based on compliance with local laws and regulations, or international standards if local laws and regulations are not specifically stipulated. If no international standards are applicable, reference is made to industry standards or industry practices. In accordance with Statement on Assurance Standards No. 1, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information," issued by the Accounting Research and Development Foundation of the R.O.C., the Company engaged PwC Taiwan. to provide limited assurance on selected performance indicators presented in the 2020 CSR report. The Company expects to propose the planning and declaration of the sustainability report in the 2021 CSR report and begin to introduce various ESG-related processes in preparation for the production of the 2022 sustainability report.	None
6. If the Company has established the sustainable development principles based on “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company’s Board of Directors approved the establishment of the “Corporate Social Responsibility Best Practice Principles” on 2015.3.25 Additionally in order to comply with the international development trend, implement the goal of sustainable development, strengthen the implementation of the company's promotion of sustainable development, and improve the quality of sustainable development information disclosure, the name change of the Company’s Corporate Social Responsibility Best Practice Principles into the Sustainable Development Best Practice Principles, as approved by the Board meeting on March 14, 2022, to fulfill corporate social responsibility, achieve economic, environmental and societal improvements in order to achieve the objective of sustainable development. There has been no discrepancy in the implementation so far.				
7. Other important information to facilitate better understanding of the company’s sustainable development practices : The Company established the Corporate Sustainable Management Committee in 2021. Additionally, in response to the name change of the Company’s Corporate Social Responsibility Best Practice Principles into the Sustainable Development Best Practice Principles, the Committee was also renamed to the Sustainable Management Committee, as approved by the Board meeting on March 14, 2022 in order to implement the philosophy of sustainable management, promote corporate governance, and integrate the planning and practice of sustainable management and appropriate allocation of resources among subsidiaries, In 2021, IBFC Charity Foundation performed the elderly nursing and care, disadvantaged group and physical/mental disabled caring environment improvement, as well as dependent children and teenager education and care services etc. The welfare matters performed include:				

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Summary Note	
(1) Due to the high percentage of disadvantaged families in rural schools, families generally function poorly, providing only food and basic education for their children, and failing to provide a better educational environment and resources. These disadvantaged children rely almost entirely on schools for their education, but rural schools are so short of teaching resources that they don't even have teachers, and need the help of kind-hearted businesses to give these children the opportunity to turn their lives around with education. In order to bridge the learning resource gap between rural and urban areas, the following 10 schools in rural areas received donations for cross-disciplinary English learning materials and activities: Dayuan National Elementary School in Puyan Township, Changhua County, Qing'an National Elementary School in Miaoli County, and Wutai National Elementary School in Pingtung County, Anlan National Elementary School in Jinsha Town, Kinmen County, Shangqi National Elementary School in Lieyu Township, Kinmen County, Zhengyi National Elementary School in Jinhua Town, Kinmen County, Zhongxiao National Elementary School in Puli Town, Nantou County, Xincheng National Elementary School in Yuchi Township, Nantou County, Zaoqiao Township Shengguo Elementary School in Miaoli County, and Jingyi Elementary School in Neimen District, Kaohsiung City. (2) We provided a donation to Tapeng Culture and Education Foundation to perform air force survivor and children care or disabled children educational subsidy in light of cultivating military survivor children of public servants who died in the line of duty to complete their academic studies. (3) We donated to the association of FINLEA to implement the "Financial Wisdom Promotion Program for College Youth," with the target audience being college youth. About a quarter of Taiwan's university graduates come from business management-related departments every year. The other three-quarters of non-business management students do not have much exposure to finance-related knowledge during their studies. As a result, it is a great challenge for the vast majority of newcomers to learn how to manage their finances and use financial services after they enter the workforce. The Program is designed for young people who are about to enter society to develop the correct concepts and knowledge of financial management and help students plan their future income to build independent financial goals. We hope that through the foundation of correct concepts, students can reduce the possibility of becoming an under privileged financial consumers in the future. (4) We donated to the Beunen Foundation for the "Care Service Project for the Lone and Poor Elders in Remote Communities" with meal delivery service for the lone and poor elderly in the Yilan Toucheng community. (5) We donated to Huashan Social Welfare Foundation Zhongshan Angel of Mercy Station to propose the "Love the Elderly, Love Reunion Project" to help the elderly to live in peace of mind and to overcome the difficulties caused by the COVID-19 pandemic, during which many underprivileged elders are at their wits' end, suffering loneliness and anxiety alone. (6) We donated to Hsinyi Junior High School in Keelung City to assist in providing educational opportunities for youth from poor and underprivileged families, such as single-parent, low-income, aboriginal, and immigrant families, in order to improve the overall living environment of the area, and to sponsor baseball supplies, coaches, and classroom tutoring hours. (7) We donated to Fengtian Junior High School in Taitung County to help provide educational opportunities for youth in remote areas to improve the overall living environment of the area, and to provide subsidies for the TOEIC English proficiency test and Class C certification (including subsidies for teachers' hourly fees, teaching materials, and application fees for multi-disciplinary courses), and the study passport award examinations. (8) We donated to the Lishiin Charitable Foundation to serve the Wanhua District in Taipei City, which has a high rate of low-income, single-occupied, underprivileged elderly, immigrants, and underprivileged children, and to extend the program to Sanchong and Tamsui Districts in New Taipei City with the proposal to apply for subsidies for kitchen equipment for meal delivery and shared meals for the underprivileged elderly living alone. (9) We donated to Happy Mount Colony to provide life education and therapy services for the mentally handicapped with moderate to extreme severity. We also applied for funding for auxiliary aids and equipment, fruits and complementary food for daily nutrition, music therapy course fees, and Christmas party activities. (10) We donated to Taitung Christian Hospital (A Kernel of Wheat Foundation) to provide bathing services for the elderly living alone, the disabled, and the mentally and physically challenged in the Hualien area by the No.1 Mobile Bathing Van with the "Bathing Home Delivery Service" program. (11) We donated to the Taipei Parents' Association for the Visually Impaired to upgrade the learning tools for the visually impaired, to help the visually impaired education, lifelong learning and music development services to be more smooth, so that they can have a brighter performance in all stages of learning and can have more diversified development options in the future, and to apply for funding for the equipment needs of school-age education services for the visually impaired and the equipment needs of music talent training services for the visually impaired. (12) We donated to the Diocesis Hvalienensis to build living space for the underprivileged, create employment opportunities to enable their self-reliance, and effectively utilize the earth's resources to avoid wasting resources, and to carry out a fundraising campaign of “Sunrise Home” for the construction of buildings, equipment, and administrative costs of the resource recovery sites. (13) We donated to the Christian Salvation Service Taipei to recruit and train qualified families to provide foster				

Evaluation Item	Implementation Status			Discrepancies from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
family placement services for children in need, and provide ongoing training courses for foster families, respite services, and educational support for children and adolescents. (14) We donated to the Taipei Parents’ Association for the Visually Impaired for the "Music Training Program for the Visually Impaired" to train visually impaired people to be self-sufficient with a skill. (15) We donated to the "Dream Implementation Project" of the Make-A-Wish Foundation for five children with severe illnesses to make their wishes come true, increase their confidence in fighting illness, improve their quality of life in treatment, encourage and change themselves to accomplish their goals and regain their self-confidence. (16) We donated to the His Hands Christian Home Kaohsiung to provide care services for infants and toddlers aged 0-2 years old who are entrusted by the social bureaus of the county and city governments due to abuse, domestic violence, abandonment, parents serving prison sentences, and family inability to take care of them, due to their old rental building, the poor condition of the house, the humidity on the hill, frequent leaks and wall cancer, regular maintenance required every six months, in order to take back the children in the nursing center and expand the care of children aged 0-6 with physical and mental disabilities and developmental delays and families in the "Save a Life and Build a Home for Love Project". (17) We donated to Yi Kuang Orphanage to renovate two bathrooms on the 5th floor of the building and purchase additional equipment to provide a more humane living and nurturing environment for the children in the "Renovate the 5th floor of the old building of the orphanage". (18) We donated to Le Guang Orphanage to create a better and safer living environment for the children, reduce the faulty rate of the air conditioner, reduce the maintenance expenses, optimize the quality of life of the children, and create a warm and welcoming family environment through the "Good Home with You, Happy and Warm" equipment purchase project. (19) We donated to the ECPAT Taiwan to provide free and safe housing for girls with dysfunctional families and to assist them in establishing basic self-care skills in the "Young Girl Spreads Her Wings for Self-Reliant Life Project". (20) We donated to the Aggregate Corporation Ember Social Welfare Association to apply for the "Love for the Handicapped, Friendship, and Harmony - Community Inclusion for the Physically and Mentally Handicapped" program to improve the quality of life of the physically and mentally handicapped and their family caregivers. For the aforementioned activities, a total of NTD 4.63 million was donated. The Foundation's source of fund for 2021 came from not only the fund accrued interest but also the donation of NTD 2.5 million received from “International Bills Finance Corp.” in order to provide social welfare charity jointly.				

3.4.7 Ethical Corporate Management

Evaluation Item	Implementation Status			Discrepancies from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
1. Establishment of the ethical corporate management policies and programs (1) Has the company established ethical management policies approved by the board of directors’ meeting and stated in its memorandum or external correspondence about the policies and practiced it to maintain business integrity? Are the board of directors and the management committed to fulfilling this	✓		(1) To establish corporate culture of ethical management and to develop a sound company, the Company’s Board of Directors has established the “Ethical Corporate Management Best Practice Principles” according to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. There are also “Guidelines for the Adoption of Codes of Ethical Conduct” which prevents conflict of interests, and “Procedures for Board of Directors’ Meetings” which requires directors’ recusal due to conflict of interests. The Company also upholds the corporate management principles of “Trust, Efficiency, Innovation”, and	None

Evaluation Item	Implementation Status			Discrepancies from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
commitment? (2) Has the company established assessment mechanism for unethical conduct risk, performed periodic analysis and assessed operating activities of relatively higher unethical conduct risk in the scope of business, and has established unethical conduct solution accordingly, and at least covering the preventive measures for the conducts described in each subparagraph of Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”? (3) Has the company established policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? And Has the company regularly reviewed and revised the aforementioned plan?	✓ ✓		has also demonstrates the sincere management commitment of the Company in documents and publications to the external. (2) In cases where any directors, managerial officers and employees of the Company discover matters violating the ethical management requirements, he or she shall report to the Auditing Department immediately. They can find contact method for whistleblowers in the Company’s homepage. The Company shall ensure the confidentiality of the identity of the reporter and the report content. The Company prevents the occurrence of unethical conducts through regular and irregular audits (including operation procedures, information communication, personnel abnormalities etc.). There is no violation of professional ethics in 2021. (3) The Company has set up “Guidelines for the Adoption of Codes of Ethical Conduct” and all the affiliates have their own internal guidelines, which stipulated regulations for the procedures for handling receipt of benefits, promotion of setup of corporate ethical management organization, regulations on recusal of conflict of interest, mechanism for report and punishment etc. Legal Compliance units hold educational seminar by quarter to share lesson learned, and to remind all the employees of professional ethics.	None
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts? (2) Has the company established a dedicated unit directly under the board of directors, responsible for the promotion of corporate ethical management, and reported its ethical management policy,	✓ ✓		(1) For suppliers and cooperating parties, inspection on unethical conducts is performed before trading, and the commercial contracts are also specified with clauses related to ethical conducts. (2) The Company’s Board of Directors designates the “Corporate Governance Department” under the President to be the unit for promoting the corporate ethical management, ensuring the implementation of ethical management and reporting the following to the board of directors on the execution status at least once a year: establishment of related guidelines, auditing system and implementation result, whistleblower	None

Evaluation Item	Implementation Status			Discrepancies from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
proposal for prevention of unethical conducts as well as supervision of implementation status to the board of directors’ meeting periodically (at least once annually)? (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the company implemented effective accounting system and internal control system for the purpose of maintaining ethical operations? Has the internal audit unit established relevant audit plans according to the assessment results of unethical conduct risk and audited the compliance status of proposals for the prevention of unethical conduct accordingly, or appointed CPA to perform the audit? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓ ✓ ✓		protection, legal compliance report submitting to Audit Committee and Board of Directors, legal training of directors and employees, assessment of the Company’s counterparties’ ethics, and disclosure of financial and business information, etc. (3) In cases where any directors, managerial officers and employees of the Company discover matters violating the ethical management requirements, he or she shall report to the Auditing Department immediately. They can find contact method for whistleblowers in the Company’s homepage. The Company shall ensure the confidentiality of the identity of the reporter and the report content. (4) The accounting system of the Company is established according to the regulations of the competent authority, and financial reports are prepared according to the financial reporting standards, such that there are no external accounts or reserved secret accounts. In terms of the internal control, the Company has explicitly specified that cashier and accounting shall not be handled by one identical person. The internal auditors periodically audit the compliance status of the aforementioned system and report to Audit Committee and Board of Directors at least once a year, in order to reduce the chance of occurrence of unethical management risk in the business activities. (5) Employees are selected to participate in the external trading trainings for commercial bribery prevention, malpractice case study, insider trading prevention, company fraud case analysis etc. In addition, the ethical policy and prevention of unethical conducts of the Company are promoted and educated to the internal legal compliance, internal control and other courses of the Company. Affiliated companies also held training sessions respectively, which cover subjects such as Personal Information Protection Act, Money Laundering Control Act, Labor Standards Act, Financial Consumer Protection Act, and Sexual Harassment Prevention Act. etc.	None
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Company has also established the “Report Case Handling Operation Procedures” to explicitly specify the reporting channels and handling procedures. In addition, the Company also announced the e-mail box, mail address, telephone and fax number on homepage for internal report and complaint, which is managed by Auditing Department. Verification and	None

Evaluation Item	Implementation Status			Discrepancies from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary Note	
(2) Has the company established any investigation standard, operating procedures for accepting reported misconducts, subsequent measures and relevant confidentiality measures required to be performed after the completion of the investigation? (3) Does the company provide proper whistleblower protection?	✓		relevant operation are performed by designated personnel depending upon the situation. (2) In cases where any directors, managerial officers and employees of the Company discover matters violating the ethical management requirements, he or she shall report to the Auditing Department immediately. The Company shall ensure the confidentiality of the identity of the reporter and the report content. (3) The Company shall ensure the confidentiality of the identity of the whistleblower and report content. The Company shall protect whistleblowers, shall not have him dismissed, demoted, his pay cut, or his legal right jeopardized. Shall he find himself in disadvantaged circumstances due to whistleblowing, he could file a complaint with Audit Committee or Board of Directors.	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company's Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company's Chinese/ English website(https://www.ibf.com.tw/) and MOPS.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). The status of the Company's fulfillment of the ethical management has been disclosed in the annual report.				

3.4.8 Corporate Governance Guidelines and Regulations

The Company has established corporate governance related procedures and regulations, such as “Procedures for Shareholders’ Meetings”, “Procedures for Board of Directors’ Meetings”, “Procedure for Election of Directors”, “Board of Directors Performance Evaluation Measures”, “Audit Committee Charter”, “Remuneration Committee Charter”, “Rules Governing the Duty of Independent Directors”, “Information Disclosure Operation Regulations”, “Guidelines for the Adoption of Codes of Ethical Conduct”, “Ethical Corporate Management Best Practice Principles”, “Report Case Handling Operation Procedures”, “Guidelines for Legal Compliance System Execution”, “Corporate Governance Best Practice Principles”, “Corporate Social Responsibility Best Practice Principles”, “Procedure for Anti-Money Laundering and Counter Terrorism Information Sharing” and “Anti-Money Laundering and Counter Terrorism Plan”, etc. For further inquiries, please go to the company website, website address <https://www.ibf.com.tw/resite-11.asp>.

3.4.9 Other Important Information Regarding Corporate Governance

1. To manage internal major information of the Company, the board of directors has approved and established the “Information Disclosure Operation Regulations”, and is published in the company intranet for the compliance of all employees in order to prevent violation or occurrence of insider trading.
2. During the assuming of the term of office by a new director, the Company also provides the Handbook for Directors and Supervisors of TWSE/TPEX Listed Companies published by TWSE as well as relevant educational information.

3.4.10 Internal Control Systems

1. Internal control system declaration

IBF Financial Holdings Co., Ltd. Internal Control System Declaration

To: Financial Supervisory Commission

February 25, 2022

We, in representation of IBF Financial Holdings Co., Ltd., hereby declares the Company, for the period from January 1, 2021 to December 31, 2021, has properly complied with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” to establish an internal control system and to implement risk management, which is executed by an a detached and independent Auditing Department to perform the audit and to report to the board of directors and the Audit Committee periodically. Upon careful assessment, the internal control and legal compliance status of all units of the Company, except for the matters listed in the attachment, have been thoroughly and effectively executed. This Declaration shall become part of the main content of the annual report and prospectuses of the company, and shall be publicly disclosed externally. In case of any illegal conducts of severe false, concealing etc. in the aforementioned publicly disclosed content, the Company shall bear the legal liabilities specified in Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

Declared by

Chairman :	Chi-Lin Wea
President :	Chi-Lin Wea(Acting)
Chief Auditor :	Wen-Chu Hou
Chief Compliance Officer :	Karen Wu

IBF Financial Holdings Co., Ltd. Required Correction and Improvement Plan for Internal Control System

Base date: December 31, 2021

Matters requiring corrections	Improvement measures	Predefined improvement completion time
[Subsidiary, IBF Securities] I. On July 16 and 17, 2020, the Taiwan Stock Exchange conducted an inspection of the Great Wall Branch and found that the brokerage salespersons had borrowed money from or lent money to customers, accepted telephone orders from customers without recording the telephone calls, and accepted orders from customers by cell phone, which violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms. On January 27, 2021, the Company received a letter Jin-Guan-Zheng-Quan-Zi No. 11003604112 by the FSC, demanding for correction and requesting the Company to strengthen the education and training of employees on legal compliance and to enhance the effectiveness of the internal audit. The Company was fined NT\$240,000 by the FSC in its punishment notification Jin-Guan-Zheng-Quan-Fa-Zi No. 1100360411.	In order to avoid the occurrence of similar deficiencies, improvement and preventive measures have been reported. (I) The brokerage business group conducted legal compliance promotion and education and training at the managers' meeting and the administration division's meeting. (II) The Great Wall Branch's self-inspection staff added 10 consecutive business days as an inspection item for the deficiencies. No similar deficiencies have been found and an audit report has been prepared for review. (III) In addition, the Audit Office has enhanced the counseling and inspection to address the deficiencies, and the improvement has been completed after the inspection assessment.	Improvement has been completed.
II. On October 19, 2020, the TPEx conducted an inspection of the Taichung Branch and found that the brokerage salesperson had accepted orders by cell phone from an unauthorized agent. The branch's managerial officer and the head of the brokerage business did not adequately supervise the brokerage salesperson's violation of securities laws and regulations and the self-inspection staff did not know whether the authorized agent actually went to the sales counter to conduct face-to-face ordering, etc., which violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms. On May 12, 2021, the Company received a letter Jin-Guan-Zheng-Quan-Zi No. 11003619083 by the FSC, ordering for correction and requesting the Company to strengthen the education and training of employees on legal compliance and to enhance the effectiveness of the internal audit. The Company was fined NT\$480,000 by the FSC in its punishment notification Jin-Guan-Zheng-Quan-Fa-Zi No. 11003619082.	In order to avoid the occurrence of similar deficiencies, improvement and preventive measures have been reported. (I) Brokerage Business Group and the Business Administration Division of the Channel Department have made improvements and preventive measures reports and carried out the improvement operations. (II) Taichung Branch has added the deficiencies as an internal audit item to be handled with this case by the self-inspection staff for 10 consecutive business days. A complete audit report has been prepared with no similar deficiencies identified and sent to the TPEx for recordation. (III) The Audit Office of the Board of Directors has strengthened the counseling and inspection for the Taichung Branch and has found no similar deficiencies and that the improvement operations have been completed. In addition, the counseling and auditing for other branches have been expanded and enhanced to address the deficiencies, and the improvement has been completed after the inspection assessment.	Improvement has been completed
III. The FSC conducted a general business inspection of the Company from January 19 to February 4, 2021 and found that the sanctioned had violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms in terms of the handling of the account opening of the Company's	(I) The relevant deficiencies have been improved and control measures have been strengthened. (II) The relevant deficiencies were reiterated and reinforced in the managerial officer's meeting on March 10, 2021, the administration division's meeting on March 12, 2021 and the semi-annual training courses for salespersons on June 8, 2021.	Improvement has been completed

Matters requiring corrections	Improvement measures	Predefined improvement completion time
internal staff, controlling of the inter-branch quotas for customers, accepting corporate account openings without obtaining the authorization letter from the ordering agent, and reporting incorrect accounts, which violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms The letter Jin-Guan-Sheng-Quan-Zi No. 11003635571 dated August 27, 2021, ordered the Company to make correction. The Company was fined NT\$240,000 by the FSC in its punishment notification Jin-Guan-Zheng-Quan-Fa-Zi No. 1100363557.		
IV. From April 28 to May 14, 2021, the Financial Examination Bureau of the FSC dispatched its staff to IBF Financial Holdings to conduct a general business inspection and found that the Company had (1) failed to report the recent operating status and important operational matters to the Business Development Committee of the Financial Holdings, which was inconsistent with Article 9 of the "Management Measures for Investee Enterprises" established by the Financial Holdings, and (2) failed to explain the reasonableness of using comparable TWSE and TPEx listed companies and the reasons for qualitative adjustments while conducting fair value evaluation of unlisted stocks, and failed to keep the approval records of the head of the valuation operation department, which was inconsistent with Article 9 of the "Management Measures for Investee Enterprises" established by the Financial Holdings. On December 20, 2021, the Company received the letter Jin-Guan-Sheng-Quan-Zi No. 1100375460, requesting the Company to pay attention to the improvement.	(I) A supplemental report was filed on September 16, 2021. (II) Comparable companies with similar return on equity can be used for evaluating the fair value of unlisted stocks. In order to be prudent, the Company adopts the CPAs' recommendations when conducting the valuation, and the valuation results are as close as possible to the net worth of the valued company. The reasons for the adjustments are also explained, and the accounting entry is posted upon the valuation is approved by the relevant responsible officer.	Improvement has been completed
V. The security parameters of the password principle set by the operating system host do not specify the minimum password length, password complexity and maximum password usage period.	The Company's "Information Security Management Guidelines" stipulate that high-quality passwords (more than six characters in length and with alphanumeric characters or symbols) should be used, and that it is appropriate to update user passwords regularly for no more than three months, which is promoted heavily. The password of the Company's users other than customers should be changed at least once every three months. In addition, the Company has completed a cycle count of the password principles and parameters of the host operating systems, such as the securities brokerage system, the proprietary business system, the stock affairs agency system (SA02) and the sub-brokerage system (SB01).	Due to the principle of system stability, the system will be set up and verified in the test environment first before setting up in the official environment, and it is expected the set up and improvement will be completed by the end of April 2022.

Matters requiring corrections	Improvement measures	Predefined improvement completion time
VI. We conducted vulnerability scanning and penetration testing operations. We found they were not fully defined in the internal operation specifications. For the medium-risk or low-risk level vulnerabilities revealed in the vulnerability scanning operations, it was found there was no assessment of the related risks or installation of patching programs. The scope of vulnerability scanning was insufficient.	(I) The Company's operating system will have vulnerability scanning once every six months. For the sake of clarity, the Company's "Operating Guidelines for System Development and Maintenance Management" has been revised to "Information system vulnerability scanning should be performed on a regular basis (at least once every six months).". (II) In the first half of 2021, the internal host network segment was included in the scope of vulnerability scanning. In the future, the Company will continue to conduct vulnerability scanning operations in accordance with the regulations, and conduct patching and adjustment for vulnerabilities of high risk level or above; for vulnerabilities of medium risk and low risk level, the Company will evaluate whether the vulnerability level requires installation of patching programs or tracking observation, etc. and keep relevant evaluation records.	The preliminary test report for the penetration test operation has been completed. Follow-up patches shall be made based on the test results. Improvement for the rest already completed.
VII. For the security management of IoT devices, the Company has not updated the default passwords, turned off unnecessary network connections and service providers, signed information security-related agreements with IoT device suppliers to clearly define the responsibilities of both parties, or established a compensatory control mechanism for IoT devices that do not have a security update mechanism.	(I) The Company's "Information Security Management Guidelines" have stipulated that "users should update their passwords immediately after receiving permission to use the system" and will reiterate the requirement for all departments and employees to carry through the practice. (II) The Company has stipulated in the "Emerging Technology Information Security Management Guidelines" that the software of the Company's IoT equipment software should have a security update mechanism to maintain the overall security of the equipment. We reiterate that all departments and employees of the Company are required to carry through this requirement to facilitate the implementation of IoT equipment security maintenance operations. (III) The Company has completed the signing of the "IoT Contract Addendum" with an information security-related agreement with the IoT equipment suppliers, clearly stipulating the relevant responsibilities of both parties.	Improvement has been completed
VIII. The Company has not established an audit mechanism for the necessity and reasonableness of the authorizations required for mobile applications (APPs), has not established a review mechanism, has not detected suspected cracking (root, jailbreak, and USB debugging) of mobile devices when activating APPs, has not alerted users to the risk.	(I) The Company has included in the "Operating Guidelines for System Development and Maintenance Management", with reference to 9(11)a(d) of the "Establishing Information Security Inspection Mechanisms for Securities Firms", the content of "Need to review before releasing the required authorization of mobile applications should be equivalent to the services provided, and the first release or change of authorization should be reviewed and approved by the information security and legal compliance units, and records should be kept to facilitate comprehensive assessment of compliance with the notification obligations of the Personal Data Protection Act", and has added a "Mobile Application Authorization and Service Equivalence Assessment Form" to facilitate review and assessment of whether the required authorization of mobile applications is equivalent to the services provided, with a mechanism for keeping the assessment trail. (II) We will detect suspected cracking (root, jailbreak, and USB debugging) of mobile devices when activating APPs, and alert users to the risk	Improvement has been completed

Matters requiring corrections	Improvement measures	Predefined improvement completion time
IX. On June 15, 2021, the Taiwan Stock Exchange conducted an inspection on the Company and determined that the account administrator of the Company's host co-location (CO-LO) system had logged into the host with a password applied by another person, which violated the internal control system "CC-18000 Access Control", and issued the letter Tai-Zheng-Fu-Zi No. 1100502041 dated July 12, 2021 for the Company to make improvement.	The Information Department conducts internal promotion and strictly instructs employees not to use the account passwords of colleagues on leave in accordance with the "Internal Control System CC-18000 Access Control", which requires the application of the personnel using the system resources and the approval of the responsible supervisor, as well as registration in the "Information System Host Account Maximum Authorization Registration Form" for the control of the account passwords.	Improvement has been completed

2. Where CPA is entrusted to review the internal control system, the CPA examination report shall be disclosed. :

None.

3.4.11 Violation Sanctions, Major Flaws and Improvement Status of the Company and Subsidiaries in the Last Two Years and Up to the Report Printing Date.

1. Any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation :

(1)The Public Prosecutor's Office of Taoyuan District Court prosecuted IBF Securities Taoyuan Branch employee Lui ○○ for knowing that when the defendant was entrusted to place orders, the defendant was not "entrusted in person" by Yeh ○○and Chen ○○. Therefore, the defendant, Lui ○○, was found to have the subjective intent of committing perjury because Yeh ○○ and Chen ○○ were not the actual users of their personal securities accounts and not the persons who placed orders. After testifying in the court and signing an affidavit, the defendant was charged with perjury under Article 168 of the Criminal Code for falsifying the contents of his testimony. On May 24, 2021, the Taoyuan District Court ruled in the first instance that Lui ○○ was guilty of perjury and sentenced to one month imprisonment with two years of probation, and should pay NT\$30,000 to the public treasury within six months from the date the verdict was confirmed.

Improvement status:

- a. Salespersons are strictly required to comply with the regulations when accepting orders from customers to avoid the occurrence of similar incidents.
 - b. Strengthen the education and training for all employees to comply with the relevant laws and regulations.
2. Any violation of laws and administrative fine has been imposed by the FSC, or deficiencies requested for correction by FSC, or decision made by FSC

according to Paragraph 1 of Article 54 of the Financial Holding Company Act, or penalties imposed by the Company on internal personnel violating the internal control system regulations, and such penalty result may have significant impact on the rights and interests of the shareholders or the price of the securities, or complying with the requirements specified in Article 2 of “Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation” :

- (1) TWSE conducted an audit at IBF Securities' Changcheng Branch from July 16-17, 2020, and found that the salesperson, Mao ○○, had loaned money to customer Hung ○○ and received orders from customers Hung ○○ and Chao ○○ from 2018 to 2019, totaling 416 and 443 orders, respectively, which were not recorded by telephone. The salesperson also received orders from customers by cell phone. Due to the above deficiency, IBF Securities was determined to have violated Article 2, Item 2 of the Regulations Governing Securities Firms and Article 18, Item 2, Paragraph 9 and Item 3 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms, and was imposed a fine of NT\$240,000 and ordered to suspend the salesperson, Mao ○○, from the execution of business for three months. (Letter Jin-Guan-Sheng-Quan-Zi No. 11003604112 dated January 27, 2021, Ruling Letter Jin-Guan-Sheng-Quan-Zi No. 1100360411 and Penalty Jin-Guan-Sheng-Quan-Zi No. 11003604111 dated January 27, 2021).

Improvement status:

- a. Already Strengthened the education and training for all employees to comply with the relevant laws and regulations.
 - b. The Audit Office of IBF Securities has enhanced the guidance and audit and the assessment has been completed and relevant records have been preserved for recordation.
- (2) On October 19, 2020, the Taipei Exchange (TPEX) of the Republic of China inspected the Taichung Branch of the IBF Securities and found the following:
 - a. The brokerage salespersons of the Company, Chen ○○ (hereinafter referred to as Chen) and Chu ○○ (hereinafter referred to as Chu), issued false instructions and accepted orders from unauthorized agents by cell phone to buy and sell stocks.
 - b. The brokerage salesperson, Chu assisted Wu ○○ in making phone calls to the salespersons of other securities brokerage firms to act as agents to trade the stocks of P-TWO Industries Inc. and to keep the seal of the customer, Lai ○○ on behalf of the customer, Lai ○○.

- c. As the managerial officer of the branch office and the direct boss of the brokerage business, the branch managerial officer, Wang ○○ and Lin ○○, were responsible for the inadequate supervision of Chen and Chu and their many violations of securities-related laws and regulations.
- d. The self-inspection staff, Liao ○○, failed to verify whether the authorized agent actually went to the sales counter for in-person ordering when Liao was conducting the sample checking of the work papers of the impersonal ordering.

The above deficiencies indicate that IBF Securities has not carried through the internal control system and has violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms. IBF Securities is required to correct the deficiencies in accordance with Article 65 of the Securities and Exchange Act and is imposed with a penalty of NT\$480,000 in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act. (Letter Jin-Guan-Sheng-Quan-Zi No. 11003619083 dated May 12, 2021, Ruling Letter Jin-Guan-Sheng-Quan-Fa-Zi No. 11003619082 dated May 12, 2021).

Improvement status:

- a. IBF Securities' Brokerage Business Group and the Business Administration Division of the Channel Department have made improvements and preventive measures reports and carried out the improvement operations.
 - b. IBF Securities' Taichung Branch has added the deficiencies as an internal audit item to be handled with this case by the self-inspection staff for 10 consecutive business days. A complete audit report has been prepared with no similar deficiencies identified and sent to the TPEx for recordation.
 - c. The Audit Office of the Board of Directors of IBF Securities has strengthened the counseling and inspection for the Taichung Branch and has found no similar deficiencies and that the improvement operations have been completed. In addition, the counseling and auditing for other branches have been expanded and enhanced to address the deficiencies, and the improvement has been completed after the inspection assessment.
- (3) The Financial Supervisory Commission conducted a general business examination of IBF Securities from January 19 to February 4, 2021 and found the following deficiencies:
- a. For insiders opening accounts to order the trading of marketable securities. It was found that the company's directors opened accounts

with other securities firms, and the accounts opened by the spouses of insiders were not dedicated accounts (98) and not separated from other clients, which was incompliant with the provisions of the "Regulations Governing Insiders of Securities Firms Opening Accounts at Their Securities Firms for Securities Brokerage".

- b. The maximum single-day trading quota by the customer across branches has not been carried through, resulting in some customers failing to provide sufficient proof of financial strength. In addition, the company failed to inquire the information of the bounced notes from the clearinghouse, which was incompliant with the provisions of the "Self-Regulatory Rules on Understanding Principal and Credit and Quota Management for Members of the Taiwan Securities Association for Brokerage Business".
- c. When accepting applications for account opening from legal entities, the company did not demand an authorization letter for the placement of the order and has not kept the agent's signature on a seal card for processing. The brokerage operating system has not set up the basic information of the agent appointed by the client, which was incompliant with the provisions of the "Operating Rules of the Taiwan Stock Exchange Corporation".
- d. For securities brokerage business, the company blamed the salesperson for the error made by a customer placing orders through the Internet for stock trading without identifying the reason and reported them as out-trades of the company, which was a violation of the provisions of the "Directions for Reporting and Handling of Out-Trades and Account Number Corrections by Securities Brokers".

The above deficiencies indicate that IBF Securities has not carried through the internal control system and has violated Article 2, Paragraph 2 of the Regulations Governing Securities Firms. IBF Securities Co., Ltd. is required to correct the deficiencies in accordance with Article 65 of the Securities and Exchange Act and was imposed with a penalty of NT\$240,000 in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act. (Letter Jin-Guan-Sheng-Quan-Zi No. 11003635571 dated August 27, 2021, Ruling Letter Jin-Guan-Sheng-Quan-Fa-Zi No. 1100363557 dated August 27, 2021).

Improvement status:

The relevant deficiencies have been improved and control measures have been strengthened. And it has been reiterated and strengthened in the IBF Securities' management meeting, the Administration Division's meeting and the semi-annual education and training courses for salespersons.

3. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully abide by the Directions for Maintenance of Security at Financial Institutions. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year, disclose the nature and amount of the loss :

None.

4. Other matters that must be disclosed pursuant to FSC designation :

None.

3.4.12 Major Resolutions of Shareholders' Meeting and Board Meetings

1. Shareholders' Meeting Resolution and Execution

Year	Date	Proposal	Resolution	Execution Status
2021 Annual shareholders' meeting	2021 July 9	Adoption of the business report and financial statements for the fiscal year of 2020.	The number of votes represented by attending shareholders referred to 1,611,980,855, consisting of 1,541,488,913 votes in favor (including 971,051,461 votes casted electronically), 1,302,430 votes against (including 1,302,430 votes casted electronically) and 69,189,512 votes abstained (including 69,021,313 votes casted electronically). The votes in favor were 95.62% of votes represented by attending shareholders. The Proposal was hereby recognized as submitted.	Already handled according to the resolution.
		Adoption of the proposal for profits distribution of 2020.	The number of votes represented by attending shareholders referred to 1,611,980,855, consisting of 1,544,194,368 votes in favor (including 973,756,916 votes casted electronically), 1,338,710 votes against (including 1,338,710 votes casted electronically) and 66,447,777 votes abstained (including 66,279,578 votes casted electronically). The votes in favor were 95.79% of votes represented by attending shareholders. The Proposal was hereby recognized as submitted.	The date of July 27, 2021 was already set to be the dividend distribution base date, and cash dividends were issued on August 13 of the same year.
		Amendment to the "Rules of Procedure for Shareholders Meeting" of the Company was submitted for discussion and resolution.	The number of votes represented by attending shareholders referred to 1,611,980,855, consisting of 1,538,231,076 votes in favor (including 967,793,624 votes casted electronically), 1,423,559 votes against (including 1,423,559 votes casted electronically) and 72,326,220 votes abstained (including 72,158,021 votes casted electronically). The votes in favor were 95.42% of votes represented by attending shareholders. The Proposal was hereby approved as submitted.	Already handled according to the resolution.

Year	Date	Proposal	Resolution	Execution Status
		Proposal for amendments to the "Articles of Incorporation" of the Company was submitted for discussion and resolution.	The number of votes represented by attending shareholders referred to 1,611,980,855, consisting of 1,081,578,970 votes in favor (including 709,746,821 votes casted electronically), 458,045,516 votes against (including 259,440,213 votes casted electronically) and 72,356,369 votes abstained (including 72,188,170 votes casted electronically). The votes in favor were 67.09% of votes represented by attending shareholders. The Proposal was hereby approved as submitted.	Already handled according to the resolution.
		Proposal for new share issuance through capitalization of earnings by the Company was submitted for discussion and resolution.	The number of votes represented by attending shareholders referred to 1,611,980,855, consisting of 1,538,130,954 votes in favor (including 967,693,502 votes casted electronically), 1,587,826 votes against (including 1,587,826 votes casted electronically) and 72,262,075 votes abstained (including 72,093,876 votes casted electronically). The votes in favor were 95.41% of votes represented by attending shareholders. The Proposal was hereby approved as submitted.	The date of October 6, 2021 was already set to be the dividend distribution base date, and stock dividends were issued on November 5 of the same year.
		Proposal for amendments to the "Guidelines for Election of Directors" of the Company was submitted for discussion and resolution.	The number of votes represented by attending shareholders referred to 1,611,980,855, consisting of 1,537,920,513 votes in favor (including 967,483,061 votes casted electronically), 1,602,477 votes against (including 1,602,477 votes casted electronically) and 72,457,865 votes abstained (including 72,289,666 votes casted electronically). The votes in favor were 95.40% of votes represented by attending shareholders. The Proposal was hereby approved as submitted.	Already handled according to the resolution.

2. Extraordinary Shareholders' Meeting Resolution and Execution

Year	Date	Proposal	Resolution	Execution Status
2021 Extraordinary shareholders' meeting	2021 December 2	Proposal for amendments to the "Articles of Incorporation" of the Company.	The number of votes represented by attending shareholders referred to 2,014,601,142, consisting of 1,748,392,033 votes in favor (including 1,286,897,580 votes casted electronically), 205,658,868 votes against (including 3,706,996 votes casted electronically) and 60,550,241 votes abstained (including 57,931,276 votes casted electronically), where the votes in favor was 86.78% of votes represented by attending shareholders. The Proposal was hereby approved as submitted.	Already handled according to the resolution.
		The Company proposes to execute a share exchange agreement with EnTie Commercial Bank, Ltd. to pay the cash and	The number of votes represented by attending shareholders referred to 2,014,581,477, consisting of 1,481,530,077 votes in favor (including 1,020,035,624 votes casted electronically), 473,282,073 votes against (including 271,330,201 votes casted	Already handled according to the resolution.

Year	Date	Proposal	Resolution	Execution Status
		preferred share as the consideration in exchange for 100% of shares in EnTie Commercial Bank, Ltd. through share exchange. It is therefore submitted for approval.	electronically) and 59,769,327 votes abstained (including 57,170,027 votes casted electronically), where the votes in favor was 73.54% of votes represented by attending shareholders. The Proposal was hereby approved as submitted.	

3. Major Resolutions of the Board of Directors' Meeting

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
02/24/2021	The 7th Term of Board of Directors' 8th Meeting	The proposal for the Company intends to authorize the chairman or its designee to negotiate with Rakuten Bank, Ltd. (Japan) and Rakuten Card Co. (Japan) for the payment of compensation within NT\$150 million in order to exclude the Company's obligations under the non-compete clause in the joint venture agreement is hereby submitted for approval.	The proposal was not approved by vote, with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		For the purpose of investing in EnTie Commercial Bank, it was intended to acquire 100% of its shares through a share swap using cash and preferred shares as the transaction consideration. The chairman or a designee was authorized to negotiate a certain price range and transaction terms.	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
			Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
03/23/2021	The 7th Term of Board of Directors' 9th Meeting	The 2020 final accounting reports of the Company are hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal for 2020 earnings distribution of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to increase capital by retained earnings and issuance of new shares of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend certain provisions of the "Measures for the Administration of Material Contingencies," is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend certain provisions of the "Remuneration Committee Charter" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend certain provisions of the "Measures for Managing Equities" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend some provisions of the "Measures for Risk Management" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend some provisions of the "Measures for Managing Large Exposures" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend some provisions of the "Rules of Procedure for Shareholders Meetings" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend certain provisions of the "Procedure for Election of Directors" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal for the change in the officer of the Information Department and in the officer of the Finance Department of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		Proposal to amend certain provisions of the "Articles of Incorporation" of the Company is hereby submitted for approval.	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd.

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
			Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
05/20/2021	The 7th Term of Board of Directors' 10th Meeting	The proposal for the change in the head of the Company's Financial Department is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		The proposal for the Company, Xiamen International Trust Co., Ltd. and Yunnan International Trust Co., Ltd. to enter into a joint venture contract for the establishment of a money brokerage company in Mainland China, and for Xiamen International Trust to apply to the China Banking and Insurance Regulatory Commission for permission to establish the company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
08/23/2021	The 7th Term of Board of Directors' 14th Meeting	Proposal to amend some provisions of the "Measures for Risk Management" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		The proposal to amend the "Official Duties Delegation of Responsibility and Approval Hierarchy Detail List" of the Company is submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		The proposal to amend certain provisions of the "Measures for Managing Transactions between the Company and Stakeholders" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
10/14/2021	The 7th Term of Board of Directors' 15th Meeting	The Company's proposal to execute a share swap agreement with EnTie Commercial Bank to acquire 100% of its shares by way of share swap in consideration of cash payment and issuance of preferred shares, and submit the necessary documents to the shareholders' meeting for discussion and resolution, and authorize the Chairperson or its designee to sign the share swap agreement and the declaration is hereby submitted for approval.	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L.
		The Company's proposal to issue class A preferred shares for the share swap with EnTie Commercial Bank is hereby submitted for approval.	

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
		The Company's proposal to issue additional common shares for cash capital increase is hereby submitted for approval.	Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		Proposal to amend certain provisions of the "Articles of Incorporation" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		The date, location, main proposals, acceptance of proposals from shareholders and other matters of the 2021 First Extraordinary Shareholders' Meeting are hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
11/19/2021	The 7th Term of Board of Directors' 16th Meeting	The proposal for the amendment of the "Accounting System" of the Company is hereby submitted for approval.	After the inquiry of the Chairperson, all attending directors agreed the proposal with amendments, and this case was passed.
		2022 Annual Audit and Inspection Plan (draft) prepared by the Auditing Division is submitted for review, as explained in detail. Please proceed with the resolution.	Director Michael Chen recused from this proposal due to his concurrent job position in the managerial department. After the Chairman requesting for consent, all the rest attending directors agree and the revision was passed.
12/17/2021	The 7th Term of Board of Directors' 17th Meeting	The proposal for the Chairman of the Company's Board of Directors to act as the President of the Company is hereby submitted for approval.	Chairman Chi-Lin Wei recused themselves, and Vice Chairman Shao-Chung Tsai acted as Chairman; after the Acting Chairman consulted the other Directors present and no objection was raised, the motion was passed. (Managers' recusal)

3.4.13 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
02/24/2021	The 7th Term of Board of Directors' 8th Meeting	The proposal for the Company intends to authorize the chairman or its designee to negotiate with Rakuten Bank, Ltd. (Japan) and Rakuten Card Co. (Japan) for the payment of compensation within NT\$150 million in order to exclude the Company's obligations under the non-compete clause in the joint venture agreement is hereby submitted for approval.	The proposal was not approved by vote, with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
			Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		For the purpose of investing in EnTie Commercial Bank, it was intended to acquire 100% of its shares through a share swap using cash and preferred shares as the transaction consideration. The chairman or a designee was authorized to negotiate a certain price range and transaction terms.	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung, Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
03/23/2021	The 7th Term of Board of Directors' 9th Meeting	Proposal to amend certain provisions of the "Articles of Incorporation" of the Company is hereby submitted for approval.	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Teng-Shan Tai, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		The date, location, main proposals, acceptance of proposals from shareholders and other matters of the 2021 Regular Shareholders' Meeting are hereby submitted for approval.	
07/26/2021	The 7th Term of Board of Directors' 13th Meeting	In order to meet the fundraising needs for the Company's investment projects, the request for the Board of Directors to authorize the Chairperson of the Board of Directors to negotiate for the contract and appointment within \$8 million for KGI Securities selected by	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin

Date	Session of Board of Directors' Meeting	Proposal Content	Resolution
		the Internal Underwriter Evaluation Committee in accordance with the progress of the project is hereby submitted for approval.	Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		In order to prudently evaluate the investment in EnTie Commercial Bank, the Board of Directors' proposal to authorize the Chairperson or its designee to appoint an external financial professional institution to conduct due diligence procedures with the updated base date within NT\$2 million is hereby submitted for approval.	
		In order to prudently evaluate the investment in EnTie Commercial Bank, the Board of Directors' proposal to authorize the Chairperson or its designee to appoint an external law firm to conduct legal, due diligence procedures with the updated base date within NT\$2 million is hereby submitted for approval	
10/14/2021	The 7th Term of Board of Directors' 15th Meeting	The Company's proposal to execute a share swap agreement with EnTie Commercial Bank to acquire 100% of its shares by way of share swap in consideration of cash payment and issuance of preferred shares, and submit the necessary documents to the shareholders' meeting for discussion and resolution, and authorize the Chairperson or its designee to sign the share swap agreement and the declaration is hereby submitted for approval.	The proposal was passed with seven directors in favor (Ren Wang Co., Ltd. Representative: Chi-Lin Wea, Ren Wang Co., Ltd. Representative: Tsai, Shao Chung, Ren Wang Co., Ltd. Representative: Cheng-Lin Chen, Ren Wang Co., Ltd. Representative: Cheng-Fong Shih, Ren Wang Co., Ltd. Representative: Steven Hung Independent Director Shihchen Joseph Jao, Independent Director Chen, Shu Chuan), and six directors against it (Director Michael Chen, Hua-Kang International Asset Management Corp. Representative: James Y. L. Wei, Taiwan Cooperative Bank Representative: Tsai, Chia-Ping, First Commercial Bank Representative: Hung, Hui-Ching, Independent Director Wei-Lung Chen, Independent Director Ching-Sung Wu).
		The Company's proposal to issue additional common shares for cash capital increase is hereby submitted for approval.	
		The proposal for the Chairperson of the Company's Board of Directors to act as the President of the Company is hereby submitted for approval.	

3.4.14 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and Corporate Governance

February 28, 2022

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Financial Department Manager	Sung-Ta Yang	03/23/2020	03/23/2021	Job adjustment
President	Michael Y. J. Ding	08/18/2011	12/02/2021	Retirement

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
PwC Taiwan	Shu-Mei Chi Wei-Chi Lin	2021.01.01~ 2021.12.31	590	1,720	2,310	Other non-audit fees include the fee for corporate social responsibility report service is NT\$ 500 thousand; the fee for capital increase from earnings case review is NT\$ 380 thousand; the fee for the English translation of financial reports is NT\$ 450 thousand; the fee for confirming the information of non-supervisor salary is NT\$ 200 thousand; the fee for certifying tax returns by CPAs is NT\$ 190 thousand.

3.5.2 When the Accounting Firm Is Changed and the Audit Fees Paid for the Financial Year in which the Change Took Place Are Lower than those Paid for the Financial Year Immediately Preceding the Change, the Amount of the Audit Fees Before and After the Change and the Reason Shall Be Disclosed.

None.

3.5.3 When the Audit Fees Paid for the Current Financial Year Are Lower than those Paid for the Immediately Preceding Financial Year by 10 Percent or More, Specify the Amount, Percentage and Reason for the Reduction in Audit Fees.

According to the adjustment of "Principles Governing Compulsory Disclosure of Annual Report of Financial Holding Companies", the fee for tax compliance audit is reclassified to non-audit fees. Audit fee for financial statements remains the same as in the previous year.

3.6 Replacement of CPA

3.6.1 Regarding the former CPA

Replacement Date	January 1, 2022		
Replacement reasons and explanations	Internal organizational changes within the CPA firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Proactive termination of appointment	-	-
	Non-acceptance or continuance of appointment	-	-
The opinion and reason for any audit report expressing anything other than an unqualified opinion in the past two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details: None		
Other Revealed Matters	None		

3.6.2 Regarding the successor CPA

Name of accounting firm	PwC Taiwan
Name of CPA	Wei-Chi Lin, Hsien-I Chen
Date of appointment	January 1, 2022
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.6.3 Former CPA's disagreement matters of the Company, and successor CPA's written opinions on the disagreement matters, and reply letter in case of any disagreement.

None.

3.7 The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of its Finance and Accounting Operations Hold any Positions in the Company's Independent Auditing Firm or its Affiliates During 2021.

None.

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

3.8.1 Change Status of Share Transfer and Share Pledge of Directors and Managers

Unit: Shares

Title	Name	2021 (Note 1)		As of Feb. 28, 2022 (Note 2)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Ren Wang Co., Ltd.(Note3)	1,987,771	0	0	0
	Representative : Chi-Lin Wea	0	0	0	0
Vice Chairman	Ren Wang Co., Ltd. (Note 3)	1,987,771	0	0	0
	Representative : Tsai, Shao Chung	0	0	0	0
Director	Ren Wang Co., Ltd.(Note 3)	1,987,771	0	0	0
	Representative : Cheng-Lin Chen	0	0	0	0
Director	Ren Wang Co., Ltd. (Note 3)	1,987,771	0	0	0
	Representative : Cheng-Fong Shih	0	0	0	0
Director	Ren Wang Co., Ltd. (Note 3)	-	-	0	0
	Representative : Yang, Cheng-Hsi (Note 5)	-	-	0	0
Director	Michael Chen	50,520	0	0	0
Director	Hua-Kang International Asset Management Corp	7,298	0	0	0
	Representative : James Y. L. Wei	0	0	0	0
Director	First Commercial Bank (Note 3)	3,060,789	0	0	0
	Representative : Hung, Hui-Ching	0	0	0	0
Director	Taiwan Cooperative Bank (Note 3)	1,796,410	0	0	0
	Representative : Tsai, Chia-Ping	0	0	0	0
Independent Director	Shihchen Joseph Jao	0	0	0	0
Independent Director	Wei-Lung Chen	0	0	0	0
Independent Director	Chen, Shu Chuan	0	0	0	0
Independent Director	Ching-Sung Wu	0	0	0	0
President	Chi-Lin Wea (Note 4)	0	0	0	0

Title	Name	2021 (Note 1)		As of Feb. 28, 2022 (Note 2)	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive Vice President	Michael Chen	50,520	0	0	0
Executive Vice President	Andrew Chiu	(27,114)	0	0	0
Vice President	Karen Wu	0	0	0	0
Vice President	Wen-Chuan Hung	9,210	0	0	0
Chief Auditor	Wen-Chu Hou	137	0	0	0
Manager	Tainyi Luor (Note 6)	13,931	0	0	0
Manager	An-Fa Chang	5,446	0	0	0
Manager	Milton Huang	63	0	0	0
Manager	Andre Huang	7,398	0	0	0
Manager	Jason Wu	539	0	0	0
Manager	I-Jen Wang	8,219	0	0	0
Manager	Sung-Ta Yang	3,595	0	0	0
Manager	Hsien-Tsung Li	2,678	0	0	0
Manager	Hsin-Hung Lin	476	0	0	0

Note 1: Refers to the comparison between the increased (decreased) number of shares held, pledged at the end of 2021 and at the end of 2020.

Note 2: Refers to the comparison between the increased (decreased) number of shares held, pledged on February 28, 2022 and at the end of 2021.

Note 3: Refers to a shareholder with holding of more than 1% of the total share amount of the Company.

Note 4: At the 17th meeting of the 7th Board of Directors on December 17 2021, it was approved that Chairperson Chi-Lin Wea acted as President (President Michael Y. J. Ding resigned on December 2 2021, and the Chairperson acting as President was approved by the competent authority for a maximum period of three months.

Note 5: The corporate director, Ren Want Co., Ltd., reassigned Mr. Yang, Cheng-Hsi as its representative On February 1 2022. (the former representative, Mr. Steven Hung, resigned on February 1 2022)

Note 6: Approved by the 10th meeting of the 7th term of the Board of Directors on May 20, 2021 to concurrently act as the head of the Financial Department.

Note 7: The counterparties of the equity transfer or pledge are not related parties of the financial holding company, directors, supervisors, managers and shareholders with more than 10% of shareholding percentage.

3.8.2 According to Article 11 of the Regulations Governing Total Number of Shares with Voting Rights issued by One Identical Financial Holding Company Held by the Same Person or Same Related Party Exceeding a Certain Ratio, Such That There Is a Need to Report the Equity, the Change Status of the Share Transfer and Share Pledge thereof.

Unit : Share

Title	Name	2021(Note 1)		As of February. 28, 2022 (Note 2)	
		Increase (decrease) of shareholding	Increase (decrease) of pledged shares	Increase (decrease) of shareholding	Increase (decrease) of pledged shares
Same Person or Same Related Parties	Ren Wang Co., Ltd. (Note3)	1,987,771	0	0	0
Same Person or Same Related Parties	Norwares Co., Ltd. (Note3)	8,412,149	33,400,000	0	0

Note 1: Refers to the comparison between the increased (decreased) number of shares held, pledged at the end of 2021 and at the end of 2020.

Note 2: Refers to the comparison between the increased (decreased) number of shares held, pledged on February 28, 2022 and at the end of 2021.

Note 3: Refers to a shareholder holding more than 1% of the total share amount of the Company.

Note 4: The counterparties of the equity pledge are not related parties of the financial holding company, directors, supervisors, managers and shareholders with more than 10% of shareholding percentage.

3.9 Relationship among the Top Ten Shareholders

March 29, 2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Norwares Co., Ltd.	248,759,268	8.30	0	0	0	0	Ren Wang Co., Ltd.	Substantial related party	-
Legal representative: Shao-Chung Tsai	0	0	0	0	0	0	-	-	-
Hotel Taipei Miramax Co., Ltd.	144,100,000	4.81	0	0	0	0	-	-	-
Legal representative: An-Ti Huang	0	0	0	0	0	0	-	-	-
First Commercial Bank, Co., Ltd.	90,511,914	3.02	0	0	0	0	-	-	-
Legal representative: Ye-Chin Chiou	0	0	0	0	0	0	-	-	-
Nice Commercial Mortgage Corp.	88,746,540	2.96	0	0	0	0	Nice Investment & Development Co., Ltd.	Nice Commercial Mortgage Corp. is an institutional director of Nice Investment & Development Co., Ltd.	-

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note)		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Legal representative: Shuo-Wei Chen	0	0	0	0	0	0	-	-	-
Ren Wang Co., Ltd.	58,781,235	1.96	0	0	0	0	Norwares Co., Ltd.	Substantial related party	-
Legal representative: Yu-Sheng Li	0	0	0	0	0	0	-	-	-
Nice Investment & Development Co., Ltd.	55,248,927	1.84	0	0	0	0	Nice Commercial Mortgage Corp.	Nice Commercial Mortgage Corp. is an institutional director of Nice Investment & Development Co., Ltd.	-
Legal representative: Kuan-Ju Chen	0	0	0	0	0	0	-	-	-
Taiwan Cooperative Bank Co., Ltd.	53,122,431	1.77	0	0	0	0	-	-	-
Legal representative: Chung-Ta Lei	0	0	0	0	0	0	-	-	-
Bank of Taiwan	52,373,704	1.75	0	0	0	0	Taiwan Fire & Marine Insurance Co., Ltd	Bank of Taiwan is an institutional director of Taiwan Fire & Marine Insurance Co., Ltd.	-
Legal representative: Joseph Jye-Cherng Lyu	0	0	0	0	0	0	-	-	-
Taiwan Fire & Marine Insurance Co., Ltd.	42,343,922	1.41	0	0	0	0	Bank of Taiwan Yong-Shin Development Co., Ltd.	Bank of Taiwan, Yong-Shin Development Co., Ltd. are institutional directors of Taiwan Fire & Marine Insurance Co., Ltd.	-
Legal representative: Tai-Hung Li	0	0	0	0	0	0	-	-	-
Yong-Shin Development Co., Ltd.	40,524,157	1.35	0	0	0	0	Taiwan Fire & Marine Insurance Co., Ltd.	Yong-Shin Development Co., Ltd. is an institutional director of Taiwan Fire & Marine Insurance Co., Ltd.	-
Legal representative: Chien-Cheng Li	0	0	0	0	0	0	-	-	-

Note: The relationship of top 10 shareholders listed is disclosed according to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.

3.10 Ownership of Shares in Affiliated Enterprises

February 28, 2022

Unit: shares

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
International Bills Finance Corporation	1,639,000,000	100%	0	0%	1,639,000,000	100%
IBF Securities Co., Ltd.	493,748,045	58.09%	955 (Note 3)	0%	493,749,000	58.09%
IBF Venture Capital Co., Ltd.	154,000,000	100%	0	0%	154,000,000	100%
Rakuten International Commercial Bank Co., Ltd.	490,000,000	49%	0	0%	490,000,000	49%
IBF Futures Co., Ltd.	0	0%	82,019,254 (Note 4)	99.90%	82,019,254	99.90%
IBF Securities Investment Consulting Co., Ltd.	0	0%	9,000,000 (Note 4)	100%	9,000,000	100%
IBF Securities Venture Capital Co., Ltd.	0	0%	20,000,000 (Note 4)	100%	20,000,000	100%
IBF Financial Holding (BVI) Co., Ltd.	0	0%	30,100 (Note 3)	100%	30,100	100%
Guo Want International Leasing Corp.	0	0%	(Note 5)	100%	(Note5)	100%

Note 1: Refers to the reinvestment enterprises of the Company and subsidiaries and with controlling interest.

Note 2: Refers to the investment performed according to Article 36 of the Financial Holding Company Act.

Note 3: Refers to the shareholding of the subsidiary, IBF Venture Capital Co., Ltd.

Note 4: Refers to the shareholding of the subsidiary, IBF Securities Co., Ltd.

Note 5: Enterprise reinvested 100% by IBF Financial Holding (BVI) Co., Ltd., and Guo Want International Leasing Corp. is not a company limited by shares such that it has no shareholding amount. Proportion of shareholding is the ratio of capital contributions.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Unit: Shares, NT\$

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Other
Mar. 2002	10	5,000,000,000	50,000,000,000	2,119,882,469	21,198,824,690	Conversion of common shares : International Bills Finance Corp.: 1,809,000,000 shares Concourse Securities Corp. Ltd.: 171,236,367 shares Great Orient Securities Corp.: 139,646,102 shares	-
Oct. 2007	10	5,000,000,000	50,000,000,000	2,162,280,119	21,622,801,190	Increase in share capital from earnings: 42,397,650 shares(Note 1)	-
Oct. 2008	10	5,000,000,000	50,000,000,000	2,194,714,321	21,947,143,210	Increase in share capital from earnings: 32,434,202 shares(Note 2)	-
Oct. 2010	10	5,000,000,000	50,000,000,000	2,333,449,302	23,334,493,020	Increase in share capital from earnings: 138,734,981 shares(Note 3)	-
Nov. 2011	10	5,000,000,000	50,000,000,000	2,454,788,666	24,547,886,660	Increase in share capital from earnings: 114,339,016 shares New shares from capital surplus: 7,000,348 shares (Note 4)	-
Aug. 2012	10	5,000,000,000	50,000,000,000	2,552,980,214	25,529,802,140	Increase in share capital from earnings: 63,824,506 shares New shares from capital surplus: 34,367,042 shares(Note 5)	-
Sept. 2013	10	5,000,000,000	50,000,000,000	2,628,069,621	26,280,696,210	Increase in share capital from earnings: 75,089,407 shares(Note 6)	-
Sept. 2014	10	5,000,000,000	50,000,000,000	2,687,365,223	26,873,652,230	Increase in share capital from earnings: 59,295,602 shares (Note 7)	-
Sept. 2015	10	5,000,000,000	50,000,000,000	2,766,486,180	27,664,861,800	Increase in share capital from earnings: 79,120,957 shares(Note 8)	-
Feb. 2016	10	5,000,000,000	50,000,000,000	2,676,486,180	26,764,861,800	Treasury stock deletion: 90,000,000 shares (Note 9)	-
Sept. 2016	10	5,000,000,000	50,000,000,000	2,746,074,821	27,460,748,210	Increase in share capital from earnings: 69,588,641 shares(Note 10)	-
Sept. 2017	10	5,000,000,000	50,000,000,000	2,786,665,944	27,866,659,440	Increase in share capital from earnings: 40,591,123 shares (Note 11)	-
Sept. 2018	10	5,000,000,000	50,000,000,000	2,819,865,936	28,198,659,360	Increase in share capital from earnings: 33,199,992 shares (Note 12)	-
Nov. 2019	10	8,000,000,000	80,000,000,000	2,848,064,596	28,480,645,960	Increase in share capital from earnings: 28,198,660 shares (Note 13)	-
Sept. 2020	10	8,000,000,000	80,000,000,000	2,896,481,695	28,964,816,950	Increase in share capital from earnings: 48,417,099 shares (Note 14)	-
Oct. 2021	10	8,000,000,000	80,000,000,000	2,997,508,555	29,975,085,550	Increase in share capital from earnings: 101,026,860shares (Note 15)	-

Unit: shares

Share Type	Authorized Capital (Note 16)			Remarks
	Issued Shares (Note 17)	Un-issued Shares	Total Shares	
Common shares	2,997,508,555	5,002,491,445	8,000,000,000	-

- Note 1 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Yi-Zi No. 0960037315 Letter dated July 24, 2007, became effective since declaration on July 24, 2007. Taiwan Stock Exchange Tai-Zheng-Shang-Zi No. 09600292751 Letter approval for start of trading at security exchange market on October 8, 2007.
- Note 2 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Yi-Zi No. 0970038955 Letter dated August 11, 2008, became effective since declaration on August 8, 2008. Taiwan Stock Exchange Tai-Zheng-Shang-Zi No. 09700304961 Letter approval for start of trading at security exchange market on October 17, 2008.
- Note 3 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa-Zi No. 0990039843 Letter dated August 5, 2010, became effective since declaration on August 5, 2010. Taiwan Stock Exchange Tai-Zheng-Shang-Zi No. 0990031759 Letter approval for start of trading at security exchange market on October 22, 2010.
- Note 4 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa-Zi No. 1000044003 Letter dated September 20, 2011, became effective since declaration on September 20, 2011. Taiwan Stock Exchange Tai-Zheng-Shang-Zi No. 1000037002 Letter approval for start of trading at security exchange market on November 25, 2011.
- Note 5 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa-Zi No. 1010030289 Letter dated July 17, 2012, became effective since declaration on July 17, 2012. Taiwan Stock Exchange Tai-Zheng-Shang-Yi-Zi No. 10100195451 Letter approval for start of trading at security exchange market on August 30, 2012.
- Note 6 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa-Zi No. 1020026556 Letter dated July 16, 2013, became effective since declaration on July 16, 2013. Taiwan Stock Exchange Tai-Zheng-Shang-Yi-Zi No. 1020018489 Letter approval for start of trading at security exchange market on September 10, 2013.
- Note 7 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa-Zi No. 1030025773 Letter dated July 15, 2014, became effective since declaration on July 15, 2014. Taiwan Stock Exchange Tai-Zheng-Shang-Yi-Zi No. 10300193121 Letter approval for start of trading at security exchange market on September 19, 2014.
- Note 8 : Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa-Zi No. 1040025894 Letter dated July 17, 2015, became effective since declaration on July 17, 2015. Taiwan Stock Exchange Tai-Zheng-Shang-Yi-Zi No. 10400189351 Letter approval for start of trading at security exchange market on September 16, 2015.
- Note 9 : Financial Supervisory Commission Jin-Guan-Yin-Kong-Zi No. 10400316630 dated January 18, 2016, approval for retiring treasury stocks of 90,000,000 shares already issued, and the alternation registration has been completed and approved by the Ministry of Economic Affairs on February 26, 2016, the paid-in-capital after the capital reduction is NTD 26,764,861,800.
- Note 10 : Financial Supervisory Commission, Executive Yuan, declared it effective since July 18, 2016. Taiwan Stock Exchange approved trading at security exchange market on September 9, 2016.
- Note 11 : Financial Supervisory Commission, Executive Yuan, declared it effective since July 20, 2017. Taiwan Stock Exchange approved trading at security exchange market on September 8, 2017.
- Note 12 : Financial Supervisory Commission, Executive Yuan, declared it effective since July 13, 2018. Taiwan Stock Exchange approved trading at security exchange market on September 5, 2018.
- Note 13 : Financial Supervisory Commission, Executive Yuan, declared it effective since September 4, 2019. Taiwan Stock Exchange approved trading at security exchange market on November 1, 2019.
- Note 14 : Financial Supervisory Commission, Executive Yuan, declared it effective since July 21, 2020. Taiwan Stock Exchange approved trading at security exchange market on September 17, 2020.
- Note 15 : Financial Supervisory Commission, Executive Yuan, declared it effective since September 14, 2021 Taiwan Stock Exchange approved trading at security exchange market on November 5, 2021.
- Note 16 : On November 11, 2019, the FSC approved the total authorized capital to be changed to NT\$ 80,000,000,000 (8,000,000,000 shares).
- Note 17 : Listed stock.

4.1.2 Status of Shareholders

March 29, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	51	553	210,571	438	211,616
Shareholding (shares)	87,967	320,800,976	972,052,591	1,369,871,400	334,695,621	2,997,508,555
Percentage	0.00%	10.70%	32.43%	45.70%	11.17%	100%

4.1.3 Shareholding Distribution Status

1. Common Shares

Face value of the share: NT\$ 10
March 29, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	76,971	14,869,899	0.50%
1,000 ~ 5,000	82,608	178,824,580	5.98%
5,001 ~ 10,000	22,265	156,100,732	5.21%
10,001 ~ 15,000	11,403	135,322,318	4.51%
15,001 ~ 20,000	4,735	82,401,877	2.75%
20,001 ~ 30,000	5,649	135,289,260	4.51%
30,001 ~ 40,000	2,372	80,914,271	2.70%
40,001 ~ 50,000	1,383	61,836,978	2.06%
50,001 ~ 100,000	2,518	171,809,662	5.73%
100,001 ~ 200,000	1,028	134,370,063	4.48%
200,001 ~ 400,000	352	96,932,482	3.23%
400,001 ~ 600,000	114	54,918,780	1.83%
600,001 ~ 800,000	44	30,267,550	1.01%
800,001 ~ 1,000,000	30	26,680,611	0.89%
1,000,001 or over	144	1,636,969,492	54.61%
Total	211,616	2,997,508,555	100%

2. Preferred Shares

None.

4.1.4 List of Major Shareholders

March 29, 2022

Shareholder's Name	Shareholding	
	Shares	Percentage
Norwares Co., Ltd.	248,759,268	8.30%
Hotel Taipei Miramar Co., Ltd.	144,100,000	4.81%
First Commercial Bank	90,511,914	3.02%
Nice Commercial Mortgage Corp.	88,746,540	2.96%
Ren Wang Co., Ltd.	58,781,235	1.96%
Nice Investment & Development Co., Ltd.	55,248,927	1.84%
Taiwan Cooperative Bank	53,122,431	1.77%
Bank of Taiwan	52,373,704	1.75%
Taiwan Fire & Marine Insurance Co., Ltd.	42,343,922	1.41%
Yong-Shin Development Co., Ltd.	40,524,157	1.35%

Note : The list covers the company's 10 largest shareholders.

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Year		2020	2021	01/01/2022-02/28/2022
Items				
Market Price per Share (Note 1)				
Highest Market Price	Before adjustment	13.10	18.20	16.40
	After adjustment	12.88	17.58	-
Lowest Market Price	Before adjustment	8.67	12.50	15.75
	After adjustment	8.52	12.08	-
Average Market Price	Before adjustment	11.57	15.81	16.06
	After adjustment	11.38	15.28	-
Net Worth per Share (Note 2)				
Before Distribution		13.25	13.01	12.76 (Note 3)
After Distribution		12.17	(Note 2)	-
Earnings per Share (Note 1)				
Weighted Average Shares		2,990,545,613	2,987,508,555	2,987,508,555
Diluted Earnings Per Share		1.12	1.30	0.10 (Note 3)
Adjusted Diluted Earnings Per Share		1.09	(Note 2)	-
Dividends per Share				
Cash Dividends (Note 1)	Before adjustment	0.65	(Note 2)	-
	After adjustment	0.63	(Note 2)	-
Stock Dividends				
Dividends from Retained Earnings		0.35	(Note 2)	-
Dividends from Capital Surplus		-	(Note 2)	-
Accumulated Undistributed Dividends		-	-	-
Return on Investment				
Price / Earnings Ratio (Note 4)		10.33	12.16	-
Price / Dividend Ratio (Note 5)		17.80	(Note 2)	-
Cash Dividend Yield Rate (Note 6)		5.62%	(Note 2)	-

Note 1: Perform retroactive adjustment according to the number of shares issued for capital increase converted from earnings and capital reserve.

Note 2: Up to the report printing date, the 2021 earning distribution proposal has not yet been resolved by the ordinary shareholder's meeting.

Note 3: It was calculated based on the financial data settled on February 28, 2022.

Note 4: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 5: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 6: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

4.1.6 Dividend Policy and Implementation Status

1. Dividend Policy

For a sound dividend policy, the Company has specified the standards for earning distribution in the Articles of Incorporation in order to consider the fund planning of the future development of the Company and to satisfy the investment needs for the obtaining of dividends by shareholders. According to Article 33 of the Articles of Incorporation of the Company:

To continuously expand the scale and increase profitability along with the consideration of relevant laws, the Company adopts the residual dividend policy.

After the annual final accounts of the Company being settled, if there are earnings, such earnings shall be used to make up the accumulated loss and make payment for the tax according to the laws, set aside the legal reserve and appropriate or reverse special reserve, followed by combining the remaining balance with the undistributed earnings at the beginning of the same period for the board of directors to appropriate more than 50% for the distribution of shareholders' dividends.

Regarding the earning distribution described in the preceding paragraph, the board of directors shall establish the earning distribution proposal and report to the shareholders' meeting for resolution. For the ratio of the shareholders' dividend distribution, the cash dividend shall not be less than 10% of the total number of dividends distributed in the current year, and stock dividends may be distributed for the remaining amount.

2. Proposed Distribution of Dividend

According to the resolution approved in the 20th meeting of the 7th term of board of directors on March 14, 2022, the Company proposes to distribute cash dividend of NTD 0.65 per share, for a total of NTD 1,948,380,561; stock dividend of NTD 0.50 per share, for a total of NTD 1,498,754,280; and such proposal will be sent to the 2022 annual shareholders' meeting for resolution.

4.1.7 Impact of the Distribution of Bonus Shares Proposed in the Present Shareholders' Meeting on the Business Performance of the Company and Earning per Share.

Unit: NT\$ thousands

Item		Year	2022(Estimated)
Initial Paid-in Capital			29,975,086
Dividend	Cash Dividend per share		NT\$ 0.65(Note)
	Stock Dividend per share: increase in share capital from earnings		0.050 share(Note)
	Stock Dividend per share: new shares from capital surplus		-
Operating Performance	Operating Profit		There is no 2022 financial forecast, therefore no disclosure is required.
	Operating Profit Year-on-year Comparison (%)		
	Net Income After Tax		
	Net Income After Tax Year-on-year Comparison (%)		
	EPS		
	EPS Year-on-year Comparison (%)		
	Average Annual Return of Investment (Reciprocal of Average Annual P/E Ratio)		
Pro Forma EPS and P/E Ratio	'Increase in Share Capital from Earnings' Replaced by 'Cash Dividend'	Pro Forma EPS	There is no 2022 financial forecast, therefore no disclosure is required.
		Pro Forma Average Annual Return of Investment	
	0 New Shares from Capital Surplus	Pro Forma EPS	
		Pro Forma Average Annual Return of Investment	
	0 New Shares from Capital Surplus & 'Increase in Share Capital from Earnings' Replaced by 'Cash Dividend'	Pro Forma EPS	
		Pro Forma Average Annual Return of Investment	

Note: The 2022 expected stock and cash dividend distribution are proposed according to the earning distribution proposal approved in the resolution of the board of directors' meeting dated March 14, 2022.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation

According to Paragraph 1 of Article 32 of the Articles of the Incorporation of the Company: "When there is a profit in the year-end settlement of the Company, remuneration of employees and remuneration of directors shall be appropriated. However, where the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first."

According to Paragraph 2 of Article 32 of the Articles of Incorporation of the Company: “The Company shall be based on the balance obtained from the income before tax of the current year without deducting the employees’ remunerations and directors’ remunerations, and after the deduction of the reserved amount for making up the accumulated loss, following which an amount above 0.1% and within 2% of such balance is appropriated as the remuneration of employees and within 2% of such balance as the remuneration of directors for the current year. The remuneration of employees may be made in the form of stock or cash, and the subjects for receiving the stock or cash may include employees of affiliates satisfying certain criteria.”

According to Paragraph 3 of Article 32 of the Articles of Incorporation of the Company: “The decision on the distribution ratio for the remuneration of employees and remuneration of directors as well as the remuneration of employees may be made in the form of shares or cash, which shall be determined based on the resolution of the Board of Directors’ meeting attended by more than 2/3 of the directors and the consents of a majority of the attending directors, and report to the shareholders’ meeting shall be made.”

According to Paragraph 4 of Article 32 of the Articles of Incorporation of the Company: “The issuance of the remuneration of employees shall be handled according to the “Regulations for Employee Remuneration Issuance” of the Company.”

2. The Estimated Basis for Calculating the Employee Bonus and Directors’ and Supervisors’ Remuneration

The 2021 remuneration of employees and remuneration of directors of the Company are calculated based on the revenue before tax of the current year without the deduction of the remuneration of employees and remuneration of directors within the percentage range specified in the Articles of Incorporation, and is recognized as the operating expenses of 2021. Subsequently, if there is any difference in the actual distribution amount and estimated value, it is handled as difference in estimation, and recognized as the gain/loss of next year.

Regarding the calculation basis for the number of shares for the remuneration of employees distributed in shares, since all of the remuneration of employees in 2021 is distributed in cash, the number of shares is not applicable.

3. Profit Distribution for Employee Bonus and Directors’ Remuneration for 2021 Approved in Board of Directors Meeting

(1) Recommended Distribution of Employee Bonus and Directors’ and Supervisors’ Remuneration:

- a. Remuneration of employees: Distributed in cash for NTD 53,608,632, distributed in shares for NTD 0.
- b. Remuneration of directors: NTD 63,536,156.

c. The total amount of the distribution of employees' remuneration and the remuneration of directors approved by the board of directors, are consistent with the amount recognized as expense in 2021.

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings:

Since all of the remuneration of employees in 2021 is distributed in cash, it is not applicable.

4. Information of 2020 Earnings Set Aside for Employee Bonus and Directors' Remuneration:

In 2020, the actual distribution of remuneration of employees in cash was NT\$ 45,088,205, and the distribution of shares is of NT\$ 0; the actual distribution of remuneration of directors was NT\$ 53,437,873, a decrease of NT\$ 11,587,499 from the expense estimated in 2020 which was an estimation difference and was to be recognized as income statement adjustment of 2021 according to the changes in accounting estimates.

4.1.9 Stock Repurchase

1. Status on the financial holding company's repurchase of the Company's shares (already executed completely)

February 28, 2022

Stock repurchase: batch order	6 th Batch
Purpose of repurchase	Transfer to employees
Repurchase period	3/24/2020~5/23/2020
Price range	NT\$ 9~11
Type and quantity of shares repurchased	10,000,000 shares
Maximum amount of shares repurchased	NT\$ 106,345,863
Ratio of repurchased quantity over the predefined repurchase quantity (%)	20%
Group capital adequacy ratio before repurchase of company shares (Note 1)	Record date : 02/29/2020 Ratio : 128.53%
Group capital adequacy ratio after repurchase of company shares (Note 1)	Record date : 05/30/2020 Ratio : 127.26%
Shares sold/transferred	-
Accumulated number of company shares held	10,000,000 shares
Percentage of total company shares held (%)	0.35%
Execution progress of transfer of repurchased shares to employees	100%
Status where transfer fails to be completed within three years after the repurchase such that FSC adopts restrictive measures	-

Note 1: It is based on the information reported to the competent authority in the most recent repurchase of treasury stocks.

2. Status on the financial holding company's repurchase of the Company's shares (currently in process)

None.

4.2 Bonds, Preferred Shares, Global Depositary Receipts, Employee Stock Options, and Issuance of New Restricted Employee Shares

None.

4.3 Status of New Shares Issuance in Connection with Mergers and Acquisitions

4.3.1 CPA's Opinions on the Reasonability of Conversion Ratio for the Merger or Transfer to Other Financial Institution in the Most Recent Year :

None.

4.3.2 Status of any Merger or Transfer to Other Financial Institutions Performed in the Most Recent Five Years.

None.

4.3.3 Status of Issuance of New Shares for Merger or Transfer to Other Financial Institution Approved in the Resolution of Board of Directors' Meeting in the Most Recent Years and Up to the Printing Date of Annual Report

None.

4.4 Financing Plans and Implementation

4.4.1 Financing Plans

Up to the printing date of annual report of last quarter, any previous issuances or private placements of securities not yet been completed and those completed in the last three years with project effectiveness not yet revealed :

None.

4.4.2 Implementation

None.

V. Operational Highlights

5.1 Business Activities (IBFC, IBFS, IBFVC, RICB)

5.1.1 Business Scope

1. The Company

The profit-seeking business of the Company is financial holding company industry, and the scope of business is as follows:

(1) The company may invest in the following businesses:

- a. Financial holding company.
- b. Bank business.
- c. Bills finance enterprises.
- d. Credit card business.
- e. Trust enterprises.
- f. Insurance enterprises.
- g. Securities enterprises.
- h. Futures enterprises.
- i. Venture capital enterprises.
- j. Foreign financial institutions which have been approved for investment by the Competent Authority.
- k. Other enterprises for which the Competent Authority determines to be financial related.

(2) Management of the invested businesses described in the preceding subparagraph.

(3) Other businesses excluding the ones listed in Subparagraph 1 that the Company may apply for approval for investment with the competent authority.

(4) Other businesses approved by the competent authority for handling.

2. International Bills Finance Corp.

- (1) Certification and underwriting service of short-term notes and bills.
- (2) Brokerage and dealer service of short-term notes and bills.
- (3) Guarantee and endorsement service of short-term notes and bills.
- (4) Act as financial institution interbank broker.
- (5) Corporate financial consultation service business.
- (6) Dealer service of government bonds.

- (7) Certification and underwriting business of financial bonds.
- (8) Dealer service of financial bonds.
- (9) Financial derivatives business approved by the competent authority for handling.
- (10) Dealer service of corporate bonds.
- (11) Transaction of revolving bills over one-year period
- (12) Investment related equity products.
- (13) Proprietary trading of bonds and securitization products (limited to fixed-income instruments) at profit-seeking location.
- (14) Dealer service of foreign currency bonds.
- (15) Convertible bond asset SWAP.
- (16) Certification, underwriting, brokerage and proprietary services of foreign currency bills
- (17) Cross-selling among subsidiaries of financial holding company.

3. IBF Securities

- (1) Brokerage of securities at the stock exchange market.
- (2) Proprietary trading of securities at the stock exchange market.
- (3) Brokerage of securities at its branches.
- (4) Proprietary trading of securities at its branches.
- (5) Underwriting of securities.
- (6) Agency of security transfer services.
- (7) Margin purchase/short sales services.
- (8) Brokerage of foreign securities.
- (9) Concurrent futures dealer service.
- (10) Short-term notes/bills service.
- (11) Futures trading auxiliary service.
- (12) Concurrent securities investment consulting service.
- (13) Other securities related businesses approved by the competent authority for handling.

4. IBF Venture Capital

- (1) Provide capitals directly to invested enterprises.
- (2) Provide corporate operation, management and consultation service to invested enterprises.

5. Rakuten International Commercial Bank

- (1) To accept Demand Deposits
- (2) To accept Time Deposits
- (3) To issue Bank Debentures
- (4) To extend short-term, medium-term and long-term loans
- (5) To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks
- (6) To handle domestic and foreign remittances
- (7) To issue foreign and domestic Letters of Credit
- (8) To handle domestic and foreign corporate bonds
- (9) To guarantee domestic and foreign transactions
- (10) To act as collecting and paying agent
- (11) To conduct other relevant business which may be authorized by the Competent Authority

5.1.2 Revenue Distribution

1. IBF Financial Holdings

NT\$ in thousands

Item \ Year	2020		2021	
	Amount	%	Amount	%
Investment Income	3,545,430	99.30	4,218,702	99.28%
Others	25,150	0.70	30,681	0.72%
Total	3,570,580	100.00	4,249,383	100.00%

2. International Bills Finance Corp.

NT\$ in thousands

Item \ Year	2020		2021	
	Amount	%	Amount	%
Bills	2,124,742	49.21	2,273,465	50.85
Bonds	1,993,047	46.17	1,662,118	37.18
Stocks	137,261	3.18	415,107	9.28
Others	62,129	1.44	120,060	2.69
Total	4,317,179	100.00	4,470,750	100.00

3. IBF Securities

NT\$ in thousands

Item \ Year	2020		2021	
	Amount	%	Amount	%
Brokerage	2,571,574	63.75	3,982,495	74.78%
Proprietary Trading	1,182,714	29.32	1,148,183	21.56%
Underwriting	289,023	7.17	176,958	3.32%
Others	(9,761)	(0.24)	17,800	0.34%
Total	4,033,550	100.00	5,325,436	100.00%

4. IBF Venture Capital

NT\$ in thousands

Item \ Year	2020		2021	
	Amount	%	Amount	%
Gain on Financial assets at fair value through profit or loss	171,971	58.80	530,413	80.50
Dividend income	23,663	8.09	29,043	4.41
Income from investments under the equity method	96,847	33.11	99,408	15.09
Total	292,481	100.00	658,864	100.00

5. Rakuten International Commercial Bank

Rakuten International Commercial Bank obtained a business license from the FSC on December 8, 2020 and the bank operated on December 30, 2020, and had its grand opening on January 19, 2021.

NT\$ in thousands

Item \ Year	2020		2021	
	Amount	%	Amount	%
Lending business income	-	-	2,468	6.35%
Investment business income	-	-	25,843	66.45%
Others	-	-	10,580	27.20%
Total	-	-	38,891	100.00%

5.1.3. New products development

1. International Bills Finance Corp.

- (1) The foreign currency interest rate future hedge trading, for hedging the volatility of foreign currency bonds and maintains the momentum of earning.
- (2) The competent authority has allowed the bill traders to provide the services related to the derivatives of FX rates and interest rates. The Company will

simulate various trading models in order to catch the opportunities and increase profits.

- (3) The stock and equity-linked products, including equity futures, TDR, and off-shore ETF, and trading for the ETF price difference and the arbitrage among various products.

2. IBF Securities

- (1) Through professional financial engineering model, design diverse new financial products in order to provide diverse wealth management choices to customers.
- (2) Cooperate with the competent authority permitting new products and new laws, apply for the business undertaking qualifications and develop trading strategies, as well as establish relevant trading system.
- (3) In accordance with the competent authorities' requirements, "receivables for settlement payment in transit" are added as one of the collaterals for unrestricted lending services by securities firms, and the relevant operating system will be planned and established to help investors meet their short-term funding needs. For investors, the flexibility in the use of funds will be greatly enhanced; for securities firms, it will help to improve market liquidity and increase the room for business development.

3. IBF Venture Capital

None.

4. Rakuten International Commercial Bank

In the future, it will gradually introduce diversified services such as payroll transfer, wealth management and housing loans, combining product innovation, ecosystem expansion, information security management with considerate customer service experience to promote inclusive financing in line with its supervisory relaxation process and internal strategic planning, hope to provide the public with a one-stop shop for all services in the Rakuten ecological circle.

5.1.4 Business Plan for 2022

1. The Company

- (1) We continue to develop proposals for diversified mergers and acquisitions of financial institutions to seek appropriate M&A targets to expand the business scope and scale of operations of the financial holding.
- (2) We cooperate with the competent authorities' financial technology and innovation liberalization policies to assist and encourage subsidiaries to develop new financial services and products to provide more diversified and high-quality services to customers.
- (3) We strengthen the core businesses of fixed income, corporate finance, securities, venture capital and banking to enhance the operating efficiency of all affiliates and reduce the impact of changes in the financial environment on business.

- (4) We integrate diverse financial services under the financial holding of the Group and utilize the Group's cash flow platform to continuously develop a common financial ecosphere and increase the Group's overall operational synergy.

2. International Bills Finance Corp.

(1) Lending Business

- a. Intensify dynamic control of lending to avoid non-performing loans that hamper the profits of IBFC.
- b. Strengthen the penetration into the industry through the development of secured and good quality new lending business.
- c. Perform classification management of accounts to enhance the spread and utilization rate for proper use of loan resources and generate better income from bills finance.
- d. Adjust the structure of loan and optimize the quality of loan portfolio in order to diversify credit risk.
- e. Keep abreast with the schedule and plan of customers in syndicated loans, and request the shareholder banks to give further support for participating in syndicated loans.
- f. Strived for new project investment in innovative industries to increase revenue and diversify credit risk in response to the government's policy to promote renewable energy and green energy industries.

(2) Bills Business

- a. Cultivate institutional clients in further depth, and increase outright sale in greater scope and depth. Engage in flow operations to upgrade the return and the effective control of risk to maintain a higher BIS ratio.
- b. Target large companies in good standing of credit rating and make further effort in developing the underwriting of guarantee-free bills. In addition, IBFC will encourage large companies without rating to open for credit rating to enlarge the scale of the bills market.
- c. We keep abreast of the industry trends and meet the long-term capital needs of our customers and try to gain underwriting business and participate in joint underwriting of commercial paper, as well as promote the business of fixed rate commercial paper (FRCP) with a maturity of more than one year.
- d. Strengthen strategic partnership with inter-bank pro-actively, secure the opportunity for underwriting bills guaranteed by banks in good standing and actively seek to secure the position as an underwriter in large syndicated loans.
- e. Participate in the bidding of treasury bills, municipal bonds and guarantee-free commercial papers offered by state-owned enterprises, and purchase NCDs from banks with good rating.

- f. In line with the international trend, we actively organize commercial paper underwriting businesses linked to ESG (environmental, social and governance) in order to increase revenue and maintain our market position.

(3) Bond Business

- a. Reach out for foreign currency bonds in good rating and high return to generate better return of spread.
- b. Diverse currency and region arrangement for bond investment portfolio in order to diversify investment risks and to increase the profit source.
- c. Strengthen outright purchases and sales of bonds, particularly government bonds, from a range bound trading approach.
- d. Grow earnings by conducting strategic trading of government bonds and their derivatives.
- e. Continue to promote and dynamically adjust the customer structure of repurchase agreements (RPs), implement anti-money laundering measures, take into account both revenue and customer needs, and promote a stable and diversified foreign currency funding pipeline to reduce funding costs.
- f. Promote foreign currency bonds outright purchase and sale transaction counterparties to expand to professional customers, in order to provide diverse investment channels for customers and increase the profit sources.
- g. Invested in green bonds to help green-energy related industries acquire long-term funds and promote the sustainable development of the environment.

(4) Proprietary Trading of Equities

- a. Analyze the industry trends, lay out short-term investment positions for equity instruments, and strictly control market risks.
- b. Increase research capabilities, strengthen the application of system tools, explore investment targets with low base periods, and establish long-term investment positions.
- c. Differentiate the investment portfolio by attribute and adjust the ratio of hedge in line with changes in the market to reduce loss and maintain profit.
- d. Reinforce cooperation with other securities companies in order to explore business opportunities in SPO/IPO.
- e. Enhance the position of ETF as well as the subscription of convertible bonds and preferred stocks in the primary market to generate incomes with diversification of the sources of incomes.
- f. Install KM system for the systematic storage of information by industry as a means for accumulating competitive power of investments in the long run.

- g. Included ESG factors in the investment assessment process and industries related to renewable energy in the investment portfolio to devote to the sustainable development of the environment and fulfill corporate social responsibility.

3. IBF Securities

(1) Brokerage Business

➤ Spot Services

- a. Seek competent business leaders and bring in quality business teams.
- b. Optimize the electronic ordering system and propose various digital marketing programs to attract various types of customers and expand the customer base.
- c. Continuously optimize the system architecture for high-frequency transactions to meet customer needs and increase business volume.

➤ Institutional Services

- a. Leverage the strengths of the team to develop the professional characteristics of the legal entity department to improve the overall rating and increase trading volume.
- b. Continue to build a legal entity trading platform to meet the needs of more legal entity clients.
- c. Continue to organize IBF investment forums and a variety of company visits, seminars and presentations to meet the needs of legal entity clients for research services.
- d. Utilize investment consulting research resources and external professional research institutions to provide high-quality and timely services and customized on-site presentation services to legal entity clients.

➤ Futures and Options Services

- a. Launch marketing activities to increase the willingness of sales staff and customer participation in cooperation with the IBF Futures Co., Ltd.
- b. Enhance and optimize the trading APP to increase the convenience of trading for customers and enhance trading volume in accordance with the system adjustment and market demand.
- c. In line with the system and marketing activities, conduct regular and occasional education and training to enhance the familiarity of sales staff with products and activities to facilitate business development.
- d. For high-frequency futures trading customers, set up a dedicated information structure for order placement to meet customer needs and increase business volume.

➤ Electronic Trading Services

- a. Enhancement of trading systems: Based on customer needs and market orientation, we improve user experience and enhance the competitiveness of our systems by refining the functions and performance of each digital system in order to achieve the target of electronic market share.
- b. Digital marketing strategy: We deliver marketing information through the Internet and social media, analyze customer behavior and habits with data, improve the efficiency and results of accurate marketing, and expand cross-industry cooperation to enhance the Company's brand reputation.
- c. Digital business promotion: From account opening, customer service to wealth management care, online and offline automated systems and combined with salespersons, we actively promote the development of our digital business.

(2) General financial product business

➤ Domestic funds

- a. Select quality funds based on product characteristics and market trends to meet the needs of various types of customers to avoid the loss of their investment funds.

➤ Overseas stocks, bonds and structured notes

- a. Adjust various business operating procedures, regulations and system control functions in a timely manner in accordance with the amendments to laws and regulations of the competent authorities and business development needs.
- b. Regular professional education and training to strengthen the professional and sales ability of business personnel.
- c. Optimize trading platform functions and trading processes, meet customers' electronic trading needs, and provide good after-sales service.

(3) Proprietary Business

- a. From a macroeconomic perspective, analyze and select industries with turning-point opportunities or long-term growth trends, select core shareholdings with leading operating performance, and match individual stocks with news for a short-term operation to create maximum benefits for the Company.
- b. Avoid the risk of price dropping by conducting strategic hedging and executing lock-in-profit and stop-loss mechanisms.

(4) Fixed-Income Commodity Business

- a. The tightening monetary policy of major central banks may cause severe shocks in stocks and bonds and the easing of funds may no longer be the case. The bond yield shall have the risk of rising, so it is prudent to closely track the changes in the macroeconomy and follow the trend of interest rates with cautious operations.

- b. Increase the weighting of convertible bonds in the firm's investment portfolio to better balance equity and debt holdings.
- c. Further increase fee income by strengthening the transaction of matching government bonds and convertible bond asset swaps.

(5) Innovative Product Business

- a. Cultivate financial engineering talents and strengthen their capacity for product design, thereby fully meeting customer needs.
- b. Consolidate the status quo while further enhancing the firm's market visibility for warrants and other structured products; promote the firm's credibility by word of mouth and bolster its public image.
- c. Continue to develop better-rounded hedging.

(6) Capital Market Business

- a. IPO: Through case selection meetings, publicly listed companies with excellent operation are carefully selected to be the target for leading and supporting underwriting.
- b. SPO: Underwrite or co-underwrite the CBs and rights offers of credible listed companies; and increase the underwriting quota to boost earnings.
- c. Emerging stock: Select individual stocks of robust finance and competitiveness in the portfolio in pursuance of capital gain.
- d. Financial Counseling: Consolidate the resources rendered available by both new and existing customers for creation of opportunities for strategic alliances and M&As, thereby generating new business and enhancing fee income.
- e. Portfolio Management: Strengthen risk management and the target company's operation and the proceedings of the Competent Authority's review on the acquisition will be continuously tracked. Special meetings will be held to map out underwriting and stockholding strategies.

4. IBF Venture Capital

- (1) New investments will focus on localized semiconductor business opportunities, medical materials and electric vehicle related industries as the main targets. The management on the information of the investees will continued to be tracked and the impact of COVID-19 epidemic will also be monitored.
- (2) Taiwan's economic activity in 2021 was driven by the success of pandemic prevention and the outstanding performance of the semiconductor industry. However, due to the high base period, the economic growth rate is expected to decline slightly in 2022, but is expected to remain high. We will continue to pay attention to the investment opportunities in various industries as they gradually recover from the global pandemic.
- (3) Give priority to new investment in projects in their expansion or maturity phase,

which are supposed to take about 60% of the total; formative and seminal projects are to take 40% of the total.

- (4) Continue to review the future outlook of the core stocks held in order to achieve the elimination of the ones with weak performance and retention of the ones with strong performance. In addition, IBF Venture Capital will increase the investment amount of the maturity phase industry in order to increase the influential power, thereby establishing the product sales and marketing channel for the Group and increasing synergy.

5. Rakuten International Commercial Bank

(1) Company History

Rakuten International Commercial Bank, a 49%-owned subsidiary of the Company, was established as a joint venture with Rakuten Bank, Ltd. of Japan and Rakuten Card Co., Ltd. of Japan. The Rakuten Bank, Ltd of Japan's years of successful experience in pure Internet banking is combined with the Company's long-established presence in the Taiwan market to provide a new service experience that is safe, secure and convenient for domestic residents. Its company history is as follows:

- On November 29, 2016, Chairperson Chi-Lin Wea met with the new Chairman of the Financial Supervisory Commission, Mr. Rui-Cang Li, to explain the future development direction of IBF Financial Holdings and inquire about the feasibility of establishing a pure Internet bank.
- At the end of 2016, Chairperson Chi-Lin Wea discussed with the CEO of Taiwan Rakuten Ichiba, Inc., Grace Lo, about the Company's plan to develop an internet-only bank. Since the Rakuten Group in Japan has 16 years of successful experience in establishing internet-only banks, the parent company in Japan was asked if they would like to jointly develop an internet-only bank in Taiwan with IBF Financial Holdings. Two months later, we received a reply from the president of Rakuten Bank of Japan, Mr. Hiroyuki Nagai, who was interested in developing a pure Internet banking business in Taiwan.
- On April 18, 2017, Mr. Masatada Kobayashi, President of Rakuten Group of Japan, Mr. Hiroyuki Nagai, President of Rakuten Bank, Ltd. of Japan and Mr. Tomotaka Torin, CFO of Rakuten Bank, Ltd of Japan. came to Taiwan from Tokyo and had their first meeting with Mr. Chi-Lin Wea, Chairperson of IBF Financial Holdings for an initial understanding and exchange of information about both groups.
- On April 20, 2017, IBF Financial Holdings received a letter from the Rakuten Group of Japan expressing its willingness to cooperate with IBF Financial Holdings to study the feasibility of establishing a pure Internet bank. Mr. Chi-Lin Wea, Chairperson of IBF Financial Holdings and Mr. Hiroyuki Nagai, President of Rakuten Bank, Ltd. of Japan, officially signed a confidentiality agreement.

- On July 12, 2017, a meeting between Taiwan and Japan was convened by Chairperson Chi-Lin Wea to discuss the structure of the joint venture bank and the related issues of applying for a banking license.
- On July 26, 2017, IBF Financial Holdings and Rakuten Group of Japan discussed the possible products and services to be provided by the future joint venture.
- On September 14, 2017, Chairperson Chi-Lin Wea and President Hiroyuki Nagai of Rakuten Bank, Ltd. of Japan visited Minister Li-Hsiung Koo of the FSC and expressed their desire to study the feasibility of establishing a pure Internet bank in Taiwan through joint venture, and inquire about the policy of the competent authorities.
- On December 7, 2017, the FSC invited Rakuten Bank of Japan and IBF Financial Holdings to the Banking Bureau to discuss the key management factors of the feasibility of opening up pure Internet banks in Taiwan.
- On June 8, 2018, IBF Financial Holdings disclosed material information that it had signed a non-binding letter of intent with a leading Japanese internet bank to jointly study the feasibility of establishing a joint venture internet bank in Taiwan.
- On July 12, 2018, Mr. Hiroshi Takasawa, President of Rakuten Group Asia, and Mr. Tomotaka Torin came to Taiwan, accompanied by Chairperson Chi-Lin Wea, to meet with Premier William Lai of the Executive Yuan to ask for assistance in establishing a pure Internet bank in Taiwan through a joint venture between Taiwan and Japan.
- On July 17, 2018, the President of Rakuten Bank of Japan, Mr. Hiroyuki Nagai, came to Taiwan and met with Chairman Chi-Lin Wea and Minister Li-Hsiung Koo of the FSC again to inquire about the internet bank policy in Taiwan of the competent authorities.
- On November 15, 2018, the FSC amended and promulgated the regulations related to the establishment of pure Internet banks and announced that applications and related matters would be accepted within three months from November 16, 2018.
- The Board of Directors of the IBF Financial Holdings approved on January 8, 2019 the plan for the establishment of an internet-only bank jointly founded together with the Rakuten Bank, Ltd. (Japan) and Rakuten Card Co., Ltd. (Japan), and the Company plans to invest in 49% of the equity of the internet-only bank. Subsequently, the two groups established the "Rakuten International Commercial Bank Preparatory Office", headed by the Chairman of the Board of Directors of IBF Financial Holdings Co., Ltd., Chi-Lin Wea.
- On February 14, 2019, the "Rakuten International Commercial Bank" Preparatory Office submitted an application to the FSC for the establishment of an Internet-only bank.

- Mr. Masayuki Hosaka, Vice President of Rakuten Group of Japan, and Mr. Su, Premier of the Executive Yuan, officiated at the kickoff of the "Taiwan-Japan Friendship Baseball Tournament" hosted by Rakuten Golden Eagles of Japan on February 28, 2019, accompanied by Mr. Hiroyuki Nagai, President of Rakuten Bank, Ltd. of Japan and Mr. Chi-Lin Wea, Chairman of IBF Financial Holdings.
- On April 18, May 2, and June 27, 2019, three seminars were held at National Taiwan University, Academia Sinica, and National Taiwan University of Science and Technology, respectively. Mr. Chi-Lin Wea, the person in charge of Rakuten International Commercial Bank's preparatory office, invited experts from industry, government, and academic to discuss the future development of pure internet banking in Taiwan. Mr. Kazuhiko Saiki of Rakuten Bank, Japan was invited to share the information security and eco-system technology of Rakuten's Internet Banking with Taiwan academics and financial industry experts and scholars. The Japan-Taiwan Exchange Association representative Mr. Kaneo Numata personally attended the seminar and delivered a speech.
- On August 2, 2019, the Rakuten International Commercial Bank Preparatory Office obtained a license to establish a commercial bank.
- On May 11, 2020, the first meeting of the Board of Directors of Rakuten International Commercial Bank Preparatory Office was held, and Mr. Ming-Ren Jian was elected as the Chairman and Mr. Kazuhiko Saiki was appointed as the General Manager. Five directors were elected for the first term of three years. The first-term directors are: Mr. Ming-Ren Jian, Mr. Chi-Lin Wea, Mr. Kazuhiko Saiki, Mr. Hiroyuki Nagai, and Mr. Eiji Ishii, and the first-term supervisors are: Mr. Dong-Ho Wang, Mr. Tomotaka Torin, and Mr. Hiroyuki Uchiyama.
- On May 18, 2020, the Rakuten International Commercial Bank Preparatory Office received approval from the Ministry of Economic Affairs to register the company.
- On December 8, 2020, Rakuten International Commercial Bank was issued a business license by the FSC.
- A total of 1,455 employees were involved in the Rakuten International Commercial Bank from December 30, 2020 to January 15, 2021. Internal operations have been tested and validated for businesses such as opening/closing accounts, deposits, money transfers, Internet bandwidth and ATM withdrawals.
- On January 19, 2021, Rakuten International Commercial Bank had its grand opening.
- The Board of Directors of Rakuten International Commercial Bank resolved to list the bank as public company on March 19, 2021. Taipei Exchange returned a letter on October 18, 2021 confirming its public company status is effective.

(2) Business Plan for 2022

- a. Continue to cooperate with Rakuten Group, our financial holding group and external companies to expand Rakuten's ecosystem and increase customer base.
- b. Strengthen the development of dual core business engines of lending and investment, and steadily expand lending and get more prudent with financial operations.
- c. Build a customer-centric, integrated virtual channel service.
- d. Develop an integrated electronic payment platform and cross-industry alliances to develop potential customer segments.
- e. Implement professional tiered credit and risk pricing policies to improve spreads.
- f. Optimize the user experience and provide customers with convenient financial flow services.
- g. Implement legal compliance and internal control systems to integrate integrity and ethical values into the Company's business strategy.

5.1.5 Industry Overview

1. Financial Holdings

The COVID-19 pandemic was repeated in 2021, and the outbreak of the domestic pandemic in mid-May raised the domestic epidemic alert to Level 3. Although most financial institutions adopted home-based and off-site offices, the net income before tax of three financial industries neared NT\$1 trillion. Annual growth increased by nearly 40%, with the insurance industry being top with an income before tax of about NT\$ 411.1 billion, up by over 80%; the banking industry being the second with an income before tax of about NT\$ 407.1 billion, up by about 4%; and the securities industry (including securities, investment trust, and futures) being the third with an income before tax of about NT\$ 139.9 billion, up by about 70%. In addition, Fubon Financial Holdings completed the public acquisition of Jih Sun Financial Holding in 2021, marking the first domestic "merger of 2 financial holdings" milestone. It will help the domestic financial holding industry to expand the overall economies of scale and benefits.

In terms of financial technology policy, the Financial Supervisory Commission (FSC) issued business licenses for Internet-only banking to Line Bank and Next Bank in the first and fourth quarters of 2021, respectively. With Rakuten International Commercial Bank, which opened at the end of 2020, the competition among the three domestic Internet-only banks was established. In addition to Internet-only banking, the FSC proposed the policy goal and planning direction of liberalizing Internet-only insurance companies at the end of 2021 to promote the digital transformation of Taiwan's insurance industry. On the other hand, in order to enhance consumer convenience, strengthen risk control of financial institutions, and promote cooperation among financial institutions, the FSC has formulated and implemented the "Guidelines on Data Sharing among Financial Institutions". To

respond to the trend of financial technology and provide more convenient services that meet customers' needs, all domestic financial market players have been developing new and innovative businesses.

2. Bills Finance

The two-dose administration rate of COVID-19 vaccines exceeded 70% in more than 50 countries worldwide. Major countries are relaxing their epidemic prevention measures, preparing for a new phase of herd immunity, and returning to normal economic activities, which will help enhance market recovery. The US Fed will start the interest rate increase cycle in March 2022 at the earliest. In a rising interest rate environment, interest rate spreads are expected to gradually rise and bring more frequent capital flows, creating a more volatile financial environment.

The domestic part is expected to benefit from advanced semiconductor production capacity and fabrication advantages, and export performance is expected to continue last year's good performance. At the same time, the economy is driven by domestic demand, and private consumption growth will be better than 2021 and become the main force of economic growth. It is expected that the central bank will continue to closely monitor the monetary policy of major countries and adjust monetary policy dynamically to avoid drastic market fluctuations and achieve the goal of moderate economic growth.

The global market is challenged by the central bank policy change, slowed profit growth, and high inflation. Facing the uncertainties in the financial environment, 2022 will still be a challenging year for the bills finance industry.

3. Securities

Due to the repeated impact of the international COVID-19 pandemic, central banks around the world have taken easing measures in response, and the financial market continued to benefit from the abundant global capital environment in 2021. Driven by the impact of the pandemic, trading has become more online, customized and programmed, which has improved the convenience and popularity of investment. The capital market has become active and the stock market has performed well. In 2021, the Taiwan Weighted Index rose by 3486.31 points, with an annual increase of 23.66%. The OTC index rose by 53.45 points in the same year, up 29.03% annually. As a result, the brokerage fee income of domestic securities firms for the whole year of 2021 increased by 65.8% compared with the previous year due to the growth of the overall market turnover, the net profit of the underwriting business also increased by 46.6%, and the net profit of the proprietary business increased by 111.61%. The total profit of the securities industry increased by 83.04%, including a 43.82% increase in the profit of the investment trust industry. The average daily volume of the domestic futures market increased by 14.88%, reflecting the deepening participation of domestic traders and the increase in the proportion of foreign participation, with the targets on individual stock futures and small Taiwan index futures. Still, the pre-tax profit of the futures industry decreased by 10.64% due to the decrease in interest income from futures

margin deposited in banks due to the low interest environment. This will prompt the industry to be more aggressive in attracting traders to open accounts or engage in more profitable overseas futures to make up for the shortfall in interest income.

4. Venture Capital

The traditional industries in Taiwan have competed in the global market for numerous years, and the surviving companies are the ones with outstanding performance with extremely stable profit earnings; therefore, these companies are the focus for the future venture capital investment. In addition, biotech and semi-conductor related industries are closely related to artificial intelligence and Big Data, such that they are of unique and innovative characteristics. As long as they are equipped with special operations and profit models, they are able to demonstrate leaping type of growth out of the original framework, which are also the key focus for the future development of venture capital. It is expected that the original industry innovation plans established by the government will be continued and implemented. Consequently, there will still be guiding funds flowing into the industry innovation sectors, such that relevant investment opportunities are expected to be stimulated.

5. Banking

Overview of Taiwan's banking industry: Under the persistent influence of COVID-19, financial institutions continued to cooperate with the government's bailout policies and provided loans for businesses to overcome the adversities in 2021. Following gradual vaccination across the globe, the pandemic condition has ameliorated to fuel up the slow economic development. The banking industry maintained a steady performance as witnessed by the steady growth in the load business, the reduction of NPL ratio, and the constant growth in overall profit. Currently, innovative policy promotion and digital transformation are taking place in Taiwan's banking industry. Following the use of technology and big data analysis, banks have created a differentiated ecosystem to progressively change the customer's habits in using financial products and services.

Overview of online bank development: In view of the ongoing fintech advancements and growing popularity of online transactions, the FSC approved the establishment of three online banks in 2019 to actively enhance the competitiveness of Taiwan's digital finance. Being the first to receive the FSC license on December 8, 2020, Rakuten Bank started operations on December 30 in the same year and started service on January 19, 2021. LINE Bank started service in April 2021. Next Bank received the FSC license in December 2021 and started service in March 2022. Although the operations of these three online banks have intensified the competition in Taiwan's banking industry, the greater convenience of financial services for customers also facilitated the promotion of financial inclusion.

5.1.6 Research and Development

1. The Company

(1) Research and development expenditure and outcome thereof in last two years

Expenditure: NTD 11.32 million in 2020, NTD 16.79 million in 2021.

Outcome:

- a. In response to the Group's business development needs and under the principle of safeguarding the rights and interests of all shareholders, we continue to evaluate and propose the consolidation of financial institution businesses.
- b. We assist and encourage employees to participate in education and training organized by professional institutions to enhance their financial expertise in sustainable management, compliance with laws and regulations, and prevention of money laundering.
- c. In line with government policies, we encourage IBFC's to cash in on the business opportunities of corporate sustainable management and the principles for responsible investment (PRI) and develop related financial products and services.
- d. Cooperated with the information planning and construction of the Financial Holding Group's risk control system and database upgrade.

(2) Future research and development plan

- a. Appoint external financial and legal consultants to assist investment project assessment in order to seek appropriate M&A subject matters.
- b. Encourage employees to continuously improve professional knowledge and skills and participate in training courses organized by professional institutions.
- c. In order to improve the efficiency of the preparation of the Group's consolidated financial statements, we intend to implement a system for the preparation of the Group's consolidated financial statements.

In the future, the estimated investment amount in the research and development plan is approximately NTD 2.64 million.

2. International Bills Finance Corp.

(1) Research and development expenditure and outcome thereof in last two years

Expenditure: NTD 2.06 million in 2020, NTD 1.14 million in 2021.

Outcome:

- a. Interest rate and exchange rate financial derivatives

In response to the liberalization of the exchange rate and interest rate derivatives business by the competent authorities, IBFC has been proactive

in attending to the market fluctuations and has set up a related trading system to increase the profit source by launching foreign currency exchange rate futures trading in December 2019. In the future, under the foundation of the existing businesses, will actively develop more diverse financial products and hedging tools in order to complete trading and increase profit.

b. Non-guarantee commercial paper joint underwriting linked to ESG

In line with the government's sustainable finance policy, IBFC has been actively organizing ESG-linked commercial paper underwriting since 2021. By reviewing sustainability reports, setting related criteria, having them checked by external third-party certification units, and having them reduced when targets are met, the Group is creating a win-win situation with its customers. In the future, we will continue to track various international standards and local regulations to adjust the content of the criteria and implement sustainable finance.

(2) Future research and development plan

- a. Cooperating with the government's innovation promotion plan for Fin-Tech development and green energy technology industry, IBFC continues to develop Fin-Tech application for the bills industry, and will actively develop more diverse financial products and hedging tools in order to complete trading and increase profit.
- b. Relevant business trainings and preparations of the trading, credit check and extension, internal control, legal compliance and risk control etc. are implemented for employees. In addition, encourage employees to participate in training courses and seminars organized by professional institutions, and will continue to increase the internal online educational training system courses.

In the future, the estimated investment amount in the research and development plan is approximately NTD 3.35 million.

3. IBF Securities

(1) Research and development expenditure and outcome thereof in last two years

Expenditure: NTD 15.76 million in 2020, NTD 33.38 million in 2021.

Outcome: Develop or built in-house the securities DMA high-frequency trading system, domestic and foreign options Internet API trading platform, TWSE-listed innovative board and TPEx-listed strategic board stock trading system, Tableau data analysis platform, Chinese coding conversion platform for the central depository and clearing system, "IBF Lightning+" automatic order laying and conditional order splitting function, securities long-lasting order function, bond ETF trading system, ELN trading account system, renewal function of unrestricted lending system, renewal function of proprietary business securities lending system, mobile device AE salesperson's domestic futures trading inquiry system, wealth management e-housekeeper APP

sub-brokerage online account opening function, Accuity database name checking and existing customer identification operation inquiry function, and upgrading of AS/400 trading host of futures proprietary business system, etc.

(2) Future research and development plan

- a. Provide multiple high-frequency trading solutions to help companies expand their high-frequency trading business.
- b. Strengthen IT governance and obtain international certification for Information security management.
- c. Continuously optimize the information system and enhance network security.

In the future, the estimated investment amount in the research and development plan is approximately NTD 31.5 million.

4. IBF Venture Capital

- (1) Research and development expenditure and outcome thereof in last two years
Expenditure: NTD 55 thousand in 2020, NTD 55 thousand in 2021.

Outcome: Maintain the inventory management system (software)-IFRS version.

(2) Future research and development plan

- a. Maintain and revise the inventory management system (software) and reports/forms.

In the future, the estimated investment amount in the research and development plan is approximately NTD 100 thousand.

5. Rakuten International Commercial Bank

- (1) Research and development expenditure and outcome thereof in last two years
Expenditure: NTD 5.5 million in 2020, NTD 48 million in 2021

Outcome:

- a. In 2020, we developed and completed the CDIC API reporting system and were the first to connect with the Central Depository Insurance Corporation to report 43 statutory returns through the API system.
- b. In 2021, Rakuten International Commercial Bank developed the fraud detection system to determine the pattern and characteristics of money laundering and to comprehensively assess the risk orientation. Conduct immediate rule reviews and money laundering list scans to provide a comprehensive risk assessment and achieve immediate notification of money laundering detection through system interfacing. In addition, Rakuten International Commercial Bank have set up a loan application and account opening process for non-existing customers to provide complete financial services.

(2) Future research and development plan

- a. In response to business development and continuous operation, and to enhance system stability and operational efficiency, we continue to optimize existing services and internet banking functions, and cooperate with other industries to provide innovative financial products and services, including: personal loan process improvement project, Combo Card establishment project, etc. We also plan to implement an office system redundancy framework project.
- b. In line with the liberalization of regulations, we will also invest R&D resources in new business development and relaxation of existing online services in order to provide customers with a better financial experience.

In the future, the estimated investment amount in the research and development plan is approximately NTD 21 million.

5.1.7 Long-term and Short-term Development

1. The Company

Short-term:

- (1) We continue to develop proposals for diversified mergers and acquisitions of financial institutions to seek appropriate M&A targets to expand the business scope and scale of operations of the financial holding.
- (2) We cooperate with the competent authorities' financial technology and innovation liberalization policies to assist and encourage subsidiaries to develop new financial services and products to provide more diversified and high-quality services to customers.
- (3) We strengthen the core businesses of fixed income, corporate finance, securities, venture capital and banking to enhance the operating efficiency of all affiliates and reduce the impact of changes in the financial environment on business.
- (4) We integrate diverse financial services under the financial holding of the Group and utilize the Group's cash flow platform to continuously develop a common financial ecosphere and increase the Group's overall operational synergy.

Long-term:

- (1) Strengthen core business, expand scale of financial holding assets, and increase group's long-term business operation synergy.
- (2) Increase the size of capital and improve the efficiency of capital utilization through proper use of corporate resources.
- (3) Stably expand financial holding business territory, head toward core business balanced development, and fulfill corporate responsibilities, the principle is corporate sustainability and actively contribute to society.

2. International Bills Finance Corp.

Short-term:

- (1) Continue to establish roots in the core business of fixed-income products, improve market position and leading ability.
- (2) Increase the foreign currency bonds percentage share in the revenue, in order to pursue stable profits.
- (3) Adjust loan structure and optimize loan quality in order to diversify credit risks.
- (4) Cultivate trading professional talents; develop new type of interest products.
- (5) Establish complete information, legal compliance management system, and implement risk control.

Long-term:

- (1) Continue to improve operation performance, seek stable profit growth.
- (2) Differentiate financial service capabilities, improve service quality and efficiency.
- (3) Keep abreast of the development of diversified financial technology products and solidify the leading position as a professional bills finance company.
- (4) Integrate financial holding company resources, strengthen market competitiveness, and exploit financial holding synergy.

3. IBF Securities

Short-term:

- (1) Develop legal entity service for brokerage business, and improve the completeness and rooting of the product lines of funds, sub-brokerage, insurance, warrant, ELN etc. in order to increase the diverse business revenue.
- (2) Cooperate with the group's overall development strategy; continuously increase the operation performance of the subsidiaries of futures and investment consulting.
- (3) Strengthen proprietary hedge operation strategy and performance, integrate and construct stable profiting model, seek absolute return.
- (4) Carefully select quality underwriting cases, provide complete underwriting guidance and financial consulting services to customers, and increase market share.
- (5) Utilize group resources, exploit business synergy through core customer strategy, and provide comprehensive financial management services.

Long-term:

- (1) Provide integrated services and diverse products, expand sales channels under the long-term stable business strategy, and continuously develop the business in balance with growth.

- (2) Cope with the trend of large, professional and international securities; seek merger or strategic alliance opportunities with securities in order to expand the brokerage market scale.
- (3) Through the development of the integration synergy of re-investment enterprises and group resources, increase profitability and strengthen market competitiveness.
- (4) Continuously improve and optimize information infrastructure, and increase information system performance.
- (5) Increase capital and maintain stable overall profit growth in order to meet various capital requirements and enhance corporate competitiveness.

4. IBF Venture Capital

Short-term:

- (1) Focus on the long-term investment, and the invested industries will be focused on the policy aimed sectors of medical devices, intelligent machineries and 5G related business.
- (2) Short-term investment will seek the investment opportunities of IPO (including auction), SPO, CB, and etc.

Long-term:

- (1) Continue to review the future outlook of the core stocks held in order to achieve the elimination of the ones with weak performance and retention of the ones with strong performance. In addition, IBF Venture Capital will increase the investment amount of the maturity phase industry in order to increase the influential power, thereby establishing the product sales and marketing channel for the Group and increasing synergy.
- (2) Provide venture capitals with the latest information on the industry in the Mainland China market through the offices established by Guo Want International Leasing Corp. in Mainland China in order to search for potential investment opportunities in the future.

5. Rakuten International Commercial Bank

Short-term:

- (1) Continue to build up the customer base, expand the Rakuten ecosystem and increase the number of customers by expanding the ecosystem to provide unhindered one-stop services within the Rakuten ecosystem to the public.
- (2) Continue to strengthen digital financial services and upgrade information system to seize the opportunity of digitalization and provide "peace of mind, security, and convenience" with high quality information security management.
- (3) Strengthen risk control mechanism, improve the quality of our products and continue to optimize internal processes to support business development.

- (4) In terms of corporate governance, we focus on sustainable development, strengthen information disclosure channels, and enhance corporate governance transparency.
- (5) Strengthen our information security monitoring and defense capabilities. Through our information security monitoring technology, we will keep abreast of internal information security threats and ensure the security of our systems and information assets to reduce operational risks.

Long-term:

- (1) With the goal of providing diversified and complete financial services as the development goal of digital finance, we will actively utilize the advantages of internet-only banking to provide customers with foreign exchange, insurance, securities, and fund services through cross-industry alliances.
- (2) In response to the development of financial technology, we will continue to optimize the customer experience of digital services and improve process efficiency.

5.2 Trans-industry and Cross-selling Effectiveness

In 2021, through the channels of the subsidiary of bills finance, the sale of the domestic funds offered by the subsidiary of securities reached a monthly balance of approximately NT\$ 58.13 million. In the future, it will plan to continue to promote securities, fixed-income and banking type of products through channels and customer basis in order to increase the scale of asset management.

5.3 Market and Sales Overview

The Company is a financial holding company, and the business items refer to the investment and management of invested enterprises, and the main revenue is from the investment income of subsidiaries. The market of subsidiaries and their company business overview are described as follows:

5.3.1 Sales (Service) Region

International Bills Finance Corp.	The product sales scope of IBFC includes the domestic market, and the customers of fixed-income products of notes/bills and bonds are mainly domestic legal entities and natural persons. Presently, there are a total of 9 business outlets, including headquarters and branches in various regions of Taiwan.
IBF Securities	The main products and services of IBF Securities include the brokerage service, futures trading auxiliary service, margin purchase and short sales of securities, dealer service, capital market service, fixed-income product service, stock transfer agency service. The services are all provided for domestic

	areas. Presently, there are a total of 25 business outlets, including headquarters and branches in various regions of Taiwan.
IBF Venture Capital	Investment projects are mainly domestic industries.
Rakuten International Commercial Bank	Rakuten International Commercial Bank is a domestic Internet-only bank with no physical branches, providing services mainly through the Internet and cell phones. The sales (supply) of financial products (services) are limited to domestic areas.

5.3.2 Future Supply and Demand in the Market

1. Bills market

With regard to the credit business of the bills industry, under the effect of the return of Taiwanese business operators, gradual recovery of real estate development industry and government's continuous promotion of green energy industry development, all of these factors facilitate the growth of the credit business. Nevertheless, the loan-deposit ratio of the financial industry in our nation is still relatively high and excessive fund is still relatively large, such that the credit business competition among the financial operators in the same industry becomes more intense.

In the domestic bond market, the central bank claims that monetary policy will be tightened and interest rates will be raised at the right time. However, the recovery of various domestic industries is uneven and inflation remains moderate, so the pace of interest rate increase is expected to remain steady. In 2021, the interest rates of Taiwan bonds rebounded by 40 to 50 basis points, which already absorbed part of the expected interest rate hike. However, the domestic capital stock was still high, and the deposit to the lending ratio of the banks in Taiwan fell to a record low of 69.62% at the end of November 2021. Financial institutions still have extra funds for deployment, and the advantage of Taiwan bonds still exists.

In the foreign currency market, inflationary pressure is not abating, the U.S. Fed's monetary policy continues to turn hawkish, indicating that under the influence of supply-demand imbalance and supply chain tension, inflation is much higher than the Fed's long-term target of 2%, the FOMC meeting in January 2022 sent signals of accelerated rate hikes and balance sheet shrinkage, the pace of tightening monetary policy is clearly accelerated, U.S. bond yield curves are moving upward, credit bond spreads gradually rise. It is expected that in the future, before the actual realization of interest rate hikes and balance sheet shrinkage, the yield will still face volatile upward pressure.

In 2021, due to the out-of-control pandemic in Taiwan, Taiwan stocks were corrected downward. In the second quarter, the index reverted to 15,160 points. Later, with the proper domestic epidemic control back, the pandemic was gradually under control and vaccine donations from various countries gradually

arrived, which reduced the panic psychology and led to the bottoming out of the Taiwan stock market. In July, the index surpassed the historical high of 18,000 points. Still, later on, the index reverted to a correction due to the foreign mutated virus and the Evergrande incident in Mainland China. After the international stock market stabilized in the fourth quarter, Taiwan stocks also welcomed another wave of bullish trend and reached a new record high of 18,619 points. Although the weighted index was at a relative high, with abundant capital in the market, quality companies that can grow steadily and provide good cash dividends will still be the target of the market.

2. Securities market

The Stock Market Making Mechanisms were launched at the end of June 2021 to provide incentives for market-making by securities firms and fee waivers for "high quality and low liquidity" potential stocks to increase the turnover and liquidity of individual stocks. The Taiwan Innovation Board and Pioneer Stock Board were officially launched in July of the same year, helping to diversify investment opportunities and revitalize the market. However, it should be noted that the global interest rate trend has been formed, which is not conducive to the cost base of the financial industry and may cause drastic fluctuations in asset prices, or indirectly affect the provision of financial services and the potential profit margin of capital gains.

Looking back at 2021, Taiwan stocks attracted investors due to their excellent performance. The number of new account holders reached 770,000, and the total number of account holders grew to 12.01 million, it has been over half the population in Taiwan. From the age of investors, the number of account holders in each age group has generally increased as a proportion of the total population, especially the young group aged 20 to 30, which has increased rapidly from 25.2% five years ago to 44.4%, there are 200,000 new savings accounts opened in the recent 2 years respectively. In addition, the investment channels for young people are also becoming more diversified. Since the competent authorities promoted systematic investments in 2017, the investment amount has reached a record high year after year, reaching NT\$40.25 billion last year, which is 130% growth over previous year. In view of this, as more and more young people are paying attention to short-term trading and accessing practical skills through quantitative statistics, diverse and flexible investment tools are expected to be highly favored by young investors in the future. In addition, the wave of funds under the epidemic has promoted the explosive growth of the overseas investment. According to the Securities Association statistics, the total amount in sub-brokerage transactions in Taiwan during January-September 2021 was NT\$3.35 trillion, with an annual growth rate of 17.9%.

3. Venture capital market

It is expected that the original industry innovation plans of the government will be continued and implemented, including the five major innovation plans in

the biomedical industry, green technology, intelligent machinery, national defense industry and Asia-Silicon etc. in addition to the industrial innovation in new agriculture, digital economy, cultural technology innovation, chip design and semiconductor technology etc. The policy guided resource will stimulate relevant investment opportunities as such guiding fund flows into the market.

4. Banking market

The banking industry has long played a role in helping industry development through the provision of capital, not only meeting various financial needs, but also making significant contributions to the support of the nationals' livelihood and economy. Although the banking industry has been developing steadily in recent years, there are still existing problems such as low asset utilization rate, profitability still needs to be improved, and too many banks. In particular, when the industry's intermediary function is weakened by the rise of financial technology, how to continue to grow despite the structural difficulties such as smaller scale, higher business homogeneity, lower international connectivity, and lower net profit margin, by way of consolidation, cross-border, and digitization, will be the focus of attention.

For example, although banks in Taiwan have been affected by the COVID-19 pandemic, the negative impact on the financial services industry has not been entirely negative, as digital financial services have been boosted and accelerated. In other words, while minimizing unnecessary contacts, consumers significantly increase their demand for zero-touch digital financial services, which further accelerates the digital transformation of the financial services industry during the pandemic. In particular, the "FinTech Development Roadmap" was released by the FSC as a basis for promoting FinTech from 2021 to 2023, and it is expected that the banking industry will continue to invest in FinTech-related development.

5.3.3 Operating Target

1. International Bills Finance Corp.

- (1) Estimated guaranteed issues of commercial paper of NTD 900 billion.
- (2) Estimated underwriting commercial paper of NTD 1.6 trillion.
- (3) Estimated trading of various types of bills of NTD 3 trillion.
- (4) Estimated trading of various types of bonds of NTD 1.2 trillion.

2. IBF Securities

- (1) Estimated brokerage business trading volume of NTD 4.2544 trillion.
- (2) Estimated margin trading average balance of NTD 13 billion.
- (3) Estimated short selling average balance of NTD 2.2 billion.
- (4) Estimated proprietary business operating profit of NTD 148 million.

3. IBF Venture Capital

In anticipation of the recovery of the post-epidemic economic environment and the rise of the regional economy, plan to add to new long-term investment by NT\$ 200 million. In view of the matured industries with excellent structure, under the environment of such violent changes, the expansion period and maturity period individual cases being underestimated is maintained at 60%. In addition, for the development of new startup and seed companies, the percentage is accounted for 40%. Furthermore, it is expected that the government will continue to implement the original industry innovation plans, and relevant investment opportunities will be stimulated as such guiding funds flow into the market.

4. Rakuten International Commercial Bank

- (1) Raise the return of equity (ROE).
- (2) Expand the scale of customers and assets.
- (3) Strengthen financial products and digital financial services.
- (4) Optimize risk control mechanisms and improve asset quality.
- (5) Optimize operating procedures and effectively lower operating costs.

5.3.4 Favorable and Unfavorable Factors in the Long Term

1. International Bills Finance Corp.

Favorable factors:

- (1) Competitiveness of direct financial products is superior to indirect financial products, and bills underwriting business continues to grow stably.
- (2) Enter different markets with continuing innovations, provide diverse products with increased competitiveness.
- (3) Government actively promotes the innovative industries of green energy technologies, national defense and aerospace etc. Seek new innovative industry cases to improve interest spread and diversify the lending risk.
- (4) In response to inflation, the world may enter a cycle of raising interest rates. With medium and long term interest rate hike outlook, it drives the medium and long term loan demands from enterprises, and FRCP business opportunities emerge.
- (5) The Central Bank adopts the multi-year growth reference interval to control the M2 goal, and the currency basic framework is maintained unchanged such that currently, it is still 2.5%~6.5%. In 2021, the annual reserve money indicated an annual increase rate of 8.72%, slightly higher than 8.59% in 2020. Although interest rate hikes will be in 2022, the COVID-19 outbreak is not yet under control and market capital is moderately accommodative.

Unfavorable factors:

- (1) The guarantee multiple limit is still low, and the lending resource is limited.
- (2) Despite that the domestic real estate market is slowly recovering, the central bank continues to adopt tightening policies on the real estate industry, coupled with the competition among financial peers becomes more severe, and the difficulty in seeking secured and high profitable real estate loan is increased.
- (3) With the implementation of the Money Laundering Control Act and CRS system, the legal compliance cost is increased, which in term, affects the willingness of enterprises in interacting with new financial institutions; therefore, the development of new customers becomes more difficult.
- (4) Market financing channels are diverse, banks are actively seeking enterprise loan business, and use low interest rate and competitive price to seek customer business relationships, which affects the expansion of the bills guarantee business, and the short-term competitive situation is not improving.
- (5) Global inflation has been rampant, the trend of U.S. bond yield is moving upward, and countries are tightening their monetary policies one after another. Greater financial market fluctuation and rapid fund market change increase the difficulty in inventory management and liquidity operation.
- (6) The competent authorities will gradually regulate the scale of issuance of non-guarantee commercial papers, and the growth of the primary market for non-guarantee commercial papers will slow down.

2. IBF Securities

Favorable factors:

- (1) Continuous product development and expansion of business: On June 18, 2021, the Financial Supervisory Commission (FSC) announced seven new financial systems. In the securities industry, in order to boost the trading of Taiwan stocks, the FSC supervised the Taiwan Stock Exchange and the Taipei Exchange to promote the Stock Market Making Mechanisms (implemented in June), and the Taiwan Innovation Board and the Pioneer Stock Board, which help new entrepreneurs raise capital, and were officially opened on July 20.
- (2) Extend the day trade tax reduction period: On December 21, 2021, the Legislative Yuan passed the third reading of the measure to extend the 50% reduction of the day-trading tax rate for three years until December 31, 2024, to boost the market trading volume enhance the market trading momentum.

Unfavorable factors:

- (1) High similarity among operators of the same industry in the market: The main source of income for domestic securities firms is traditional brokerage business, and the high homogeneity of securities firms will affect the transaction fee income, which causes the high fluctuation in the capital market and difficulties to operators in the investment operation; consequently, the investment profit

fluctuation is increased.

- (2) The speed of regulatory updates must keep up with product innovation: financial institutions must repeatedly apply and explain to the financial supervisory authority for product innovation, internationalization or integrated marketing. However, the competent authorities said they would continue to review the appropriateness of the regulations and aim to remove all inappropriate laws and regulations by 2024.

3. IBF Venture Capital

Favorable factors:

- (1) Liaise to other companies with fund demands and high growth in nature through the referral of subsidiaries in the group.
- (2) Cooperate with the subsidiary, Guo Want International Leasing Corp., in China, seek quality cases in Mainland China, and use the financing and investment method to perform case assessment and investment.

Unfavorable factors:

Insufficient quality case quantity in the domestic region is related to the industrial structure adjustment, the domestic market lacks new emerging industry investment opportunities with outstanding potentials. Consequently, most of the venture capitals are heading toward the matured individual cases at the medium and late phases, such that it is not expected to have excessive return.

4. Rakuten International Commercial Bank

Favorable factors:

- (1) No physical operating base has the advantage of operating cost, and the cost saving can be used to provide customers with more favorable prices and better service.
- (2) Through the innovation of financial technology, consumers and corporate customers will be accustomed to using the Internet for financial transactions, which will help the development of the Internet banking business.

Unfavorable factors:

- (1) The business has not reached an economic scale and the unit cost of building system equipment is high.
- (2) The banking industry is highly regulated by competent authorities and is restricted by regulations from developing special products and offering convenient services.

5.4 Human Resources

5.4.1 Basic Information

Year		2020	2021	Data as of February 28, 2022
Number of Employees	Employees	1,499	1,561	1,565
	Staff for Specific Administration Support	5	6	6
	Total	1,504	1,567	1,571
Average Age		47.22	47.41	47.49
Average Years of Service		11.13	11.18	11.21
Education	Ph.D.	0.33	0.26	0.26
	Masters	21.14	21.06	20.94
	Bachelor's Degree	64.49	65.28	65.18
	Senior High School	13.90	13.40	13.62
	Below Senior High School	0.14	0	0
Professional Certificates and Number of Holders	CPA	10	10	10
	Senior Securities Specialist	844	858	865
	Securities Specialist	863	883	897
	Bill Finance Specialist	209	211	208
	Securities Investment Trust and Consulting Specialist	481	456	448
	Financial Planning Personnel	177	176	178
	Basic Lending Personnel	112	115	114
	Advanced Lending Personnel	4	4	4
	Bank Internal Control Personnel	178	202	201
	Trust Operation Personnel	484	493	493
	Futures Specialist	905	910	921
	Basic Foreign Exchange Personnel	41	47	47
	Proficiency test for foreign exchange transaction	7	8	8
	Asset securities basic proficiency test	25	26	26
	Bond Specialist	65	66	65
	Stock Affairs Specialist	31	35	35
	Internal Auditor	4	3	3
	FRM	12	18	18
	Securities Analyst	30	31	31
	Futures Analyst	7	8	8
	Wealth Management Personnel	383	383	386
	Securities Internal Audit Personnel	191	190	188
	Attorney	5	6	5
	Margin purchase and short sale personnel	210	208	212
	Life insurance specialist	702	712	715
	Property insurance specialist	555	546	543
	Investment-type insurance commodity specialist	397	399	396
	Foreign-currency non-investment type insurance specialist	345	343	341
	Certified Anti-Money Laundering Specialist	6	8	7

Note: The number of employees excludes the concurrent employees

5.4.2 Employee Continuing Education and Training

To encourage employees to improve job skills and to participate in various seminars and trainings actively, the Company allows employees to select courses held by the Taiwan Academy of Banking and Finance, Securities and Futures Institute as well as associations of banks, securities, futures and investment trust etc. according to their job duty needs. Auditing and legal compliance personnel also participate in the continuing education for auditing and legal compliance related courses annually for a certain number of hours according to the regulations. The expenses are covered by the Company in full. In addition, for employees actively participate in the continuing education to obtain professional licenses based on the needs of the current duties or future job functions, the Company also provides subsidies. The internal of the company organizes business seminars according to the needs and also encourages employees to participate in external speeches or seminars.

For the Company and subsidiaries, in 2021, the employee educational training total expense was amounted to approximately NT\$ 3.56 million, there were a total of 179 sessions of internal training courses, a total of 33,218 trainees, a total of 39,478 training hours for the employee trainings. In addition, there were a total of 475 sessions of external training courses, a total of 2,760 trainees and a total of 16,440 training hours for the employee trainings.

5.4.3 Working Environment and Employee Personal Safety

The Company provides excellent office environment as well as safe and healthy working place to employees. In the office, central air conditioning system and sufficient lighting equipment are installed in order to provide comfortable working space. Emergency evacuation routes and exits are provided at the office floors, and elevator equipment is maintained periodically. In addition, fire equipment is also installed and access security control is implemented in order to ensure the security of the office area.

The Company also assigns dedicated person to participate in the labor safety and health management personnel on-job training in order to assist the company in establishing a safe and appropriate working environment. In addition, the Company establishes the “Emergency Countermeasure Handbook” and installs emergency first-aid facilities of AED (Automated External Defibrillator) to adopt emergency actions whenever necessary in order to ensure the personal safety of the employees of the Company. The Company establishes the “Employee Welfare Subsidy Guidelines” to provide subsidies to the employee health examinations and recreational travels in order to promote the physical and mental balance development of employees.

5.5 Corporate Social Responsibility and Ethical Behavior

5.5.1 Corporate Social Responsibility

IBF Financial Holdings Group treats the CSR as one of the core values of the Company, and fulfills the corporate responsibilities for the society by implementing the CSR as the internal corporate culture. In addition to providing complete and professional financial services to customers, the Company further assists enterprises in successful business, stable growth, provides aids to the industry upgrade in order to gain profit, thereby feeding back to the shareholders and the general public.

To actively participate in the social welfare activities, IBF Financial Holdings Group established the “IBF Charity Foundation” (hereinafter referred to as the “Foundation”) with the fund provided by IBFC in November 1998, specialized in the handling of assistance to disadvantaged groups in the society, provide assistance of fund resources etc. in order to implement the concept of long-term society giving back and to fulfill the social responsibility as a corporate citizen. In recent years, in addition to the original fund accrued interest and property return, the Company and IBFC provide further donation annually in order to allow the Foundation to expand the scope of social welfare affairs in order to service greater disadvantaged groups. In addition, through the visits performed by employees of the Group and horizontal contacts with the social welfare units, subjects in actual needs of help and care are discovered in order to effectively implement the handling of welfare affairs.

To effectively integrate the corporate public welfare resources, the members of the board of directors of the Foundation are mainly concurrently held by the directors of the Company, in order to discuss and determine the annual welfare donation principles, budget and supervise as well as manage the donation outcome and execution of the budget.

To continuously support the Foundation personnel performing the social environment and cultural living quality to clearly understand the feedback outcomes through their participation and assistance, the Foundation establishes a dedicated website (<http://ibfc.org.tw/>) in order to publish the historical financial statement information and donation outcome, as well as allowing contributors to individually verify the historical donation amounts and status. We believe that through the communication via the Foundation website, kind-hearted persons and the Foundation can cooperate jointly in the social welfare and in the care of disadvantaged groups.

In addition, to fulfill CSR and to achieve economy, environment and society improvements, in order to achieve the objective of sustainable development, the Company has established the “Corporate Social Responsibility Best Practice Principles” for the compliance of all employees, and regularly produces ‘Corporate Social Responsibility’ report for the review of the public, and for all employees to follow.

5.5.2 Ethical Conducts

IBF Financial Holdings Group upholds the ethical, transparent and responsible management principles, and establishes proper government governance and risk control mechanism in order to perform commercial activities in a fair and transparent method. To actively and effectively implement the concept of ethical management, the internal regulations and operations have been established as follows:

1. The “Code of Ethical Conduct” is established, and directors, managerial officers and employees are all incorporated into the regulations, such that conducting/receiving bribery is prohibited, illegal political contribution is prohibited, inappropriate welfare donation or sponsorship is prohibited, unreasonable gifts and treats or other illegal benefits are prohibited. In case of any violation, the violator shall be punished according to the “Employee Work Rules” of the Company depending upon the severity of the violation.
2. The board of directors and management level also actively implement the ethical management, and properly execute it in the internal management and external commercial activities. The board of directors further bears the due care of a prudent administrator to supervise the prevention of unethical conducts in the Company as well as reviews its implementation effectiveness at any time and performs continuous improvement.
3. Establish whistleblowing system “Regulations for Handling Whistle-Blowing Cases”, stipulate confidentiality mechanism, and for subjects being reported, Auditing Department is assigned to accept reports and conduct investigation. In addition, protection related measures are also adopted for the reporters such that they are protected from any improper disposal due to reporting.
4. To enhance the information disclosure: The Company has established the Chinese/English website, and the website address is: <https://www.ibf.com.tw>, to provide regular or irregular financial and service related information. The Company also reports various financial service information and corporate governance operation status on the “Market Observation Post System” in order to implement the public disclosure and transparency of information. In addition, the Company further leads the industry to disclose all donation events to the external on the website of the Company in order to prevent any illegal benefit transfer.

5.6 The number of employee, average salary, median salary, and difference from the last year for full-time non-supervisory employees

The Company and consolidated entities belonging to the domestic bills and securities and bank subsidiaries described in “Article 4 of the Financial Holding Company Act.”, there are a total of 1,411 employees in 2021, an increase of 92 employees in comparison to the total number of 1,319 employees in 2020. In

2021, the full-time non-supervisory employee average salary and median salary are NTD 1,417 thousand and NTD 1,010 thousand per person, an increase of 21.94% and 17.85% in comparison to NTD 1,162 thousand and NTD 857 thousand in 2020.

5.7 IT Infrastructure

5.7.1 The Company

1. Configuration and maintenance of main information system hardware and software
 - (1) The information system mainly uses IBM host server and the installation of AIX operating system. The system mainly handles accounting operations. In addition, to satisfy the needs for risk management, money laundering prevention, risk management and related party database are constructed with the server architecture, and multi-dimension analysis tool is used to manage the credit extension and investment positions of the Group.
 - (2) Establish the human resources management system, which mainly handles HR-related operations.
 - (3) Construct information security management platform in order to control authorities and authorization mechanism, thereby facilitating the information security management.
 - (4) The office is also installed with information equipment of personal computers, notebook computers and printers etc. in order to satisfy the needs of routine process operations.
2. Emergency backup and safety protective measures
 - (1) In order to respond to unexpected situations and information recovery, the Company conducts two information outage backup exercises, two PC data inventories, two vulnerability scans, one penetration test exercise and two social engineering exercises each year.
 - (2) The main computer equipment also cooperates with the vendor's periodic maintenance in order to comply with the requirements for computer facility management, disaster prevention, fire prevention and uninterrupted power supply etc.
 - (3) The main information data is backed up periodically and stored in the bank's safe deposit boxes for remote storage.
 - (4) A home office and online video conferencing system has been added in response to a major infectious disease.
3. Future development and procurement plan
 - (1) Build and upgrade multi-dimensional analysis tools for risk control to improve the Group's credit and investment position management capabilities.
 - (2) Build and upgrade the external official website to improve website security and facilitate the normal operation of website services.
 - (3) Cooperating with the current development of "FinTech" and "Financial Regulatory Sandbox", assess the internet-only bank and other affiliates etc. in

order to establish feasible information improvement plans.

5.7.2 International Bills Finance Corp.

1. Configuration and maintenance of main information system hardware and software

The operating platform is built on IBM RS/6000 server; the peripheral management system includes customer relationship data warehouse system, bills custody and settlement system, central bank interbank fund transfer system, interbank remittance system, foreign currency bond trading system, etc. In order to facilitate risk control, also installed multi-dimensional analysis systems for financial instrument evaluation and trade management.

2. Emergency backup and safety protective measures

Set up co-located real time backup operation server and cabinet shock absorption equipment in the Taipei head office, built epidemic prevention measures and platforms for off-site redundant equipment room in the branch office and established a second backup center, and practiced in the field according to the plan. Each business site is equipped with an uninterruptible power supply system for emergency power supply in case of power interruption.

3. Future development and procurement plan

Collaborate with Dimerco Data System Corporation to develop and build a customized platform for the next-generation bills and bonds accounting management system.

5.7.3 IBF Securities

1. Configuration and maintenance of main information system hardware and software

The IBF Securities information equipment mainly includes the securities trading system, futures trading system, bonds trading system, sub-brokerage trading system, electronic transaction system, personnel, salary and financial data system. The mutual backup method of management for the two north and south regional centers is adopted, and the Information Department is in charge of managing the planning and maintenance in order to ensure the normal operation of the information system.

2. Emergency backup and safety protective measures

In addition to installing firewall and anti-virus systems, IBF Securities have also built environmental control systems and remote monitoring systems to ensure the continuous operation of the information environment; IBF Securities have built decentralized denial of service protection systems and multi-factor authentication systems to protect the security of information systems and networks; IBF Securities have built spy video recording and data leakage protection systems and database audit software to protect personal data. In addition, build a source code detection mechanism to detect information security vulnerabilities in web programs and app programs. The “Information Security Management Guidelines”

is also established, which includes the requirements for the items of network security, data protection, operating system personnel, operation procedure, various important data and program backup as well as remote storage etc. Furthermore, according to the level of importance and different scenarios, emergency measures are established in order to ensure the continuous operation of the information system and to ensure the security of the company data.

3. Future development and procurement plan

In response to future business needs and service enhancement, we will build related software and hardware systems and enhance information security management. In line with the development trend of FinTech, we will continue to self-develop IBF Securities' exclusive APP and related mobile device applications to provide customers with more diversified services, and plans to import ISMS (Information Security Management System) to strengthen the control of information security management and enhance customers' confidence in the stable operation of the enterprise.

5.7.4 IBF Venture Capital

1. Configuration and maintenance of main information system hardware and software

Accounting operating system and financial product inventory management system are periodically updated and maintained.

2. Emergency backup and safety protective measures

Remote backup plan is already established to prevent loss of data due to regional disasters.

3. Future development and procurement plan

The video conference equipment of the IBF Venture Capital and the subsidiary Guo Want International Leasing Corp. are improved in order to enhance the contact and management between the companies.

5.7.5 Rakuten International Commercial Bank

1. Configuration and maintenance of main information system hardware and software

The main information systems of New Taiwan Dollars deposit and lending, bank home page, internet banking, and mobile banking use IBM Power System and Wintel servers, respectively, with IBM AIX, Microsoft Windows Server, and Linux operating systems, to provide stable information services.

2. Emergency backup and safety protective measures

In order to maintain the continuous operation of major information systems, each information system is planned to have a co-location or off-site backup mechanism according to its business nature and business continuity management objectives. Schedule annual preparedness drills to train relevant personnel in response handling capabilities and to review the effectiveness of related

preparedness mechanisms. In addition, the following security measures are in place for information devices.

(1) Server room security.

The server room is equipped with fireproof, seismic and disaster-proof equipment, access control and a 24-hour surveillance system to strictly control the access of personnel; in addition, related information equipment is regularly inspected and maintained to ensure the stable operation of related information equipment.

(2) System and network security.

a. Firewall installation.

The bank's internal network is equipped with a two-layer firewall protection mechanism, and different brands of firewall equipment are used to achieve the double protection function. The external service website adopts a multi-layer protection structure, with web servers in the DMZ of the first layer of protection and application servers and database system servers in the second layer of protection.

b. Application Firewall.

The application firewall is built on the external critical network gateway to proactively analyze and filter the contents of network packets from OSI layers 4 to 7. If there is any suspicious, malicious behavior, the application firewall will proactively isolate or block the malicious behavior and report it to the relevant personnel to strengthen the security defense capability of the network and system.

3. Future development and procurement plan

In response to business development and continuous operation, and to enhance system stability and operational efficiency, we continue to optimize existing services and internet banking functions, and cooperate with other industries to provide innovative financial products and services, including: personal loan process improvement project, Combo Card establishment project, etc. We also plan to implement an office system redundancy framework project. In line with the liberalization of regulations, we will also invest R&D resources in new business development and relaxation of existing online services in order to provide customers with a better financial experience.

5.8 Cyber Security Management

5.8.1 The Company

1. Cyber security risk management framework

The Company's cyber security risk management framework:

- (1) Basic management (internal information security policy, information security software and hardware infrastructure, strengthening information security

awareness of all employees),

- (2) Internal control and continuous reinforcement (vulnerability scanning, penetration testing, regular testing of personal data inventory and internal audit and control system).
- (3) External supervision and mirroring (recommendations and improvements from external supervision, information security reports and cases, information security regulations) to reduce the risk of cyber security with layered controls from the inside to the outside.

2. Cyber security policy

The objectives of the Company's information security policy are to ensure legal access to the Company's information, to provide complete and uninterrupted information system operation in the event of a possible external intrusion, and to restore normal operation in the shortest possible time after necessary contingency measures in the event of an incident, so as to reduce the damage that may be brought about by the incident and to enable the Company to develop in a stable manner.

3. Specific management program

Each year, the Company engages a professional and qualified third-party information security vendor to perform two initial and repeat vulnerability scanning operations, one official website penetration test exercise, two personal computer personal data file inventory operations, and two social engineering exercises, and issues an information security health inspection report at the end of the year as the direction for the overall review and improvement of information security for the entire year.

4. Resources for cyber security management

A data communication security incident reporting platform of the Financial Holding Group is set up. Company colleagues receive 3 hours of information security education and training courses every year, and third-party information security experts review the company's data communication security compliance, implementation and issue reports to ensure data communication security testing and reinforcement work.

5. Losses, possible impact and countermeasures were taken in response to major cyber security incidents in the latest year and the current year up to the date of publication of the annual report

The Company had no significant cyber security incidents in the past year.

5.8.2 International Bills Finance Corp.

1. Cyber security risk management framework

IBFC have appointed a dedicated information security supervisor and information security management team to be responsible for information security

management, reviewing and implementing information security policies, establishing information security defense mechanisms, conducting information security assessments, collecting information security information, and planning for information security issues.

2. Cyber security policy

IBFC has established an "Information Security Policy", with the approval authorization at the level of the Board of Directors, to ensure the accuracy of information processing, the reliability of computer software, hardware, peripheral and network systems used by operators, and to ensure that the above resources are protected from interference, damage, intrusion or attempts.

3. Specific management program

IBFC regularly conduct vulnerability scanning, social engineering drills, website penetration testing, and information security inspections every year, and commission third-party information security vendors to issue annual information security inspection reports.

4. Resources for cyber security management

Each colleague has 3 hours of information security education and training every year, and 15 hours of information security personnel in charge of information security, and reports the overall implementation of information security to the board of directors together with the internal control statement.

5. Losses, possible impact and countermeasures were taken in response to major cyber security incidents in the latest year and the current year up to the date of publication of the annual report

None

5.8.3 IBF Securities

1. Cyber security risk management framework

Establish an information security protection framework, review internal and external risks and conduct vendor management, compile and analyze information security incidents and information security intelligence, and conduct reviews to improve the effectiveness of information security protection.

2. Cyber security policy

The information security management system and related procedures and key points have been set up based on the "Information Security Policy" approved by the Board of Directors. Strengthen the quality of information security and ensure the confidentiality, integrity, availability and legality of information assets.

3. Specific management program

Establish an information security management mechanism to conduct internal self-inspection, including vulnerability scanning, penetration testing, anti-virus and malware scanning, and system record analysis, set up external firewall protection

mechanism and DDoS traffic scrubbing, and detect malicious emails. In terms of business continuity, set up a backup exercise plan and conduct annual market exercises to achieve the goal of uninterrupted operation.

4. Resources for cyber security management

Organize at least 3 hours of information security education and training for all employees every year in accordance with regulations, including social engineering techniques, information security awareness enhancement, and Internet of Things equipment security. In addition, the internal information security dedicated staff receive at least 15 hours of professional training or functional training on information security each year and pass evaluations

To prevent malicious email social engineering, we conduct annual social engineering training and drills to raise employees' awareness of information security.

5. Losses, possible impact and countermeasures were taken in response to major cyber security incidents in the latest year and the current year up to the date of publication of the annual report

IBF Securities had no significant cyber security incidents in the past year.

5.8.4 IBF Venture Capital

1. Cyber security risk management framework

The information business of IBF Venture Capital is outsourced, and the administration department is the management unit of the information business.

2. Cyber security policy

Continue to strengthen the ability of personnel to identify flaws in emails, continue to promote the avoidance of opening or clicking on unsolicited emails, and regularly implement social engineering drills and internal course training.

3. Specific management program

In order to raise the vigilance awareness of the colleagues of IBF Venture Capital about malicious e-mails, and avoid computer and network security and sensitive data leakage incidents caused by browsing malicious e-mails, social engineering drills are carried out.

4. Resources for cyber security management

IBF Venture Capital Administration Department entrusts an external agency to perform social engineering drills.

5. Losses, possible impact and countermeasures were taken in response to major cyber security incidents in the latest year and the current year up to the date of publication of the annual report

None

5.8.5 Rakuten International Commercial Bank

1. Cyber security risk management framework

- (1) A dedicated unit for cyber security has been established, and a vice president or higher or a person with equivalent responsibilities has been assigned as the chief information security officer to oversee the promotion of information security policies and resource allocation.
- (2) In order to effectively promote information security work, Rakuten International Commercial Bank have established an information security management committee directly under the president and set up an information security working group in the committee to implement the information security management system and coordinate information security management related matters.
- (3) Each year, the overall implementation status of cyber security in the previous year will be reported by the issuance, disclosure and announcement of the declaration of the internal control system in accordance with the provisions of the internal control system, which is jointly issued with the chief information security officer.

2. Cyber security policy

- (1) To strengthen cybersecurity management, ensure the security of information assets, enhance the employee's awareness of cybersecurity, and protect the right and interests of customers, the Cybersecurity Policy is established in accordance with the "Enforcement Rules of Cyber Security Management Act", "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", "Regulations Governing the Information Security Assessment of Computer Systems for Financial Institutions", and "Operating Standards for the Security Control of e-Banking Business for Financial Institutions", with the scope covering various information systems and information assets, and all employees and suppliers and visitors having business with the bank shall comply.
- (2) The Information Security Committee is established to promote cybersecurity within the bank. The articles for organization will be established separately. The cybersecurity division shall take charge of the development, implementation, and assessment of cybersecurity policy, cybersecurity plan, and cybersecurity technical specifications. The information division shall take charge of the development, management, and protection of the security requirements of information security. The information security division shall take charge of cybersecurity-related assessments.
- (3) The scope of cybersecurity covers: division of cybersecurity responsibilities; education and training of cybersecurity; security management of information systems; network security management; access management of application systems; management of the development and maintenance of application

systems; management of information assets; management of system environment security and data confidentiality; management of disaster recovery of information systems; and other cybersecurity management.

- (4) To maintain the business continuity of information systems, cybersecurity maintenance plans and cybersecurity incident response mechanisms are established to have practice drills regularly (e.g., distributed denial-of-service attack (DDoS), penetration testing, and anti-data compromises). After a cybersecurity incident occurs, reports are made and countermeasures are adopted according to the Rakuten International Bank Guidelines for Material Contingencies.
- (5) Implement the related cybersecurity management systems (e.g., the ISO 27001 Information Security Management System, ISMS) and privacy protection standards (e.g., ISO 27701 Privacy Information Management or BS 10012 Personal Information Management System) and apply for third-party verification as necessary. Run the e-banking service in accordance with the related regulations and security requirements, such as the “Operating Standards for Security Control of e-Banking Business for Financial Institutions” and the “Regulations for Provision of Mobile Applications by Financial Institutions”.
- (6) Assess the cybersecurity policy as least once a year to reflect the latest state of the related laws and regulations, IT environment, and information business to ensure the effectiveness of cybersecurity practices.

3. Specific management program

- (1) To strengthen information security protection measures, Rakuten International Commercial Bank establish an information security monitoring platform, and have information security specialists analyze abnormal network activities. Rakuten International Commercial Bank perform annual website penetration tests to prevent system intrusion by hackers. Rakuten International Commercial Bank conduct quarterly host vulnerability scans and regularly repair operating system vulnerabilities.
- (2) To establish a mechanism to detect and take down counterfeit websites and applications to protect customers' network usage and prevent theft of customer data. The mobile application APPs provided to customers must pass the mobile application security test and obtain the security label before they are put on the shelves.
- (3) Conduct social engineering exercises and employee information security education and training to strengthen information security awareness
- (4) To prevent hacker network attacks, Rakuten International Commercial Bank set up DDoS traffic scrubbing services, and regularly perform protection and response drills.

4. Resources for cyber security management

Rakuten International Commercial Bank regularly convene information

security management committee meetings, join the Financial Information Security Sharing and Analysis Center (F-ISAC), conduct annual computer system information security assessments, and implement the international standard information security management system (ISO 27001:2013) and pass third-party verification.

5. Losses, possible impact and countermeasures were taken in response to major cyber security incidents in the latest year and the current year up to the date of publication of the annual report.

None

5.9 Labor Relations

5.9.1 Employee Welfare Measures

In addition to the national health insurance and labor insurance for the employees of the Company and subsidiaries according to the laws, the Company and subsidiaries also plan the employee group insurance, various subsidies, three holiday bonuses, professional license subsidy, travel and gathering activities etc. At the year end, year-end bonuses are issued depending upon the employee performance. In addition, performance bonuses and employee remunerations are also issued according to the earning of the Company and the employee performance.

5.9.2 Retirement System and Implementation Status

It is handled according to relevant regulations of the Labor Standards Act and Labor Pension Act, or relevant retirement system is established. The Company establishes the Labor Pension Supervisory Committee according to the Labor Standards Act, and sets aside 7% of average salary for those who are applicable for labor old-system pension into Bank of Taiwan on a monthly basis, and for those who are applicable for new-system, the Company also appropriates 6% of their salary into the personal account of Bureau of Labor Insurance according to the Labor Pension Act.

5.9.3 Labor-Management Agreement and Various Employee Benefit Protection Measures Status

To protect the rights and benefits of employees, the Company explicitly specifies the salary issuance standard, working hours, rest day, leave, performance evaluation, reward/punishment, transfer, retirement and pension etc. Related requirements are specified in the Work Rules, and are disclosed publicly after reporting to the competent authority for approval. In addition, to provide a working environment free of sexual harassment for employees and to maintain the gender equality, the Company also establishes the “Regulations for Sexual Harassment Control Measures, Complaint and Disciplinary Handling”, and sets up the Sexual Harassment Complaint Handling Committee in charge of matters related to sexual harassment complaints, investigation and resolution etc.

The Company also periodically convenes the labor-management meeting, and listens and values employees' opinions through various channels of labor-management meetings and e-mails etc. in order to achieve sufficient communication between the labor and management, to promote harmonious and prosperous labor-management relationship.

5.9.4 For the year of 2021 and Up to the Printing Date of the Annual Report, the Loss due to Labor-Management Disputes, Current and Possible Future Estimated Amount and Countermeasures.

1. The Company:

None.

2. International Bills Finance Corp.

None.

3. IBF Securities

(1) IBF Securities former employee Chen○○ claimed to have annual leave not yet taken completely, and filed a lawsuit to request for the payment of wage of NT\$ 111.96 thousand and interest, expense etc. The court judgment of the first instance ruled in favor of IBF Securities, but the second judgment of the second instance was unfavorable to IBF Securities. Ruling against IBF Securities in the retrial was affirmed.

(2) IBF Securities former employee Chen○○ claimed to have payment for his overtime works, and filed a lawsuit to request for the payment of wage of NT\$ 229.694 thousand and interest, expense etc. The first instance ruling was in favor of IBF Securities, and ruling against IBF Securities in the second instance trial were affirmed.

(3) IBF Securities former employee Kao ○○ claimed that IBF Securities should bear the labor and health insurance premium expenses and should appropriate 6% of the retirement fund, but all such amounts were deducted from his salary for payment by IBF Securities such that there was an improper profit, and filed a lawsuit to request for the payment of wages of NT\$ 389.203 thousand and interest, expense, etc. Ruling against IBF Securities in the first instance trial and ruling in favor of IBF Securities in the second instance trial were affirmed.

(4) Plaintiff Chen ○○ claimed that IBF Securities should pay the financing bonus for NT\$ 787,664 plus interests and costs. The first instance trial is currently in progress.

4. IBF Venture Capital

None.

5. Rakuten International Commercial Bank

None.

5.10 Important Contracts

5.10.1 The Company

Agreement	Counterparty	Period	Major Contents	Restrictions
Professional liability insurances for directors, supervisors and important employees	1. Insurance company: Taiwan Fire & Marine Insurance Co., Ltd. 2. Policy holder: IBF Financial Holdings Co., Ltd.	Starting from September 6, 2021, 12:00 PM to September 6, 2022, 12:00 PM	1. Liabilities of directors, supervisors and important employees 2. Company's compensation liability 3. Company's securities indemnification liability 4. Company's employment indemnification liability 5. The insurance coverage includes the Company and affiliates	None.
House tenancy contract	1. Landlord: International Bills Finance Corp. 2. Tenant: IBF Financial Holdings Co., Ltd.	Starting from September 1, 2020 to August 31, 2023.	The Company leased from International Bills Finance Corp. a total of 660.3 pings of real estate in A1, A2, A3 and A5 on the 17th floor of No. 126, 128, 130 and 132, Lequn 3rd Road, Zhongshan District, Taipei City and 3.5 pings of real estate in A5 on the 9th floor for the use of the Company's office and machine room.	To terminate the lease contract early, it is necessary to inform Party A in writing 4 months prior to the termination date in order to terminate the contract without penalties.
House tenancy contract	1. Landlord: IBF Venture Capital Co., Ltd. 2. Tenant: IBF Financial Holdings Co., Ltd.	Starting from September 1, 2020 to August 31, 2023.	The Company leases 79.76 pings of real estate in A5, 7F, No. 128, Lequn 3rd Road, Zhongshan District, Taipei City from IBF Venture Capital Co., Ltd. for use as the Company's conference center.	To terminate the lease contract early, it is necessary to inform Party A in writing 4 months prior to the termination date in order to terminate the contract without penalties.
Joint Venture Agreement	1. Rakuten Bank, Ltd. 2. Rakuten Card Co., Ltd. 3. IBF Financial Holdings Co., Ltd.	From January 8, 2019	The Parties hereto shall jointly invest in the establishment of the Rakuten International Commercial Bank under the Banking Act, the Company Act and other Applicable Laws of Taiwan.	As specified in agreement.
Share Swap Agreement	1. IBF Financial Holdings Co., Ltd. 2. EnTie Commercial Bank Co., Ltd.	Signed on October 14, 2021	Both Parties agree to execute a share swap, whereby IBF Financial Holdings will pay cash and issue preferred shares on the Share Swap Record Date to the shareholders of EnTie Bank as the consideration of obtaining all issued shares of EnTie Bank.	The common prerequisites for the completion of this case are agreed upon in the contract

5.10.2 International Bills Finance Corp.

Agreement	Counterparty	Period	Major Contents	Restrictions
House tenancy contract	1. Landlord: International Bills Finance Corp. 2. Tenant: IBF Financial Holdings Co., Ltd.	Starting from September 1, 2020 to August 31, 2023.	International Bills Finance Corp. leased to IBF Financial Holdings Co., Ltd. a total of 660.3 pings of real estate in A1, A2, A3 and A5 on the 17th floor of No. 126, 128, 130 and 132, Lequn 3rd Road, Zhongshan District, Taipei City and 3.5 pings of real estate in A5 on the 9th floor for the use of office and machine room.	To terminate the lease contract early, it is necessary to inform Party A in writing 4 months prior to the termination date in order to terminate the contract without penalties.
House tenancy contract	1. Landlord: IBF Venture Capital Co., Ltd. 2. Tenant: International Bills Finance Corp.	Starting from September 1, 2020 to August 31, 2023.	IBF Venture Capital Co., Ltd. leased to International Bills Finance Corp. a total of 79.76 pings of real estate on the 7th floor of No.128, Lequn 3rd Road, Zhongshan District, Taipei City for the use of conference Center.	To terminate the lease contract early, it is necessary to inform Party A in writing 4 months prior to the termination date in order to terminate the contract without penalties.
Technical Cooperation	1. International Bills Finance Corp. 2. Dimerco Data System Corporation	Starting from February 19, 2021 to February 19, 2025.	Customized development and platform establishment for next-generation bond accounting system	None.

5.10.3 IBF Securities

Agreement	Counterparty	Period	Major Contents	Restrictions
Agreement	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: Ta Ching Bills Finance Corporation	From April 27, 2021 to April 27, 2024, for a period of 3 years	IBF Securities Co., Ltd. entrusted Ta Ching Bills Finance Corporation for the underwriting of commercial papers at a total amount of NTD 200 million, and signing contracts with the transaction counterparties	Credit rating: Taiwan Ratings Corp. assigns long-term credit rating above the grade of A-(tw) (inclusive)
Contract	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: International Bills Finance Corp. (IBFC)	From January 28, 2019 to January 27, 2022, for a period of 3 years	IBF Securities Co., Ltd. entrusted IBFC for the underwriting of commercial papers at a total amount of NTD 500 million, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Agreement	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: Union Bank of Taiwan	From January 28, 2019 to January 27, 2022, for a period of 3 years	IBF Securities Co., Ltd. entrusted Union Bank of Taiwan for the underwriting of commercial papers at a total amount of NTD 50 million, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)

Agreement	Counterparty	Period	Major Contents	Restrictions
Contract	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: International Bills Finance Corp. (IBFC)	From March 22, 2019 to March 21, 2022, for a period of 3 years	IBF Securities Co., Ltd. entrusted IBFC for the underwriting of commercial papers at a total amount of NTD 500 million, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Agreement	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: Union Bank of Taiwan	From March 22, 2019 to March 21, 2022, for a period of 3 years	IBF Securities Co., Ltd. entrusted Union Bank of Taiwan for the underwriting of commercial papers at a total amount of NTD 50 million, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Contract	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: International Bills Finance Corp. (IBFC)	From March 3, 2020 to March 2, 2023, for a period of 3 years	IBF Securities Co., Ltd. entrusted IBFC for the underwriting of commercial papers at a total amount of NTD 1.25 billion, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Agreement	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: Union Bank of Taiwan	From March 3, 2020 to March 2, 2023, for a period of 3 years	IBF Securities Co., Ltd. entrusted Union Bank of Taiwan for the underwriting of commercial papers at a total amount of NTD 50 million, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Agreement	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: Hua Nan Commercial Bank	From June 30, 2021 to June 30, 2024, for a period of 3 years	IBF Securities Co., Ltd. entrusted Hua Nan Commercial Bank for the underwriting of commercial papers at a total amount of NTD 1 billion, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Agreement	1. Loan lending bank /Issuance company: IBF Securities Co., Ltd. 2. Underwriting institution: Hua Nan Commercial Bank	From June 28, 2021 to June 28, 2025, for a period of 4 years	IBF Securities Co., Ltd. entrusted Union Bank of Taiwan for the underwriting of commercial papers at a total amount of NTD 500 million, and signing contracts with the transaction counterparties	Credit rating: Fitch Australia Pty Ltd, Taiwan Branch assigns long-term credit rating above the grade of A-(tw) (inclusive)
Premises Lease Contract (Note)	1. Tenant: Anhe branch, IBF Securities Co., Ltd. 2. Landlord: First Commercial Bank Co., Ltd.	From April 15, 2017 to April 14, 2022, for a period of 5 years From May 1, 2019 to April 30, 2024, for a period of 5 years	IBF Securities Co., Ltd. leased the Anhe branch operating premises from First Commercial Bank Co., Ltd., and a Premises Lease Contract with was signed by the contracting parties.	None.
Premises Lease Contract (Note)	1. Landlord: IBF Securities Co., Ltd. 2. Tenant: IBF Futures Co., Ltd.	From August 1, 2021 to July 31, 2024, for a period of 3 years	IBF Securities Co., Ltd. leased the house located at「15F- 1, No. 188, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City」to IBF Futures Co., Ltd.	None.

Note: It refers to the operating lease assets with the annual rent reaching above NT\$ 5 million up to the end of December 2021.

5.10.4 IBF Venture Capital

Agreement	Counterparty	Period	Major Contents	Restrictions
House tenancy contract	1. Landlord: IBF Venture Capital Co., Ltd. 2. Tenant: IBF Financial Holdings Co., Ltd.	Starting from September 1, 2020 to August 31, 2023.	IBF Venture Capital Co., Ltd. leased to IBF Financial Holdings Co., Ltd. a total of 79.76 pings of real estate in A5 on the 7th floor of No.128, Lequn 3rd Road, Zhongshan District, Taipei City for the use of conference Center.	To terminate the lease contract early, it is necessary to inform Party A in writing 4 months prior to the termination date in order to terminate the contract without penalties.
House tenancy contract	1. Landlord: IBF Venture Capital Co., Ltd. 2. Tenant: International Bills Finance Corp.	Starting from September 1, 2020 to August 31, 2023.	IBF Venture Capital Co., Ltd. leased to International Bills Finance Corp. a total of 79.76 pings of real estate on the 7th floor of No.128, Lequn 3rd Road, Zhongshan District, Taipei City for the use of conference Center.	To terminate the lease contract early, it is necessary to inform Party A in writing 4 months prior to the termination date in order to terminate the contract without penalties.

5.10.5 Rakuten International Commercial Bank

Agreement	Counterparty	Period	Major Contents	Restrictions
House tenancy contract	1. Tenant: Rakuten International Commercial Bank Co., Ltd. 2. Landlord: Ho-Yu Investment Co., Ltd.	From February 16, 2022 to August 15, 2022	Rakuten International Commercial Bank Co., Ltd. leased real estate located on the 11th floor of No. 433, Songjiang Road, Taipei City from Ho-Yu Investment (Co., Ltd.) for use as an office.	To terminate the lease early, the lessor should be notified in writing 1 month prior to the termination date and pay 1 month's rental price as punitive damage.
House tenancy contract	1. Tenant: Rakuten International Commercial Bank Co., Ltd. 2. Landlord: Jen Choi Assets Ltd. Pacific Hospital Supply Co., Ltd.	From October 23, 2020 to October 22, 2025	Rakuten International Commercial Bank Co., Ltd. leased the real estate at No. 162, 164 and 166, 2nd Floor, Taiye Road, Taipei City from Jen Choi Assets Ltd. and Pacific Hospital Supply Co., Ltd. for use as offices.	To terminate the lease early from the fourth year of the lease, the lessor should be notified in writing 2 months prior to the termination date without penalty.
Service Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From September 12, 2019 to September 11, 2024	Provision, installation, and maintenance services of computer equipment. (Internet-Only Banking Project)	-
Service Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From October 8, 2020 to October 7, 2023	Provision, installation, and maintenance services of computer equipment. (Account Link System)	-
Service Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From October 8, 2020 to October 7, 2023	Provision, installation, and maintenance services of computer equipment. (Staging Environment)	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From September 12, 2019 to February 11, 2022	Development and maintenance of application systems	-

Agreement	Counterparty	Period	Major Contents	Restrictions
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From February 3, 2018 to October 31, 2024	ITSM System Construction and Labor Services	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From May 6, 2020 to May 5, 2021	Construction and maintenance of accessible webpage, CDIC connection systems	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From August 20, 2020 to August 19, 2021	Construction and maintenance of mobile payment service systems	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From September 25, 2020 to May 24, 2021	Construction and maintenance of application systems	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From March 31, 2021 to December 30, 2021	Construction and maintenance of NTB application systems	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. IBM Taiwan Corporation	From July 1, 2021 to June 30, 2022	Construction and maintenance of FDS detection systems	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. Systex Corporation	One year from September 21, 2021 until the date of passing the acceptance inspection.	Construction and maintenance of FDS detection systems	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. Systex Corporation	From October 29, 2021 to September 30, 2024	Installation and construction of the database server for the FSD detection system	-
Service Outsourcing Agreements	1. Rakuten International Commercial Bank Co., Ltd. 2. Taiwan Name Plate Co., Ltd.	From April 29, 2021 to April 30, 2022	Manufacturing and delivery of fiscal cards	-

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of February 28, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Cash, cash equivalents, Central Bank deposits and interbank loans		2,570,325	4,849,376	1,964,983	2,684,860	2,277,539	
Financial assets at fair value through profit or loss		127,834,741	127,365,213	111,163,954	129,093,828	163,784,100	
Available-for-sale financial assets		106,886,402	-	-	-	-	
Equity instruments valuation profit or loss measured at fair value through other comprehensive income		-	110,585,462	128,604,415	128,782,536	111,293,647	
Investments in debt instruments at amortised cost		-	-	-	-	-	
Financial assets for hedging		-	-	-	-	-	
Bill and bond reverse repurchase investments		124,908	1,029,580	1,535,555	107,055	1,550,000	
Receivables-net		21,756,556	21,516,822	22,931,554	30,865,519	34,115,876	
Current tax assets		488,533	54	-	22	54	
Assets held for sale-net		-	-	-	-	-	
Discounts and loans-net		-	-	-	-	-	
Reinsurance contract asset-net		-	-	-	-	-	
Equity investment using the equity method-net		1,689,547	1,691,762	1,797,550	6,686,775	6,415,079	
Restricted assets		-	-	-	-	-	
Other financial assets-net		5,248,103	7,707,662	13,194,164	8,119,298	14,440,256	
Right-of-use asset-net		-	-	188,163	146,563	155,561	
Investment property -net		-	-	-	7,120	44,734	
Property and equipment-net (Note 3)		1,865,985	1,827,765	3,019,229	7,469,422	7,576,526	
Intangible assets-net		220,263	224,925	215,190	232,370	246,351	
Deferred tax assets-net		116,048	94,294	125,307	97,953	125,110	
Other assets		1,071,320	1,093,008	1,736,732	2,464,165	7,860,931	
Total assets		269,872,731	277,985,923	286,476,796	316,757,486	349,885,764	
Deposits from the Central Bank and banks		-	-	-	-	-	
Due to the central bank and banks		37,745,689	28,718,410	19,890,139	19,903,291	26,564,505	
Financial liabilities at fair value through profit or loss		340,581	1,085,929	1,045,401	2,093,780	2,750,157	
Financial liabilities for hedging		-	-	-	-	-	

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of February 28, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Bill and bond repurchase liabilities		170,581,478	183,195,381	192,391,060	205,440,521	216,339,953	-
Commercial papers payable		11,231,353	11,924,017	13,224,046	19,708,341	22,337,911	
Payables		9,720,550	11,133,576	10,575,558	18,306,953	17,323,653	
Current tax liabilities		230,155	255,859	276,706	633,549	702,814	
Liabilities related to assets classified as held for Sale		-	-	-	-	-	
Deposits and spot exchange payable		-	-	-	-	-	
Bonds payable		-	-	-	-	-	
Other borrowings		-	-	-	-	-	
Preferred stock liabilities		-	-	-	-	-	
Reserves for liability		1,475,377	1,462,567	1,666,494	1,752,322	2,015,991	
Other financial liabilities		1,713,829	3,422,476	6,116,318	3,173,196	9,041,140	
Lease liabilities		-	-	185,710	147,141	151,627	
Deferred tax liabilities		58,104	40,587	396,824	550,297	231,006	
Other liabilities		847,040	626,355	879,779	2,310,284	8,243,197	
Total liabilities	Before distribution	233,944,156	241,865,157	246,648,035	274,019,675	305,701,954	
	After distribution	235,742,488	243,134,097	248,499,277	275,895,888	(Note 4)	
Equity attributable to shareholders of the parent		32,308,422	32,435,973	35,688,112	38,238,714	38,867,098	
Capital stock	Before distribution	27,866,659	28,198,659	28,480,646	28,964,817	29,975,086	
	After distribution	28,198,659	28,480,646	28,964,817	29,975,086	(Note 4)	
Capital surplus		122,240	122,240	153,610	156,037	158,167	
Retained earnings	Before distribution	4,007,829	3,624,106	4,646,201	5,541,749	6,525,545	
	After distribution	1,877,497	2,073,179	2,310,788	2,655,267	(Note 4)	
Other equity interest		469,817	649,091	2,407,655	3,682,457	2,314,646	
Treasury stock		(158,123)	(158,123)	-	(106,346)	(106,346)	
Non-controlling interest		3,620,153	3,684,793	4,140,649	4,499,097	5,316,712	
Total equity	Before distribution	35,928,575	36,120,766	39,828,761	42,737,811	44,183,810	
	After distribution	34,130,243	34,851,826	37,977,519	40,861,598	(Note 4)	

Note 1: The financial data of each year is audited and certified by CPA.

Note 2: The financial data up to February 28, 2022 is not yet reviewed by CPA; therefore, it is not disclosed.

Note 3: Asset revaluation has not been performed in each year.

Note 4: Up to the annual report printing date, the 2021 earning distribution proposal has not yet been resolved by the shareholder's meeting.

6.1.2 Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years(Note 1)					As of February 28, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Interest income	2,870,269	3,034,931	3,591,503	3,498,912	3,435,284	
Less: Interest expenses	(1,012,522)	(1,229,985)	(1,795,579)	(1,221,655)	(745,971)	
Net interest income	1,857,747	1,804,946	1,795,924	2,277,257	2,689,313	
Net non-interest income	4,485,003	3,783,687	5,179,105	6,292,894	7,474,554	
Net revenue	6,342,750	5,588,633	6,975,029	8,570,151	10,163,867	
Bad debts expense, commitment and guarantee liability provisionn for guarantee reserve	(372,757)	(1,392)	(249,144)	(93,004)	(151,088)	
Net change in provisions for insurance liabilities	-	-	-	-	-	
Operating expenses	(2,953,947)	(2,944,802)	(3,154,593)	(3,734,406)	(4,517,024)	
Profit(loss) from continuing operation before tax	3,016,046	2,642,439	3,571,292	4,742,741	5,495,755	
Income tax expense	(472,230)	(489,024)	(563,042)	(1,007,822)	(890,705)	
Net income from continuing operation	2,543,816	2,153,415	3,008,250	3,734,919	4,605,050	
Profit(loss) from discontinued operation	-	-	-	-	-	
Profit (loss)	2,543,816	2,153,415	3,008,250	3,734,919	4,605,050	
Other comprehensive income						
Other comprehensive income (net of tax)	340,485	(499,341)	1,765,225	1,261,980	(1,165,141)	
Total comprehensive income	2,884,301	1,654,074	4,773,475	4,996,899	3,439,909	
Profit attributable to owners of parent	2,370,784	2,021,559	2,629,834	3,248,085	3,883,865	
Profit attributable to non-controlling interests	173,032	131,856	378,416	486,834	721,185	
Comprehensive income, attributable to owners of parent	2,681,767	1,514,961	4,331,585	4,505,763	2,502,467	
Comprehensive income, attributable to non-controlling interests	202,534	139,113	441,890	491,136	937,442	
Earnings per share (Note 3)	0.80	0.68	0.88	1.09	1.30	

Note 1: The financial data of each year is audited and certified by CPA.

Note 2: The financial data up to February 28, 2022 is not yet reviewed by CPA; therefore, it is not disclosed.

Note 3: For earning converting into capital increase or capital reserve converting into capital increase, during the calculation of the earning per share of common shares for the previous years, retroactive adjustment has been made according to the ratio of the capital increase, but the issuance period of the capital increase is not yet considered.

6.1.3 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPA	Audit Opinion
2017	PwC Taiwan	Shu-Mei Chi, Hsien-I Chen	Unqualified opinion
2018	PwC Taiwan	Shu-Mei Chi, Hsien-I Chen	Unqualified opinion
2019	PwC Taiwan	Shu-Mei Chi, Wei-Chi Lin	Unqualified opinion
2020	PwC Taiwan	Shu-Mei Chi, Wei-Chi Lin	Unqualified opinion
2021	PwC Taiwan	Shu-Mei Chi, Wei-Chi Lin	Unqualified opinion

6.2 Five-Year Financial Analysis

Item \ Year		Financial Analysis for the Last Five Years (Note 1)					As of Feb.28, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Operating performance	Total assets turnover (times)	0.02	0.02	0.02	0.03	0.03	
	Bank subsidiary's loan to deposit ratio	-	-	-	-	-	
	Bank subsidiary's NPL ratio	-	-	-	-	-	
	Bill finance subsidiary's NPL ratio	0.39	0	0.17	0.04	0.01	
	Average revenue per employee (NT\$ '000)	4,074	3,524	4,568	5,569	6,478	
	Average profit per employee (NT\$ '000)	1,634	1,358	1,970	2,427	2,935	
Profitability	Return on total assets (%)	1.29	1.14	1.57	1.56	1.56	
	Return on stockholders' equity (%)	7.17	5.94	7.92	9.05	10.60	
	Profit ratio (%)	40.11	38.53	43.13	43.58	45.31	
	Earnings per share (NT\$)	0.80	0.68	0.88	1.09	1.30	
Financial structure	Debt to Asset Ratio (%)	86.69	87.01	86.10	86.51	87.37	
	Debt to Equity Ratio (%)	651.14	669.60	619.27	641.16	691.89	
	Double Leverage Ratio (%)	106.87	107.35	100.12	115.96	115.52	
	According to Article 41 of the Act	(Note3)	(Note3)	(Note3)	(Note3)	(Note3)	
Leverage	Operating leverage	1.15	1.04	1.13	1.06	1.07	
	Financial leverage	1.01	1.01	1.01	1.26	1.14	
Growth Rate	Growth on Asset (%)	5.35	3.01	3.05	10.57	10.46	
	Growth on Profit (%)	14.05	(12.39)	35.15	32.80	15.88	
Cash flow	Cash flow ratio (%)	(8.50)	5.47	5.23	0.15	(2.46)	
	Cash flow adequacy ratio (%)	(622.02)	(189.08)	37.18	4.15	(4.08)	
	Cash flow satisfied ratio (%)	8,500.34	(3,552.45)	(192.27)	(10.04)	1,214.53	
Business Scale	Market share in terms of Asset (%)	0.51	0.50	0.48	0.48	0.54	
	Market share in terms of Equity (%)	0.97	0.98	0.90	0.87	0.91	
	Market share of Bank subsidiary's deposit (%)	-	-	-	-	-	
	Market share of Bank subsidiary's loan (%)	-	-	-	-	-	
Capital Adequacy	Subsidiaries' CAR based on each business's regulation (%)						
	Rakuten International Commercial Bank Co., Ltd.	-	-	-	482.30	451.00	
	International Bills Finance Corp.	15.23	14.11	13.53	14.04	13.68	
	IBF Securities Co., Ltd.	332.87	328.86	271.68	241.77	269.09	
	Qualifying Capital of Subsidiaries (NT\$ million)						
	Rakuten International Commercial Bank Co., Ltd.	-	-	-	8,702	8,118	
	International Bills Finance Corp.	26,017	26,040	25,373	27,910	27,967	
	IBF Securities Co., Ltd.	6,459	6,642	7,842	8,269	9,847	
	IBF Venture Capital Co., Ltd	1,384	1,405	1,497	1,657	1,958	
	Financial Holdings' Net Qualifying Capital (NT\$ million)	28,718	28,709	31,305	32,609	33,687	
	Regulatory Capital Requirement for Subsidiaries (NT\$ million)						
	Rakuten International Commercial Bank Co., Ltd.	-	-	-	189	189	
	International Bills Finance Corp.	13,666	14,762	14,998	15,905	16,352	
	IBF Securities Co., Ltd.	2,911	3,030	4,330	5,130	4,989	
	IBF Venture Capital Co., Ltd	1,152	1,115	1,340	1,888	2,170	
	Total Regulatory Capital Requirement of the Group (NT\$ million)	16,661	17,847	24,438	21,449	21,980	
	Financial Holdings' CAR (%)	172.36	160.86	128.10	152.03	153.26	

Item	Year	Financial Analysis for the Last Five Years (Note 1)					As of Feb.28, 2022 (Note 2)
		2017	2018	2019	2020	2021	
According to Article 46 of the Financial Holding Company Act, the total amount or ratio (NTD million) of the lending, endorsement or other transactions provided by all of the subsidiaries to the same natural person, same related party or same affiliate shall be disclosed.		217,490	220,013	108,563	192,437	209,875	-
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) 1. At the end of 2021, the bill finance subsidiary's NPL ratio was reduced due to the excellent quality of loan lending. 2. In 2021, the increase in average profit per employee was due to the growth in profitability. 3. The growth on profit in 2011 was lower than last year due to the higher profit growth rate last year. 4. The decreases in cash flow ratio and cash flow adequacy ratio were due to the increase in financial assets at fair value through profit or loss and bill and bond reverse repurchase investments, which affected the decrease in net cash inflow from operating activities. 5. The increase in cash flow satisfied ratio was due to the increase in the prepayment for the premises, and there was none in this year, which affected the decrease in net cash inflow from investing activities. 6. The increase in the Capital Adequacy of the IBF Securities was mainly due to the increase of Type 1 capital (capital and profits)							

Note 1: The financial data of each year is audited and certified by CPA.

Note 2: The financial data up to February 28, 2022 is not yet reviewed by CPA; therefore, it is not disclosed.

Note 3: The competent authority has not yet specified the upper and lower limits of the financial ratio according to Article 41 of the Financial Holding Company Act.

Note 4: The calculation equations of various calculation items are described as follows:

1. Management capacity

- (1) Total assets turnover ratio = Net revenue / Average total assets.
- (2) Subsidiary bank loan-to-deposit ratio = Subsidiary bank total loan / Total deposit.
- (3) Subsidiary bank non-performing loans ratio = Subsidiary bank total non-performing loan / total loan.
- (4) Subsidiary bills company non-performing loan ratio = Non-performing loan / (Non-performing loan + guaranteed CP balance).
- (5) Average operating revenue per employee = Net revenue / Total number of employees.
- (6) Average earnings per employee = Net operating profit after tax / Total number of employees.

2. Profitability

- (1) Return on asset = [Earnings after tax + Interest expense × (1 – Interest rate)] / Average total assets.
- (2) Return on equity = Earnings after tax / Average net equity.
- (3) Net profit margin = Earnings after tax / Net revenue.
- (4) Earning per share = (Earnings attributable to shareholders of parent company – Preferred stock dividends) / weighted average number of shares outstanding.

3. Financial structure

- (1) Debt to total assets ratio = Total debt / Total assets.
- (2) Debt to net assets ratio = Total debt / Net equity.
- (3) Financial holding company double leverage ratio = Equity investment / Net worth performed according to Paragraph 2 of Article 36 and Article 37 of this Act.

4. Leverage

- (1) Operating leverage = (Net revenue – Variable expense) / Earnings before tax.
- (2) Financial holding company financial leverage = (Earnings before tax + Interest expense) / Earnings before tax.

5. Growth rate

- (1) Asset growth rate = (Current year total assets – Last year total assets) / Last year total assets.
- (2) Earning growth rate = (Current year earnings before tax – Last year earnings before tax) / Last year earnings before tax.

6. Cash flow

- (1) Cash flow ratio = Cash flows from operating activities / (Due to banks and drafts + Commercial papers payable + Financial liabilities at fair value through income statement + Bills and bonds sold under repurchase agreements + Accounts payable in 1 year).
- (2) Net cash flow adequacy ratio = Net cash flows from operating activities in the last 5 Years / (Capital expenditure + Cash dividends) in the last 5 Years.
- (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities.

7. Operating scale

- (1) Asset market share = Total assets / Total assets of all financial holding companies.
- (2) Equity market share = Total equities / Total equities of all financial holding companies.
- (3) Deposit market share of bank subsidiary = Total deposits / Total deposits of all financial institutes which can operate deposits and loans business.
- (4) Loan market share of bank subsidiary = Total loans / Total loans of all financial institutes which can operate deposits and loans business.

8. Capital adequacy

- (1) Group's qualifying net capital = Financial holding company's qualifying capital + (Financial holding company shareholding ratio × Qualifying capital of each subsidiary) – Required deduction items according to the regulations.
- (2) Group's statutory total capital requirement = Financial holding company's statutory capital requirement + Financial holding company shareholding ratio × Statutory capital requirement of each subsidiary.
- (3) Group's capital adequacy ratio = Group's qualifying net capital / Group's statutory capital requirement.

Note 5: Calculation equation for earnings per share:

- 1. It is calculated based on the weighted average number of outstanding common shares.
- 2. For cash capital increase or treasury stock transactions, the circulation period has been considered in order to calculate the weighted average number of shares.
- 3. For earning converting into capital increase or capital reserve converting into capital increase, during the calculation of the earning per share for the previous year and semi-annually, retroactive adjustment has been made according to the ratio of the capital increase, but the issuance period of the capital increase is not yet considered.

6.3 Audit Committee's Report for the 2021 Consolidated Financial Report

To: The General Meeting of Shareholders as of year 2021

March 14, 2022

The board of directors of the Company has prepared the 2021 business report, consolidated financial statement and earnings distribution proposal, in which the consolidated financial statement has been audited and certified by CPA Shu-Mei Chi, and CPA Wei-Chi Lin of PricewaterhouseCoopers Taiwan. The aforementioned business report, consolidated financial statement and earnings distribution proposal have been completely reviewed by the Audit Committee, considering it to be of conformity, and the consents of the entire members are obtained. Accordingly, report is prepared as disclosed above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

IBF Financial Holdings

Convener of Audit Committee: Shihchen Joseph Jao

6.4 Financial Statements for the Year 2021

Please refer to pages 255~384.

6.5 For 2021 and Up to the Printing Date of this Annual Report of the Company and Affiliates, Any Occurrence of Financial Difficulties Affecting the Financial Status of the Company.

None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	Year		Difference		Analysis for difference exceeding 20% (Note)
	2021	2020	Amount	%	
Cash and cash equivalents	37,842	690	37,152	5384.35%	(Note 1)
Fair value through other comprehensive income financial assets	100,557	78,431	22,126	28.21%	(Note 2)
Bill and bond reverse repurchase investments	-	77,061	(77,061)	-100.00%	(Note 3)
Receivables-net	195,602	319,761	(124,159)	-38.83%	(Note 4)
Current tax assets	36	22	14	63.64%	-
Equity investments using the equity method-net	44,799,827	44,261,884	537,943	1.22%	
Property and equipment-net	70,362	47,049	23,313	49.55%	(Note 5)
Right-of-use asset-net	88,326	123,124	(34,798)	-28.26%	(Note 6)
Intangible assets-net	2,406	2,793	(387)	-13.86%	
Deferred tax assets-net	1,006	970	36	3.71%	
Other assets-net	12,739	13,765	(1,026)	-7.45%	
Total Assets	45,308,703	44,925,550	383,153	0.85%	-
Due to the Central Bank and banks	-	-	-	-	-
Commercial paper payable	5,830,110	5,989,939	(159,829)	-2.67%	-
Payables	197,617	155,682	41,935	26.94%	(Note 7)
Current tax liabilities	317,015	410,077	(93,062)	-22.69%	(Note 4)
Provisions for employee benefits	5,705	5,483	222	4.05%	
Lease liabilities	91,059	125,556	(34,497)	-27.48%	(Note 6)
Deferred tax liabilities	99	99	-	-	-
Total Liabilities	6,441,605	6,686,836	(245,231)	-3.67%	-
Capital stock	29,975,086	28,964,817	1,010,269	3.49%	-
Capital surplus	158,167	156,037	2,130	1.37%	
Retained Earnings	6,525,545	5,541,749	983,796	17.75%	
Other Adjustments	2,314,646	3,682,457	(1,367,811)	-37.14%	(Note 8)
Treasury stock	(106,346)	(106,346)	-	-	-
Total Stockholders' Equity	38,867,098	38,238,714	628,384	1.64%	-

Note: Analysis and explanation for change of ratio increase/decrease: (analysis and explanation are provided for change of ratio increase/decrease over 20% and the amount of change exceeding NTD 10 million)

- (1) Cash and cash equivalents: Due to business needs, the cash and cash equivalents were increased.
- (2) Fair value through other comprehensive income financial assets: Fair value through other comprehensive income financial assets increased due to the increase in valuation benefits.
- (3) Bill and bond reverse repurchase investments: Due to the fact that no investment in bill and bond reverse repurchase investments.
- (4) Receivables-net /Current tax liabilities: The Company and the subsidiaries IBFC and IBF Venture Capital adopted the link tax consolidated calculation and declaration of profit-seeking enterprise income tax. Due to the decrease of the tax payable of the subsidiaries, the receivable-net and current tax liabilities were decreased.
- (5) Property and equipment-net: Due to the increase in leasehold interest increased compared with the same period of last year.
- (6) Right-of-use asset-net/Lease liabilities: Due to the series excludes lease transactions in old office buildings.
- (7) Payable: Due to the increase of payable bonus.
- (8) Other Adjustments: Due to the decrease of the financial assets at fair value through other comprehensive income of subsidiaries recognized under equity method not realized as profit, consequently, the other equity decreased.

7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference		Analysis for difference (Note)
			Amount	%	
Revenue	4,249,383	3,570,580	678,803	19.01%	-
Expenses and loss	(395,518)	(340,817)	(54,701)	16.05%	-
Net income before tax	3,853,865	3,229,763	624,102	19.32%	-
Net income	3,883,865	3,248,085	635,780	19.57%	-

Note: Analysis and explanation for change of ratio increase/decrease in last two years: (analysis and explanation are provided for change of ratio increase/decrease over 20% and the amount of change exceeding NTD 10 million)

Explanation:

Since the change of the increase and decrease ratio of each item does not reach 20%, analysis and explanation are exempted.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for 2021

Item \ Year	2021.12.31	2020.12.31	Difference
Cash Flow Ratio	35.46%	20.87%	70.23%
Cash Flow Adequacy Ratio	74.66%	73.56%	1.53%
Cash Flow Satisfied Ratio	-8,720.98%	-2544.26%	242.77%

Note: For the calculation of cash flow related ratios, the RS bills and bonds purchased are treated as the cash equivalents.

Analysis and explanation for ratio of change increase/decrease:

The increase in Cash Flow Ratio was due to the increase in cash dividends received from equity-method investments during the period. The decrease in Cash Flow Satisfied Ratio was due to the increase in cash flow from operating activities and the net cash outflow from investing activities.

7.3.2 Liquidity Analysis for 2022

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
37,842	1,065,314	1,096,144	7,012	-	-

1. Analysis of current year cash flow change:

- (1) Operating activities: The activities mainly refer to the expected collection of cash dividends issued by subsidiaries under equity method.
- (2) Investment activities: The activities mainly refer to the increase in Equity investments using the equity method.
- (3) Financing activities: The activities mainly refer to the increase in short-term notes payable and issuance of cash dividends to shareholders.

2. Analysis on remedy for estimated cash shortage and liquidity:

Not applicable.

7.4 Major Capital Expenditure Items

There were no major capital expenditure for the company in 2021.

7.5 Investment Policy in the Year 2021, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment Policy

To establish the medium and long term investment strategies and to manage reinvestment enterprises as well as to promote investment management functions, the Company establishes the “Investment Policy” and “Reinvestment Enterprise Management Regulations”. The development scope of the investment enterprises include banks, bills financial enterprises, insurance enterprises (including

insurance agent and broker), securities enterprises (including securities investment trust enterprises and securities investment consulting enterprises), futures enterprises, venture capital enterprises (including management consulting enterprises) etc. In addition to the aforementioned investment scope, the Company may also invest in other financial related enterprises under the premises of complying with the aforementioned investment principles.

7.5.2 Major Reason for Profit or Loss

1. The 2021 net profits after tax of the investee IBFC were NT\$2.9498 billion and earnings per share was NT\$1.8. The net profits increased by NT\$168.62 million, or 6.06%, from 2020, mainly due to an increase of NT\$277.85 million in profit from the equity business compared to the same period last year.
2. In 2021, the investee IBF Securities, with net profits after tax of NT\$1.744 billion, up 48.97% over 2020, mainly benefited from the proper control of the domestic pandemic and the slowdown of the global pandemic, and with the active trading of shipping stocks and the upsurge of day-trading. In the second half of the year, the stock market price and volume of Taiwan stocks increased. The weighted index, over-the-counter index and daily turnover of Taiwan stocks reached record highs, leading to a significant increase in the revenue of the IBF Securities.
3. For the reinvested company, IBF Venture Capital, had a higher proportion of investment in semiconductor, industrial, cultural and creative stocks in 2021, and the performance of IBF Venture Capital in the capital market was considered great. In addition, with the earning of RMB 21.89 million from the reinvestment in the Guo Want Leasing Corp. in China; therefore, the net income for the entire year was NT\$ 479.06 million.
4. The investee Rakuten International Commercial Bank started its first year of operation in 2021. Its loss was due to the fact that the investment and lending business was still in its initial operation stage and the income from related products could not be much realized. In order to expand the customer base and absorb deposits, interest expenses increased and there were necessary expenditures from the initial operation and depreciation and amortization expenses for the construction of the bank's core systems.

7.5.3 Improvement Plan

To improve the financial holding operation performance and to increase the earnings of subsidiaries, in the future, the Company will continue to enhance the investment management of subsidiaries, and implement policy execution under the risk control mechanism in order to improve the management effectiveness.

IBFC will root in the domestic potential industries and strengthen the existing customer relationship, as well as enhance the business risk management in order to achieve substantial revenue as well as maintain the market position and leading ability.

Under the rigorous risk control, IBF Securities will utilize flexible

proprietary trading strategies in order to achieve greater effectiveness in the utilization of funds and to properly use the Group's resources in order to exploit business synergy based on the core customer strategies. In addition, the sales channel is to be expanded along with diverse product sales promotion in order to provide comprehensive financial management services to general and institutional customers. Furthermore, business strategies will be planned according to the deregulation status on the securities business by the competent authority in order to increase the source of profit. It is expected that through stable operation strategies, the overall business performance can be increased and drives the growth for sustainable operation.

Regarding IBF Venture Capital, it will mainly focus on the strategic investments along with the aids of the financial investments. In terms of the strategic investment, it will focus on projects with strategic meaning or synergy to other subsidiaries of the financial holding. For the financial investment projects, it will actively eliminate individual stock without sound fundamentals in order to implement the risk control thoroughly.

Rakuten International Commercial Bank will continue to cooperate with the Rakuten Group, the Financial Holdings, and external vendors to expand the Rakuten ecosystem, increase the number of customers and deposits, and enhance the consumer credit business dynamics through this cooperative model. In addition, we will expand our investment portfolio and increase investment yields to increase revenue. At the same time, we will exercise appropriate control over expenses to achieve profitability targets as soon as possible.

7.5.4 Investment Plans for the Coming Year

The Company will, according to the investment plan for 2022, continue to integrate the Group's resources and strengthen joint marketing, but will also seek suitable merger and acquisition targets or evaluate and invest in other financial enterprises with complementary or operational synergies to increase the depth and breadth of the Group's product lines. It will also pay attention to the financial innovation and opening-up measures of the competent authorities at any time, develop feasible investment plans, and develop towards a balanced development of multi-core businesses.

7.6 Analysis of Risk Management

7.6.1 Risk Management Organizational Structure and Policy

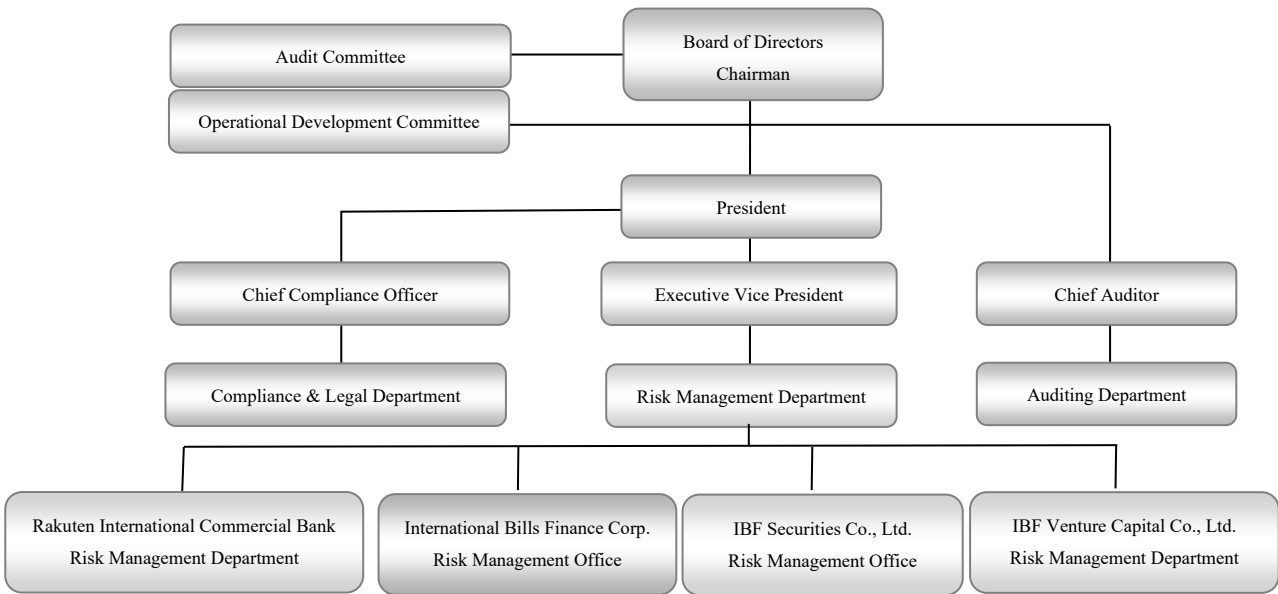
1. The Company

(1) Risk management organizational structure

The board of directors of the Company approves the risk management policy, and the senior management level executes the policy approved by the board of directors by establishing procedures capable of identifying, evaluating,

monitoring and controlling various types of risks. The Company establishes (a) Audit Committee, under the board of directors, and responsible for supervising the effective implementation of internal control and manage the control of existing or potential risks of the Company; (b) Operational Development Committee, under the board of directors, and responsible for the medium and long term business development and fund planning for the Company, review of business objectives and budget of subsidiaries, and responsible for coordinating major business events among subsidiaries and the supervision of business performance of subsidiaries; (c) Compliance &Legal Department, a Vice President is designated to act as the Chief Compliance Officer, and responsible for the planning, management and execution of legal compliance system; (d) Risk Management Department, responsible for monitoring the exposure status of various risks, and review the establishment and execution of risk management mechanism of each subsidiary; and (e) Auditing Department, responsible for periodically auditing various business risks.

The risk management organizational structure of the Company is as follows:



(2) Risk management policy

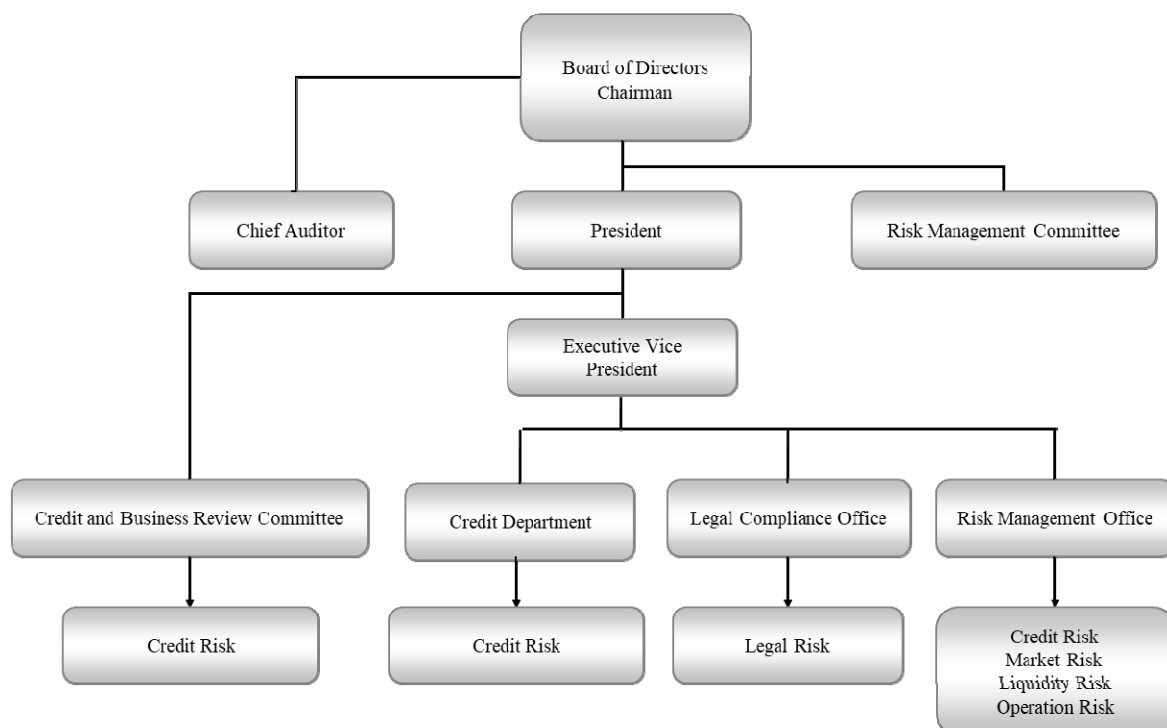
The risk management policy of the Company covers the objectives, scope and management procedures etc., and various risk management principles and limits are established according to different nature of various types of risks. The Company establishes the Risk Management Guidelines. Through clear authorization, hierarchical responsible regulations and risk cap setting, the Company and subsidiaries establish the risk management procedures and execution guidelines for relevant businesses in order to control various types of risks.

2. International Bills Finance Corp.

(1) Risk management organizational structure

The board of directors of IBFC is the highest decision making unit for the risk management, and the senior management level executes the policy approved by the board of directors by establishing procedures capable of identifying, evaluating, monitoring and controlling various types of risks, and periodically reports to the board of directors. It establishes (a) Legal Compliance Office, responsible for the planning, execution, management and tracking evaluation matters of legal compliance affairs; (b) Risk Management Committee, responsible for reviewing the risk management policy, asset liability management allocation and overall business risk evaluation, monitoring and control; (c) Risk Management Office, responsible for monitoring the exposure status of various types of risks; (d) Credit Department, responsible for reviewing of lending and investment businesses; (e) Credit and Business Review Committee, responsible for reviewing the credit risk cases of the operating business; and (f) Each business unit is the basic execution unit for the risk management.

The risk management organizational structure of IBFC is as follows:



(2) Risk management policy

The risk management policy of IBFC includes the internal and external operation environment changes and board of directors' authorization scope, revision of relevant regulations and risk caps; promotion of integrated risk management system in order to effectively manage various financial risks, and establishment of risk management procedures and guidelines etc. for relevant

businesses according to the Risk Management Guidelines of IBFC.

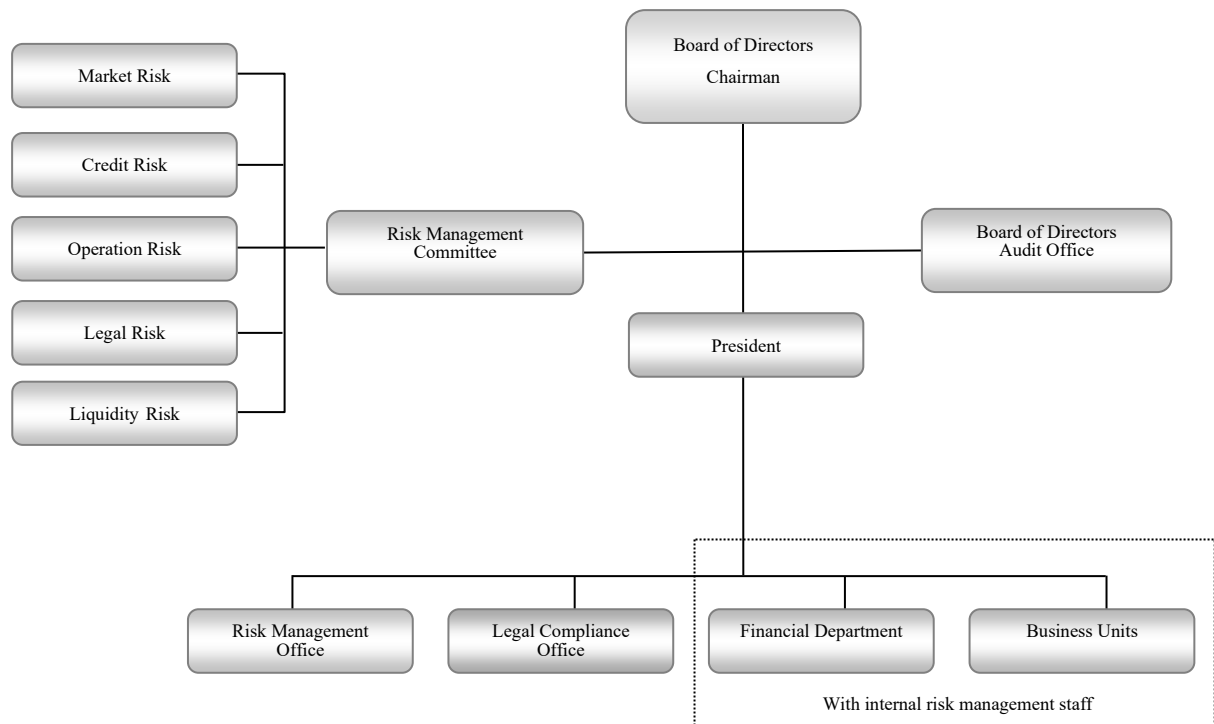
3. IBF Securities

(1) Risk management organizational structure

The risk management organizational structure of IBF Securities includes the board of directors, Risk Management Committee, board of directors' auditing office, risk management office, legal compliance office, financial department and various business units etc., and their responsibilities are as follows:

- a. The board of directors is the highest decision making unit for risk management, which approves the risk management policy and risk appetite, and bears the final responsibility for risk management.
- b. The Risk Management Committee is directly under the board of directors, and the independent director shall act as the convener to execute the risk management policy and guidelines approved by the board of directors, and the assessment, monitoring and control etc. of the overall operation risks.
- c. The auditing office is directly under the board of directors, and performs periodic or special audit related operation procedures in order to ensure the continuous effective implementation of the internal control system, and to submit reports to the board of directors and Audit Committee periodically.
- d. The risk management office is directly under the President, and is responsible for the planning and execution of control mechanism for market risk, credit risk and market liquidity risk etc.
- e. The legal compliance office is directly under the President, and is responsible for the planning and execution of legal risks control mechanism and legal compliance system.
- f. The Financial Department is directly under the President, and is responsible for the planning and execution of control mechanism for fund liquidity risk and asset liability risk.
- g. Each business unit is responsible for the planning and execution of the risk management mechanism for its business, execution and reporting of internal control procedures, as well as control matters related to IBFC and interested party transactions.

The risk management organizational structure of IBF Securities is as follows:



(2) Risk management policy

- a. To implement the risk management of IBF Securities, to promote the sound operation of IBF Securities and all subsidiaries, the IBF Securities establishes the “Risk Management Policy and Guidelines”, which is approved by the board of directors and is used as the basis for the execution of risk management procedures of IBF Securities and all subsidiaries. The IBF Securities risk management policy covers risk management objectives, risk management scope, risk management procedure and risk management organization etc.
- b. When IBF Securities performs various businesses, it shall comply with the laws and shall identify, assess and control relevant risks in order to control possible risks within a reasonable and acceptable level, such that the most optimal configuration of risk and return can be achieved, and an appropriate own capital adequacy ratio can be maintained.
- c. Various types of risks involved during the performance of businesses by IBF Securities and all subsidiaries shall be incorporated into the scope of risk management, including but not limited to market risk, credit risk, operation risk, legal risk and liquidity risk etc.

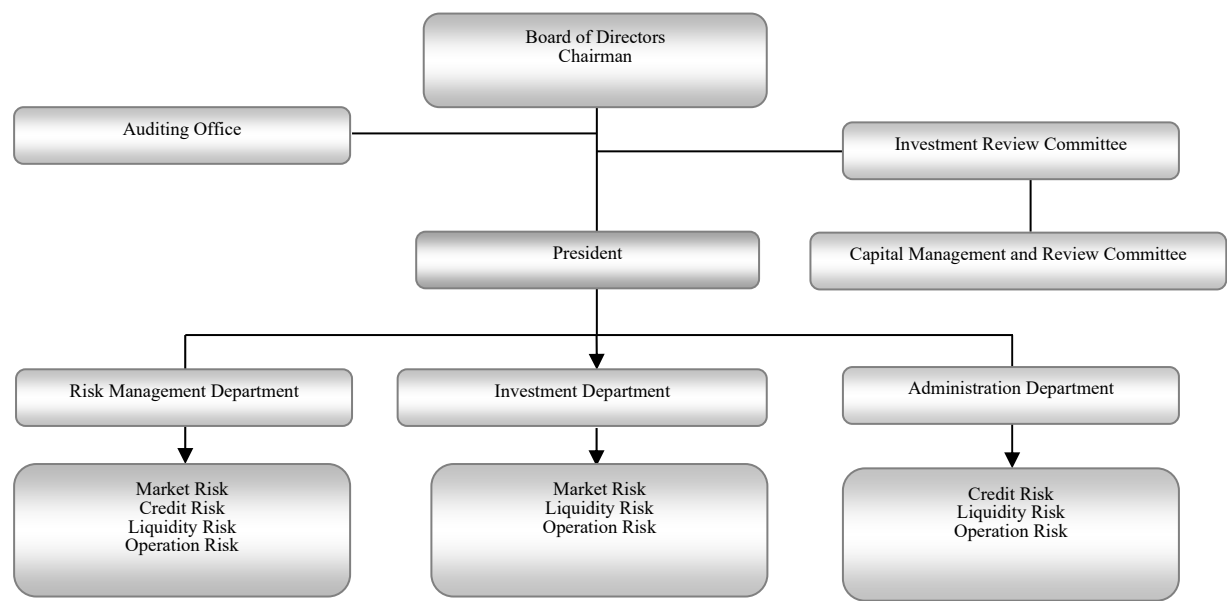
4. IBF Venture Capital

(1) Risk management organizational structure

The board of directors of the IBF Venture Capital is the highest decision making unit for risk management, and the senior management level executes the

policy approved by the board of directors by establishing procedures capable of identifying, evaluating, monitoring and controlling various types of risks. IBF Venture Capital is established with (a) Investment Review Committee, responsible for carefully assessing investment projects, and the Investment Department then reports to the Investment Review Committee for discussion, followed by reporting to the board of directors for approval according to the regulations, or the Chairman is authorized for handling first and then reported to the board of directors for recordation; (b) Capital Management and Review Committee, with the Chairman acting as the Chair, responsible for reviewing the current short-term available fund utilization status and making necessary decision correction as well as reviewing future investment projects;(c) Auditing Office, directly under the board of directors, for providing assistance to all units in the establishment of systems and management regulations as well as the supervision and review works for the self-inspections performed by each unit; (d) Risk Management Department, responsible for monitoring IBF Venture Capital’s exposure status to various risks of market risk, credit risk, liquidity risk, operational risk etc.; responsible for controlling the asset quality and liabilities, monitoring the firewall mechanism, establishing risk control regulations and systems, legal compliance related matters and other risk control related matters; (e) Administration Department, responsible for proposing and executing the fund source and utilization plans, and planning and executing the mechanisms of market risk, credit risk, liquidity risk and operational risk etc.; (f) Investment Department, responsible for proposing the management principles, investment policies and executing as well as developing, assessing, analyzing and executing investment projects, as the basic execution units for the risk management.

The risk management organizational structure of IBF Venture Capital is as follows:



(2) Risk management policy

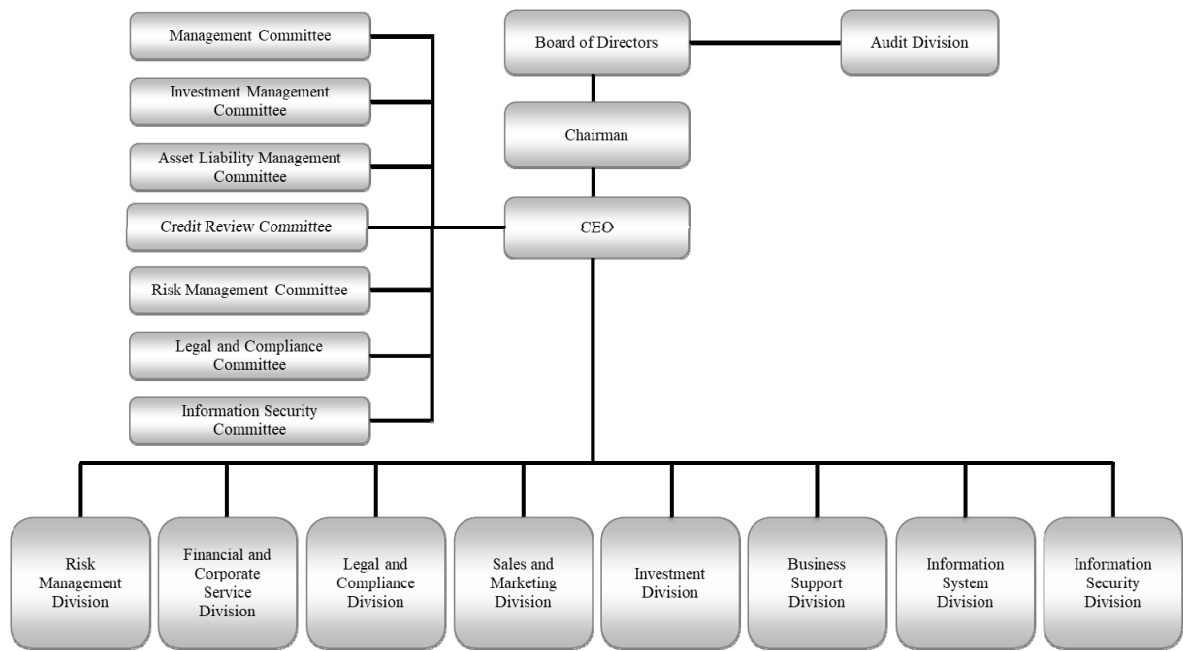
The risk management policy of IBF Venture Capital includes the execution of investment cases requiring the approval of the Investment Review Committee and board of directors before the execution. In addition, to provide guidance to investment business and risk management, the internal rules and regulations of the short-term available fund management rules and direct investment operation management regulations etc. are established in order to govern the long and short term fund utilization. Furthermore, the operation regulations of risk management regulations and risk management guidelines are established according to the risk management guidelines of IBF Venture Capital.

5. Rakuten International Commercial Bank

(1) Risk management organizational structure

- a. Board of Directors: Review and approve risk management strategies, policies and structures, and allocate resources appropriately.
- b. Risk Management Committee: Implement risk management strategies, policies and structures approved by the Board of Directors and oversee the effectiveness of risk management implementation.
- c. Audit Division: Conduct audit planning and procedures, review the implementation status of each unit, track control and audit issues, and assist in the improvement of the responsible units.
- d. Risk management unit: Independently handle risk management business, hold regular risk management meetings, present risk management information to senior executives, provide real-time warning and prevention, as well as assign credit, market and operational risk control to each responsible unit according to the risk attributes of the business.
- e. Three lines of defense for risk management: Combine the front, middle and back lines of defense, and each of the business units, risk management units and auditing units shall perform their own duties to control risks.
- f. In addition, a general manager shall be appointed to manage the general administrative business and execute the resolutions of the Board of Directors Under the General Manager, there are Finance and Corporate Services Division, Legal and Compliance Division, Sales and Marketing Division, Investment Division, Business Support Division, Information system Division, Information Security Division, and Risk Management Division. The President also has a Management Committee, an Investment Management Committee, an Asset Liability Management Committee, a Credit Review Committee, a Risk Management Committee, a Legal and Compliance Committee, and an Information Security Committee. He or she is responsible for coordinating, liaising, advising, supporting, and cooperating with each of these committees.

The risk management organizational structure of Rakuten International Commercial Bank is as follows:



(2) Risk management policy

In order to establish a risk management system to ensure sound operation and development, and to serve as a basis for business risk management and compliance, a "Risk Management Policy" has been established in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the relevant competent authorities, which distinguishes risk by credit, operation, market, the interest rate in the banking book, liquidity and money laundering, terrorist financing, and other risks such as strategic risk and reputation risk. In accordance with this policy, the Company establishes management rules and regulations for each type of risk, and submits them to the appropriate approval level for approval in accordance with the provisions of the hierarchy of responsibilities. The procedures include risk identification, measurement, monitoring, reporting, and countermeasures.

7.6.2 Method for Assessing and Controlling Various Risks and Risk Exposure Quantification Information

1. General Periodic Disclosures

(1) International Bills Finance Corp.

A.Strategies and Procedures

a. Credit risk

- IBFC’s credit risk management policy includes the early credit assessment, hierarchical management and post-event credit monitoring as well as measures for effectively reducing risk exposure. IBFC establishes appropriate risk limit through clear authorization and

hierarchical responsibility regulations in order to prevent credit risks from over concentration. In addition, credit second-review system is established in order to discover any possible credit issues early and to reduce the occurrence of default. Furthermore, various types of credit enhancement tools are periodically assessed, monitored and managed. The credit risks of lending, various transactions and purchase of securities are consolidated for management, and the transaction status of lending and various authorization amounts are periodically monitored to determine whether they are handled according to relevant requirements.

b. Liquidity risk

- According to the regulatory requirements, IBFC has established the “Liquidity Risk Management Regulations”, and its content mainly includes the definition of liquidity risk, implementation unit and supervision unit for the control of the liquidity risk, control measures, warning indicators and required periodic report matters. Assess allocation plans are established according to the laws and regulations, fund purposes and its liquidity and profitability. The assets and liabilities are prevented from over concentration, and the fund source diversity shall be maintained in order to control the liquidity risk. The liquidity risk management report is provided periodically, including the fund source, fund utilization, financing gap analysis etc. In case of encountering unusual changes in financing gap, appropriate improvement measures shall be adopted according to the “Fund Procurement and Emergency Responsive Handling Guidelines” in order to maintain the securities for fund procurement.

c. Market risk (including interest rate, equity, foreign exchange and instrument risks)

- According to the annual market risk management objectives approved by the board of directors of IBFC, the individual risk limit and the handling solutions for reaching loss limit are established for the main financial instruments in order to obtain a balance in the expected profit of various financial instruments and the risk tolerance. In addition, various business rules, control indicators, part valuation are established and new type of financial instrument business handling regulations etc. are developed in order to be used as the basis for executing risk management. Market risk management report is provided periodically in order to be used as a reference for monitoring the market risk and developing market risk management strategies.

d. Operational risk

- Establish rigorous internal control system, and through the internal audit and legal compliance systems, reduce the probability of occurrences with operational risk. Each trading and operation personnel shall

establish the independent operation procedures for the front desk transactions and backend settlement according to job duties in order to implement the operation risk management thoroughly. Each business unit shall comply with relevant internal control systems, business rules and regulations as well as the emergency responsive plans etc. in order to perform duties, and shall also perform self-audits on a monthly basis. When the internal operation of each unit is subject to the occurrences with operational risk event requiring reports, the “Operational Risk Reporting Form” shall be completed and submitted for approval.

B. Organization and structure of relevant risk management system

a. Credit risk

- The board of directors is the highest decision making unit for the credit risk management, and the management level executes the policy approved by the board of directors by establishing procedures capable of identifying, evaluating, monitoring and controlling credit risk, and periodically reports to the board of directors. In addition, Risk Management Committee is established to be in charge of the review of risk management policy, asset and liability management allocation and the assessment, monitoring and control of overall business operation risks. Credit and Business Review Committee is established under the President, which is in charge of the review of credit risk management cases. Audit Office is established and is responsible for auditing various business risks. Risk Management Office is established and is responsible for the monitoring of risk portion and degree of concentration. Credit Department is established and is responsible for the stipulation of relevant rules and regulations for credit risk, review of credit risk cases and supervision on overdue cases.

b. Liquidity risk

- The risk management organization of IBFC includes the board of directors, senior supervisors and Risk Management Committee. In addition, the Risk Management Office handles the risk management affairs independently.

c. Market risk

- The risk management organization of IBFC includes the board of directors, senior supervisors and Risk Management Committee. In addition, the Risk Management Office handles the risk management affairs independently.

d. Operational risk

- The risk management organization of IBFC includes the board of directors, senior supervisors and Risk Management Committee. In addition, the Risk Management Office handles the risk management affairs independently.

C. Scope and Characteristics of Risk Report and Assessment System

a. Credit risk

- The assessment scope includes the possible future non-performance risk of the debtors or issuance holding portions or transaction counterparties. IBFC has established customer relationship management (CRM) database as a multi-dimensional data base for broadly collecting the operation and financial status etc. of the borrowers. In addition, an early warning system is also established to obtain the customer latest status. Furthermore, the lending second-review ratio is also increased in order to periodically review the lending risk. Various types of business statistical charts and risk management reports are prepared and submitted to the management level. In addition, reports to the competent authority are also made periodically according to the regulations. Lending risk pricing principle is developed, and differential pricing is adopted according to the default risk and collateral recovery rate in order to balance the expected loss and receivable profits. Each year, pressure test is performed to assess the potential impacts on IBFC during the occurrence of extreme events in order to provide reference to the management level during the establishment of credit risk strategies. In case of occurrence of major unfavorable incident in the customers, the major incident reporting mechanism is established in order to timely adopt countermeasures.

b. Liquidity risk

- The assessment scope includes appropriateness of IBFC's various fund utilizations (mainly include bills, bonds, interbank loans, bank deposit and bills, bonds with reverse repo agreement held) and fund sources (mainly include bills, bonds with repo agreement and interbank loans and financing with other financial institutions). To effectively control the liquidity risk, various fund utilization and source management principles are established and the financing gap limit is specified. In cases where there is a need to exceed the limit due to business needs, it is necessary to report to the President of IBFC for signing approval, and prompt adjustment and improvement shall be made.

c. Market risk (including interest rate, equity and commodities risks)

- The assessment scope includes the risks associated with the possible decrease of market values of the holding portion of various financial instruments due to market price or interest rate fluctuation. With various financial commodity positions measured at fair value through profit or loss and at fair value through other comprehensive income, IBFC performs fair value evaluation on a daily basis and monitors whether relevant transactions are handled within the risk limit authorized. In addition, sensitivity analysis, value at risk (VaR) model is established to

plan effective risk return decisions. Market risk assessment reports are prepared periodically and submitted to the management level. The content of the report includes various market risk portions, unrealized earnings, derivatives analysis and relevant risk limit etc.

d. Operational risk

- The assessment scope includes whether the design of the front desk transaction, middle desk risk control, backend settlement and delivery duties has considered the work allocation and responsibility balance. To effectively control the operational risk, each unit shall complete the “Operational Risk Management Monthly Report” on a monthly basis in order to continuously track and manage the operational risk events already reported but not yet closed. The risk management unit shall report the operational risk management status to the Risk Management Committee and the board of directors in order to be used as reference for operational management decision making. In addition, each unit shall perform self-audit and report to the Audit Office on a monthly basis. The Audit Office shall perform field audits at each unit at least every half year, and shall track and control the required improvement matters according to the auditing status.

D.Hedging and policy for reducing risks, and strategies and procedures for monitoring the continuous effectiveness of hedging and mitigation tools.

a. Credit risk

- Revise relevant internal codes according to internal and external operational environment changes
 - According to the regulatory requirements and risk diversification principles, establish credit risk management codes.
 - Control the guarantee, endorsement of short-term bills provided to one identical enterprise and the total amount of the holding of short-term bills, bonds issued by one identical enterprise and the financial derivative transactions therewith.
 - Regulate the credit risk of the transaction counterparties of financial derivatives.
 - Regulate the credit risk on the corporate bonds held.
 - Establish the risk caps for the bills/bonds, stocks issued by financial institutions and bills/bonds, interbank loan, deposit, purchased term deposit slip etc. guaranteed by such financial institutions.
- Adjust lending structure, diversify business lending risk

Establish the lending total balance limit for one single business. Further regulate the application limit and routine management precautions for real estate business.

➤ Control the lending risk for the same affiliate

Establish the lending level management limit for the same affiliate, periodically assess its financial credit status, monitor customers with credit downgrade in order to control risks.

➤ Be aware of the control and diversification of collaterals

Establish the unsecured lending limit and various collateral lending limits, periodically assess the guarantee and liquidity of collaterals.

b. Liquidity risk

- Regulate the total limit of the bills, expiration of RP bonds, underwriting and secondary purchase, deposit from interbank loan and bond purchase in each business day, and the financing gap limits within 30 days, 90 days and 180 days, in order to diversify the fund source time period, such that proper liquidity can be maintained. In case of encountering unusual changes in the financing gap, report to the President of IBFC shall be made, and appropriate improvement measures shall be adopted in order to maintain the security of fund procurement.

c. Market risk (including interest rate, equity and commodities risks)

- Utilize the derivative transactions, control the position risks in order to achieve the objective of hedging. Through the operation of the hedging tools to achieve the control of one single bond or a group of bond combinational interest rate risk without the change of the entire position of the original bond spot. In addition, the measures of reducing positions can be adopted to reduce the possible impacts caused by the occurrence of market risk. Cost-benefit analysis shall be performed on the hedging measures first, and after hedging, effectiveness shall be continued to be monitored in order to seek the most optimal configuration of risk and return.

d. Operational risk

- Enhance employee training to allow employees to understand possible occurrence of loss and impacts on the financial status. Improve the reasonability, computerization of operation procedures and operation management mechanism in order to reduce the probability of event occurrence.

(2) IBF Securities

A. Strategies and Procedures

a. Business Risk

- Before the opening or handling new type of businesses, each business unit shall establish relevant business rules, and the content shall include various types of risk analysis, risk limits and risk mitigation measures

etc. possibly involved, for reporting to the Risk Management Committee for review and submitting to the supervisor with authority for approval in order to proceed accordingly.

- The risk management procedure includes the four stages: risk identification, assessment, monitoring and reporting etc. Each unit (including front desk, middle desk and backend) shall be able to identify and assess various risks related to performing risks in order to establish appropriate business management regulations and rules accordingly, including but not limited to the setting of clear hierarchical responsible approval levels and relevant risk limits, in order to enhance early management. Establish risk control mechanism in each transaction system in order to enhance the risk monitoring and centralized management. Each unit shall generate various daily management reports, and shall submit to the senior management level according to the procedure in order to thoroughly implement the post-event management.

b. Market risk

- According to the operation scale and risk tolerance, IBF Securities establishes appropriate market risk management mechanism, including but not limited to relevant hierarchical authorization regulations, risk diversification principle, transaction amount and risk limit setting, loss and rights stopping regulations, exceeding limit handling procedure and exemption management principle etc.

c. Credit risk

- According to the operation scale and risk tolerance, IBF Securities establishes appropriate credit risk management mechanism, including but not limited to relevant hierarchical authorization regulations, risk diversification principle, setting of handling amount and risk limit, disposal of collaterals, exceeding limit handling procedure and exemption management principle etc.

d. Operational risk

- According to the operation scale and risk tolerance, IBF Securities establishes appropriate operational risk management mechanism, including but not limited to relevant hierarchical authorization regulations, front desk/middle desk/backend operation independence principle, financial asset price verification, valuation model verification, control of transaction with interested parties and substantial interested parties, internal control system self-assessment operation and loss reporting mechanism etc.

e. Liquidity risk

- According to the operation scale and risk tolerance, IBF Securities establishes appropriate liquidity risk management mechanism, including

but not limited to relevant hierarchical authorization regulations, capital cost control and asset and liability allocation management etc.

f. Legal risk

- According to the operation scale and risk tolerance, IBF Securities establishes appropriate legal risk management mechanism, including but not limited to relevant contract review procedure and legal compliance system etc.

B. Organization and structure of relevant risk management system

a. Business Risk

- The board of directors of IBF Securities approves the risk management policy and guidelines. The Risk Management Committee, Audit Office of board of directors, Risk Management Office, Financial Department, Legal Compliance Office and all business units perform the routine risk management according to the risk management policy and guidelines, various risk management regulations or rules, internal control system and risk management procedure etc., as well as periodically perform internal control self-assessment and legal compliance self-assessment operation, in order to ensure the effectiveness of the internal control system and to reduce the operational risk.

b. Market risk

- Risk Management Committee is established to integrate the operation of market risk management levels, and is responsible for the review of market risk appetite, including the setting of market risk acceptance goal, adjustment and early warning handling, as well as assessment, monitoring and control of market risk.
- Investment Decision Committee is established and is in charge of the review of investment policy and dynamic adjustment of amounts of transaction (or handling) of each transaction related units within the authorized limit approved by the board of directors.
- The transaction related unit is responsible for the planning and execution of its business market risk management mechanism, and is staffed with the internal risk control personnel in order to monitor the exposure status of market risk of their unit. In case of discovery of major risk exposure such that there is a likelihood of endangering the sound operation of their unit, they shall report to the unit supervisor immediately and inform the Risk Management Office.
- The Risk Management Office is independent from the business unit and the transaction activity for the exercise of authorities, and it is responsible for the planning and execution of the market risk management mechanism, as well as monitoring the exposure status of

market risk, including the items of total positions, total risk equivalents values, transaction amount, risk limit, risk concentration, risk value and stop of loss and rights mechanism etc.

c. Credit risk

- Risk Management Committee is established to integrate the operation of credit risk management levels, and is responsible for the review of credit risk appetite, including the setting of credit risk acceptance goal, adjustment and early warning handling, as well as assessment, monitoring and control of credit risk.
- The backend personnel of the business unit are responsible for the credit checking operation on the accounts of transaction counterparties. The supervisor with authority reviews the risk level of the transaction counterparties, and set up the handling amount and risk limit of the transaction counterparties according to the hierarchical regulations and credit classification rules.
- The business unit is responsible for the planning and execution of its business credit risk management mechanism, and is staffed with the internal risk control personnel in order to monitor the exposure status of credit risk of their unit. In case of discovery of major risk exposure such that there is a likelihood of endangering the sound operation of their unit, they shall report to the unit supervisor immediately and inform the Risk Management Office.
- The Risk Management Office is independent from the business unit and the transaction activity for the exercise of authorities, and it is responsible for the planning and execution of the credit risk management mechanism, as well as monitoring the exposure status of credit risk, including the items of total positions, total risk equivalents values, transaction amount, risk limit, risk concentration, pre-settlement risk and overall financing margin ratio etc.

d. Operational risk

- Risk Management Committee is established to integrate the operational risk management level operations, and is responsible for the establishment and execution of the operational risk management guidelines, in order to assess, monitor and control operational risk through the mechanism of operational risk database etc.
- The business units are responsible for the planning and execution of business operational risk management mechanism, and perform internal control system self-assessment operation through the execution and reporting of the operational risk management and internal control procedure, including the control of the transactions with interested parties and loss reporting mechanism etc., in order to reduce the

probability of occurrences with operational risk.

- The Auditing Office of board of directors is independent from the business units and transaction activities to exercise its authorities, and it performs periodic or special auditing related operation procedures, including the audits on items of transaction confirmation, delivery settlement, transactions with interested parties, information security, personnel responsibility allocation and report preparation etc.

e. Liquidity risk

- Risk Management Committee is established to integrate the operation of liquidity risk management levels, and is responsible for the review of liquidity risk appetite, including the setting of liquidity risk acceptance goal, adjustment and early warning handling, as well as assessment, monitoring and control of liquidity risk.
- The business units are responsible for the planning and execution of its business liquidity risk management mechanism, and are staffed with the internal risk control personnel in order to monitor the exposure status of liquidity risk of their unit. In case of discovery of major risk exposure such that there is a likelihood of endangering the sound operation of their unit, they shall immediately report to the unit supervisor and inform the Financial Department and Risk Management Office.
- The Financial Department and Risk Management Office are independent from the business units and transaction activities to exercise their authorities. The Financial Department is responsible for the planning and execution of the fund liquidity risk and asset/liability risk etc. control mechanism. The Risk Management Office is responsible for planning and execution of the market liquidity risk control mechanism.

f. Legal risk

- Risk Management Committee is established to integrate the legal risk management level operations, and to assess, monitor and control legal risk.
- Each department and office of the headquarters and each branch are staffed with legal compliance personnel in order to handle legal compliance affairs for their units.
- The legal compliance unit and all unit legal compliance personnel shall obtain the latest status of laws and regulations, and shall coordinate and communicate with relevant units in order to ensure that all operation and management rules are updated in a timely manner and according to relevant laws, such that all operational activities comply with the regulatory requirements.
- Documents signed by transaction counterparties shall be submitted to the

legal personnel or legal counsel for review, and shall be executed after the approval according to the signing-off procedure in order to prevent loss caused by failure of compliance of relevant laws, contract being devoid of legal effect, omission of clauses or insufficient requirements etc.

C. Scope and Characteristics of Risk Report and Assessment System

a. Business Risk

- During the performing of any business, the statutory limit and internally specified limit for such business shall not be exceeded. In cases where relevant unit fails to comply with requirements, detailed explanation and improvement plan shall be submitted and reported to the Risk Management Committee or board of directors according to regulations.
- The Auditing Office of the board of directors, Legal Compliance Office, Risk Management Office, Financial Department and relevant business units shall periodically report the business execution status or risk management report to the senior management level, Risk Management Committee or board of directors.
- The internal risk control personnel of the business unit monitor the exposure status of various risks of their units. In case of any discovery of major risk exposure such that there is a likelihood of endangering the sound operation of IBF Securities, the event occurrence unit shall immediately request the Risk Management Committee to establish strategies and to adopt appropriate measures, as well as report to IBF Financial Holdings Co. Ltd. according to the regulations.
- The internal risk control personnel of the business unit prepare the business risk autonomous checklist for their units, and after the approval of the unit supervisor, it is submitted to the Risk Management Office for incorporating into the risk management summary report in order to submit it to the President.

b. Market risk

- Risk Management Office monitors the condition of use of the market risk limit on a daily basis, and through the tools of sensitivity analysis, risk value (use the historical simulation method, and the confidence intervals are 95% and 99%), scenario analysis and stress test etc. in order to simulate the possible changes of market risk positions under market fluctuation, and provide it to the senior management level for reference on a daily basis.

c. Credit risk

- Risk Management Office monitors the condition of use of the credit risk limit on a daily basis, and through the tools of various position returnees

(according to the type of institutions, type of industry and type of group etc.), bond credit rating, margin purchase and short sale of securities level, regular trading of securities level, margin ratio, securities business loans and unrestricted purpose loan business level, pre-settlement risk and scenario analysis etc. in order to control credit risk and to provide it to the senior management level for reference on a daily basis.

d. Operational risk

- Each business unit performs the routine risk management for its unit, periodically implements the internal control system self-assessment operation. In addition, through the middle desk and backend unit performing mechanisms of the financial asset price verification, valuation model verification and information security etc., the Audit Office of the board of directors periodically or specially audits relevant operation procedures in order to ensure the effectiveness of the internal control system. The operational risk team of the Risk Management Committee performs statistical analysis on the information of the event type, event cause and amount of loss etc. from the operational risk database, in order to summarize and prepare operational risk management report on a quarterly basis for submission to the President and Chairman. In addition, the report is submitted to the Risk Management Committee and board of directors semi-annually in order to be used as the reference for operation management decision making.

e. Liquidity risk

- The business unit examines the liquidity of financial assets through the transaction system and relevant reports. The Financial Department controls fund liquidity risk through relevant reports and fund stress test etc. on a daily basis. The Risk Management Office controls the market liquidity risk through the real-time online security control system and relevant reports.

f. Frequency of risk reports

- The daily reports include the risk management summary report, inventory position summary report, risk limit examination summary table, integrated risk value report, investment portfolio position single-day profit or loss scenario analysis, portfolio stress test report, daily own capital adequacy ratio calculation report, bond position DV01 summary table, put option limit use table, sensitivity limit use table, bond position risk management summary table, purchase (sale) equity risk management daily report, warrant business situation analysis daily report, structured product daily report, same industry risk position table, same legal entity risk position table, same group risk position table, transaction counterparty pre-delivery risk summary report, brokerage service securities control detail list, financing concentration analysis

report, margin purchase and short sale of securities level control summary table, regular transaction of securities level control summary table, margin ratio change scenario analysis, securities business loan and unrestricted purpose loan business level control limit table, fund procurement table, short-term loan maturity statement, commercial paper short-term statement, long-term loan maturity statement, commercial paper (FRCP) statement, bank credit line condition daily statements and market liquidity warning individual stock statements etc.

- The monthly reports include risk asset report, risk limit use status summary table, risk management indicator summary table, control of transaction with interested party other than lending summary table, market risk value, asset/liability maturity date time-limit structure analysis table and interest rate sensitive asset/liability analysis table etc.

D. Hedging and policy for reducing risks, and strategies and procedures for monitoring the continuous effectiveness of hedging and mitigation tools

- In case of encountering situation of financial market violent changes and business strategy changes etc., relevant business unit and the risk management unit shall jointly establish and assess the appropriateness of relevant risk limit; in addition, when it is considered necessary, relevant risk limit shall be revised, and reported to the Risk Management Committee and submitted to the supervisor with authority for approval in order to proceed accordingly.

a. Market risk

- Determine interest rates, exchange rates and relevant target asset price trends according to the economy status, in order to utilize appropriate derivative transactions to avoid exposed risks. For example, during the purchase of bond spot, the bond option or interest rate swap can be used for hedging, and the interest rate sensitivity can be monitored daily.
- Through reducing the position held or other measures to reduce the market risk exposure level. For example, during the issuance of call warrants, the purchased subject stocks and the call warrants issued by others can be used to perform dynamic hedging and monitor the hedging differential ratio on a daily basis.
- Where an individual financial asset is evaluated to reach the stop loss standard according to the current day closing price (or fair value), unless the law or IBF Securities specifies otherwise, stop loss shall be forcefully completed within three trading days.
- When the current year accumulated total loss reaches the annual loss limit, the trading unit shall stop all new transactions, and the event occurrence unit shall submit written report within one business day after the event occurrence to the Chairman for approval in order to execute it

accordingly, and shall also report to the latest session of Investment Decision Committee meeting.

- In cases where the market risk limit is exceeded, the event occurrence unit shall submit detailed explanations and improvement plan to the latest session of Risk Management Committee meeting.

b. Credit risk

- Utilize the credit rating management to set up the credit rating limit for self-owned positions. Set up transaction limit and credit limit according to the credit status of the transaction counterparty, monitor the pre-settlement risk and credit exposure status on a daily basis.
- For the transaction counterparty with increasing risk, measures of reducing its transaction limit, credit limit, restriction on new positions or request for increases of collaterals etc. are adopted.
- For trading asset of high risk, adopt the margin trade control and brokerage purchase amount rating limit control measures in order to reduce the risk exposure condition. Monitor the condition of use of the margin ratio of each stock, margin purchase and short sale of securities rating limit, regular trading of securities rating limit, securities business loan and unrestricted purpose loan business rating limit etc. on a daily basis.
- In cases where the credit risk limit is exceeded, the event occurrence unit shall submit a detailed explanation and improvement plan to the latest session of Risk Management Committee meeting.

c. Operational risk

- Through the measures of periodic implementation of internal control system self-assessment operation and employee's application of fidelity guarantee insurance etc. to reduce or mitigate operational risk.
- The Audit Office of the board of directors performs the auditing duties, including periodic and special audits, examination and assessment of information, communication of result and subsequent follow-up etc., as well as submits report to the board of directors and Audit Committee periodically in order to reduce the probability of occurrences with operational risk.
- The operational risk team of the Risk Management Committee performs relevant statistical analysis on the information of event type, event cause and amount of loss etc., and prepares reports periodically for submission to the senior management level in order to be used as references for improving internal control procedures.

d. Liquidity risk

- Utilize the assets/liabilities allocation management, diversify the

liquidity risk and prevent overly concentration at one single financial instrument or reliance on one single financial insurance institution. Through fund reporting mechanism to ensure the correctness and immediacy of liquidity management.

- In cases where the liquidity risk limit is exceeded, the event occurrence unit shall submit detailed explanation and improvement plan to the latest session of the Risk Management Committee meeting.

(3) IBF Venture Capital

A. Strategies and Procedures

- a. Market risk: Through the management mechanisms of limit management, investment review and stop loss etc. to control market risk.
- b. Transaction counterparty risk: None.
- c. Business risk: Shall prevent issues in liquidity, assets and liabilities shall not be overly concentrated, and shall maintain the diversity of the fund source.
- d. Operating risk: Establish rigorous internal control system, and through legal compliance system, reduce the probability of occurrence of operational risk.
- e. Credit risk: None.

B. Organization and structure of relevant risk management system

- The risk management unit periodically assesses the risk, and the Investment Business Department shall also perform self-assessment in order to reduce the operational risk.

C. Scope and Characteristics of Risk Report and Assessment System

- a. Market risk: Establish the investment amount upper limit for various types of financial instruments, and also establish the interest rate sensitive assets/liabilities gap indicator.
- b. Transaction counterparty risk: None.
- c. Business risk: Establish the liquidity risk and assets/liabilities maturity date gap indicator.
 - The risk management unit of IBF Venture Capital provides various types of financial asset statements during the weekly fund management review meeting, prepares monthly risk management report for submission to the senior management level, and periodically reports to the board of directors.
- d. Operating risk: IBF Venture Capital performs self-audit operations in compliance with the laws and an audit is conducted at least semi-annually. The result of the audit is submitted to the Risk Department for recording.
 - IBF Venture Capital conducts a self-audit on the internal control system at least once annually. When each unit is conducting a self-audit, the unit

supervisor shall designate personnel other than the original case handler to conduct the audit and findings shall be kept confidential in advance, Once the audit result is reviewed by the unit supervisor, it is then submitted to the Auditing Office for a second review.

e. Credit risk: None.

D. Hedging and policy for reducing risks, and strategies and procedures for monitoring the continuous effectiveness of hedging and mitigation tools

- IBF Venture Capital does not engage in any activities related to financial derivatives.

(4) Rakuten International Commercial Bank

A. Strategies and Procedures

a. Credit risk:

- The business model mainly consists of credit and investment. In order to be able to fully understand and grasp the credit risk profile, the business characteristics, creditworthiness, and concentration of risk in relation to the risks arising from business undertakings are evaluated and monitored continuously. The "Credit Policy" and "Credit Risk Management Guidelines" are approved by the Board of Directors and cover credit risk related business. The credit risk control process is carried out in accordance with the relevant regulations.

b. Liquidity risk:

- Liquidity risk is defined as the risk that the Company will not be able to meet its obligations when the debts are due, such as when the deposits are withdrawn or the loans are repaid when due, or that the Company will not be able to obtain funds to meet the increase in assets at a reasonable cost within a certain period of time.
- Rakuten International Commercial Bank focus on the management of liquidity of funds in financial related business. The management objective is to (A) meet the liquidity targets set by the competent authorities and (B) maintain a reasonable level of liquidity in accordance with business development plans to ensure that all daily payment obligations and business growth needs can be met, and to have sufficient highly liquid assets and emergency financing capabilities to meet emergency situations.

c. Market risk (including interest rate, equity, foreign exchange and instrument risks):

- Risk management measures, including limit setting and management, regular reporting process, internal audit system, independent control and management unit, and supervision by senior committee, are used to effectively measure and control each business's market risk.

- Under the tolerable risk level, the internal market risk management unit not only has established various standards and regulations, including "Market Risk Management Standards" and "Market Risk Limit Management Guidelines", but also provides management information and reports to the relevant responsible officers regularly for the purpose of aggregating and controlling the overall market risk.

d. Operating risk:

- In order to improve the bank's operations and management and overall operating efficiency, a proper operational risk management structure and mechanism has been established to reduce the level of risk and ensure the bank's assets.
- The "Operational Risk Management Guidelines" have been established to transform operational risk strategies into specific policies and procedures and to achieve the objectives of operational risk identification, assessment and monitoring through mechanisms such as operational risk self-assessment, operational risk event collection and key risk indicators.
 - ◇ Self-assessment of operational risks: Identify the risks, causes and control methods in operation activities, and highlight the risk exposures in order to draw up response plans.
 - ◇ Operational risk event collection: When an operational risk event occurs, notification is conducted to effectively identify and evaluate the cause of the occurrence and to review and improve.
 - ◇ Key Risk Indicators: Indicators are set up to evaluate risk exposure changes with respect to the identified potential risks.

B. Organization and structure of relevant risk management system

a. Credit risk

- The Board of Directors is the highest authority for credit risk strategies and significant risk policies. There are independent and specialized departments or functional group in the risk management section for credit risk management, planning, execution and control of credit, investment business and financial instruments.
- Continuously establish mechanisms to effectively identify, measure, communicate and monitor risks in order to perform risk management related matters. Through the Risk Management Committee, the Asset and Liability Management Committee, and the Operations Management Committee, which hold meetings regularly, information related to risk management is presented to senior executives to facilitate management decisions and achieve the effect of immediate early warning and prevention.

b. Liquidity risk

- The capital management and asset and liability management departments

are responsible for managing liquidity on a daily basis, controlling liquidity risk in accordance with the limits approved by the asset and liability management committee, executing capital adjustment transactions, and reporting liquidity status to management at any time.

- The management department regularly reports liquidity risk control to the Asset and Liability Management Committee, the Risk Management Committee and the Board of Directors, and conducts liquidity stress tests to ensure that funds are sufficient to meet asset growth or maturity obligations.

c. Market risk (including interest rate, equity, foreign exchange and instrument risks)

- The Board of Directors is the highest authority for risk strategy and material risk policy. It has a separate risk management unit, together with the Operations Management Committee and the Risk Management Committee. The responsible unit will draw up and plan the market risk management mechanism for the whole bank.

d. Operational risk

- The Board of Directors is the highest authority and a professionally responsible unit under it has been set up, which is responsible for the planning and promotion of the Bank's operational risk management mechanism and structure, assisting relevant units in formulating standard operating procedures for various businesses, compiling, analyzing and monitoring the Bank's operational risks, and reporting to the Board of Directors and senior management.
- The "Operational Risk Appetite Statement" has been formulated to establish a bank-wide risk culture through the awareness of all employees on the qualitative operational risk appetite.
- The Audit Division is responsible for the Bank's operational risk management mechanism and the audit of each unit's implementation of the mechanism.

C. Scope and Characteristics of Risk Report and Assessment System

a. Credit risk:

- The credit risk measurement system covers all credit risk exposures and risk profiles; the risk measurement system is quantitative, qualitative, or both quantitative and qualitative, depending on the risk characteristics of the business, and is accurate, relevant, and reliable in real-time.

b. Liquidity risk:

- Rakuten International Commercial Bank closely monitor the shortfall in the source and use of funds daily and the management of liquidity-related risks. Future cash flow projections are based on the contractual maturities

of financial liabilities and expected collection dates of financial assets, and also consider the extent to which funds are actually utilized for contingent liabilities such as lending lines, guarantees and commitments.

c. Market risk (including interest rate, equity, foreign exchange and instrument risks):

- Market risk reporting and measurement systems cover position evaluation, various limits, profit and loss monitoring, management and calculation, stress testing and scenario analysis, pricing models, and qualitative risk reporting or value-at-risk analysis.
- The "Market Risk Limit Management Guidelines" have been established to control the setting of limits, monitor limits, and procedures for dealing with over-limits.
- To comply with the new Basel Accord, we continue to research and develop quantitative market risk control models in compliance with the new Basel Accord to meet international financial governance standards.

d. Operating risk:

- Formulate "Operation Risk Management Business Manual", build a database of operational risk events, and regularly implement operation risk self-assessment and key risk indicators mechanism.
- The operation risk self-assessment results and key risk indicators monitoring values are used to classify the risk exposure level into high, medium and low levels and formulate countermeasures according to different levels to effectively monitor and improve the operational risk exposure situation.
- The operational risk events database is tracked and analyzed regularly, and improvement plans such as operational process or system optimization are carried out according to the analysis report.

D. Hedging and policy for reducing risks, and strategies and procedures for monitoring the continuous effectiveness of hedging and mitigation tools

a. Credit risk:

- For general and specific types of collaterals, business management regulations have been established to evaluate and control the collaterals provided by the risk-bearing parties and to manage the concentration risk of the collaterals.

b. Liquidity risk:

- Diversify the sources of funds and take stable core deposits to avoid reliance on large deposits.
- To avoid the risk of potential losses that may cause the cost of capital to rise and the pressure of capital deployment.

- Conduct maturity matching management to ensure that short-term capital inflows exceed outflows.
- Maintain the liquidity ratio set by the supervisory authority.
- Hold high quality, highly liquid assets.
- Pay attention to the liquidity, safety and diversity of financial instruments held.
- Have a contingency plan for cash flow and review it regularly.
- c. Market risk (including interest rate, equity, foreign exchange and instrument risks):
 - Market risk limits are approved by the Board of Directors annually and monitored by the market risk management unit on a daily basis, and the related business and its hedging transactions are managed within limits.
- d. Operating risk:
 - Prior to the launch of new financial products (including business and commodities), conduct various risk self-assessment operations, formulate relevant business continuity policies and regulations in response to risk items or events that may cause business interruptions, and conduct rehearsal tests to reduce possible losses and enhance response capability. The effectiveness of risk avoidance and mitigation tools is also ensured through regular monitoring, management reporting and review of the extent of implementation of related tools.

2. Risk exposure quantification information

(1) International Bills Finance Corp.

A. Credit risk capital charge and risk-based asset amount

December 31, 2021

Unit : NT \$thousand

Item	Required Risk Charge	Risk Weighted Asset
Sovereigns and their central banks (A)	0	0
Non-central government public sector entities (B)	171	2,139
Banks (including multilateral development banks) (C)	457,467	5,718,343
Corporates (including securities and insurance firms) (D)	10,114,047	126,425,583
Retail-Lending (E)	42,053	525,661
Equity investments (F)	0	0
For the credit extended to the parent company or subsidiary, or lending with the securities issued by the parent company or subsidiary as the collateral (G)	0	0
Other assets (H)	252,085	3,151,060
Total (I)=(A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)	10,865,823	135,822,786

B. Operational risk capital charge and risk-based asset amount

December 31, 2021

Unit : NT\$ thousand

Risk	Required Risk Charge	Risk Weighted Asset
Operational Risk	543,196	6,789,944
Total	543,196	6,789,944

C. Market risk capital charge and risk-based asset amount

December 31, 2021

Unit : NT\$ thousand

Risk	Required Risk Charge	Risk Weighted Asset
Interest Rate Risk	4,433,343	55,416,789
Equity Risk	444,854	5,560,674
Foreign Exchange Risk	56,228	702,854
Commodities Risk	0	0
Options (Simplified Approach)	8,623	107,791
Total	4,943,048	61,788,108

D. Liquidity risk including the analysis of assets and liabilities maturity

December 31, 2021

Unit : NT\$ million

Item	Total	Carrying Value Due in				
		0~30 days	31~90 days	91~180 days	181 days to 1 year	After 1 year
Asset	231,861	126,196	29,981	5,898	5,783	64,003
Liability	207,561	162,924	42,026	1,346	24	1,241
Gap	24,300	(36,728)	(12,045)	4,552	5,759	62,762
Cumulative Gap	24,300	(36,728)	(48,773)	(44,221)	(38,462)	24,300

(2) IBF Securities

A. Capital adequacy ratio

December 31, 2021

Unit : NT\$ thousand

Item	Value
Net eligible capital (E)	9,847,089
Market risk-weighted assets (A)	1,845,886
Credit risk-weighted assets (B)	978,483
Operational risk-weighted assets (C)	501,300
Total risk-weighted assets (D)=(A)+(B)+(C)	3,325,669
Own capital adequacy ratio=(E)/(D)	296%

B. Market risk

December 31, 2021

Unit : NT\$ thousand

Item	Risk-weighted assets
1. Interest rate risk	667,161
2. Stock warrants risk	970,155
3. Foreign exchange risk	195,072
4. Commodities risk	13,498
Total	1,845,886

C. Credit risk

December 31, 2021

Unit : NT\$ thousand

Item	Risk-weighted assets
1. Repurchase agreement	94,252
2. Credit trading (complex method)	107,318
3. Money lending in connection with securities business (total calculation method)	55,982
4. OTC derivatives	465
5. General trading counterparty risk in brokerage trading (complex method)	454,642
6. Concentration of trading counterparty in brokerage trading	5,492
7. Accumulated four days of brokerage of foreign securities market in securities trading amount	2,164
8. On-balance-sheet transactions	258,167
Total	978,483

D. Operational risk

December 31, 2021

Unit : NT\$ thousand

Item	Risk-weighted assets
Weighted average annual gross profit margin	501,300

E. Liquidity risk

December 31, 2021

Unit : NT\$ million

Item	Total	Carrying Value Due in				
		0~30 days	31~90 days	91~180 days	181 days to 1 year	After 1 year
Asset	44,124	26,685	1,356	470	788	14,825
Liability	37,743	30,707	3,474	479	84	3,000
Gap	6,380	(4,022)	(2,118)	(9)	704	11,825
Cumulative Gap	6,380	(4,022)	(6,140)	(6,149)	(5,444)	6,380

(3) IBF Venture Capital

None

(4) Rakuten International Commercial Bank

A. Capital adequacy ratio

December 31, 2021

Unit : NT\$ million

Regulatory capital:	
Net Common Equity Tier 1 Capital	8,117,759
Net Non-Common Equity Additional Tier 1 Capital	0
Net Tier 2 Capital	0
Total regulatory capital	8,117,759
Risk-weighted assets :	
Credit risk	1,760,951
Operational risk	36,213
Market risk	2,775
Total risk-weighted assets	1,799,939
Common Equity Ratio	451.00%
Tier 1 Equity Ratio	451.00%
Capital adequacy ratio	451.00%
Leverage ratio :	
Net Tier 1 Capital	8,117,760
Total risk exposures	14,604,390
Leverage ratio	55.58%

B. Term structure analysis of New Taiwan Dollar maturity date

December 31, 2021

Unit : NT\$ million

Item	Total	Carrying Value Due in					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days to 1 year	After 1 year
Major maturity inflows	14,556	2,530	5,946	1,492	39	83	4,468
Major maturity outflows	15,759	106	146	641	1,148	2,289	11,429
Gap	(1,203)	2,424	5,799	851	(1,109)	(2,206)	(6,961)

Note: The banking section refers to all NTD amounts across the bank.

7.6.3 Impacts on the finance and business of the Company due to domestic/foreign important policies and changes of laws, and the countermeasures

1. For changes in domestic or foreign important policies and laws, relevant department personnel of the Company and subsidiaries perform pre-analysis and assessment of the impacts on various businesses, and timely amend the internal regulations as well as adjust relevant management strategies and operation procedures in order to cope with the changes of relevant policies or laws.
2. The President Order Hua-Zong-Yi-Jing-Zi No. 10800073771 was issued on July 24, 2019, amending the "Statute for Industrial Innovation" and adding Article 23-3, which stipulates that if a profit-making enterprise makes a real investment with its earnings to improve the quality of production technology, products or services, the amount of such investment may be deducted from the calculation of undistributed earnings for the year within three years from the year following the year in which the earnings are generated. The amount of the actual expenditure on the acquisition of business buildings, software and hardware equipment by the Company and its subsidiaries in 2021 will be deducted from the undistributed earnings in accordance with the relevant regulations and the actual investment amount.
3. On February 25, 2020, the President announced the "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens" with the Order Hua-Zong-Yi-Yi-Zi No.10900021291. In May 2021, the COVID-19 pandemic started to sweep through Taiwan, which led to the exploration of changes in financial services and office mode. So far, the pandemic prevention operations are still ongoing. Since May 2021, depending on the development of the pandemic, the Company and its subsidiaries have been using off-site offices and video conferencing as a means of dispersing the risk of business concentration and staff clustering. In addition to granting quarantine leave in accordance with the law, each company, if it has any employees who need to conduct self-health management, activates the mechanism of working from home to strengthen the prevention of the pandemic in order to achieve the goal of uninterrupted business. The use of information tools arising from off-site offices and home offices will be implemented only after the information unit has fully evaluated and established relevant precautions to ensure the security of the information transmission process.
4. The Financial Supervisory Commission amended Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" on September 23, 2021 and Article 9-1 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" on December 28, 2021, according to which the Company and its subsidiaries, International Bills Finance Corp. and Rakuten International Commercial Bank Co., Ltd., shall designate a chief information security officer

and set up a dedicated information security unit to be responsible for information security-related tasks or duties. The Company and its related subsidiaries will establish information security officers and information security staff in accordance with the regulations to enhance information security protection capabilities, strengthen information security control operations, and reduce the impact on the market and society in the event of a major information security incident.

5. The Financial Supervisory Commission established the "Guidelines on Data Sharing among Financial Institutions" on December 23, 2021. The reasonable use of data sharing is the core of digital development. The Company will gradually promote its implementation in accordance with the "Financial Technology Development Roadmap", which will be implemented only after internal control regulations are established and approved by the Board of Directors and the privacy policy is disclosed on the Company's website; the measures will be of great benefit to enhance the customer experience and operational efficiency of subsidiaries, to meet the development needs of cross-sector and diversified finance scenarios of financial technology, create data value, and enhance the Company's industrial competitiveness.

7.6.4 Impacts on the finance and business of the Company due to changes in technology (including information security risks) and industry, and the countermeasures

The Company considers stable business as the priority for the operation, and also emphasizes risk control during the development of business and increases in profit. Utilize information technology, develop secured internet environment and increase operational efficiency and quality. As the industry undergoes rapid changes, regardless of lending cases, financing cases or investment cases, the content of an individual case becomes complicated day after day. In case of occurrence of unfavorable events, customer and industry latest status is obtained timely through the customer database, the risk exposure amount is reduced, and all subsidiaries are supervised to improve information security, conduct various information security protection drills, and perform dynamic adjustments on relevant businesses in order to cope with the impacts caused by the changes in the industry due to changes in technology.

7.6.5 Impacts on the Company due to the Company's or subsidiaries' image changes, and the countermeasures

In cases where the images of the Company and subsidiaries are subject to negative changes, it may affect the views of customers on the Company such that their intention for business relationship with the Company can be reduced. For any false reports related to the financial status or business of the Company and subsidiaries made by the mass media, the Company shall announce material information immediately to provide clarification and explanation, or the spokesperson shall provide explanation to the public. When it is considered necessary, emergency responsive team shall be formed to prevent the event from spreading and expansion,

as well as to reduce the unfavorable impacts to the minimum in order to protect the rights and benefits of the Company and shareholders.

The Company and all subsidiaries shall maintain the rights and benefits of the shareholders, customers and employees with the best effort; in addition, the Company and all subsidiaries shall also actively feed back to the society, fulfill corporate responsibility, enhance corporate governance and improve corporate image. IBFC donates funds to establish the “IBF Charity Foundation” specialized in the handling of assistance to disadvantaged groups in the society, provide assistance of fund resources etc. in order to implement the concept of long-term society feedback and to fulfill the social responsibility as a corporate citizen.

7.6.6 Expected benefit, possible risk and countermeasure for merger and acquisition

The Company performs M&A activities based on the primary objective of increasing the rights and benefits of the shareholders. Through M&A, the business scope can be expanded, and asset scale, sales channels as well as market share are all increased in order to achieve the benefits such as cross-selling etc. During M&A, it is also possible to face the issues of improper target, market premium price too high, or difficulty in integration due to corporate culture difference after merger, loss of outstanding talents, gaps in relevant working experience, business synergy fails to reach the expected level etc. Therefore, it is necessary to perform careful assessment during the process, to conduct due diligence, and entrust professional institution to perform the assessment depending upon the needs in order to reduce the risk of failure and loss to the minimum.

7.6.7 Risk encountered due to business centralization and the countermeasure

The business scope of the subsidiaries of the Company include financial professional fields of bills, securities, venture capital and banking etc., and the Company uniformly develops bills/bonds trading, lending, securities transaction, investment businesses and deposit and lending business in order to head toward the diverse development, thereby reducing the risks generated due to business concentration. The Company also establishes the transaction upper limits for the lending of one individual customer or group or securities trading business in order to further reduce the risk of business concentration. In addition, through M&A and integrated marketing among subsidiaries, the Company is able to achieve the diversification of the business or profit concentration risk.

The credit extension of the subsidiary, IBFC, is mainly in the guarantee service, and to diversify the lending risk and the credit risk management including services other than lending, it has regulated the credit limit by business type, collateral type, same enterprise, same affiliate, interested party etc., such that it is able to continuously monitor the effectiveness and to seek most optimal configuration for risk and return.

The revenue of the brokerage business of the subsidiary, IBF Securities, is mostly concentrated in fee income. The fee income value is subject to impacts of the market total transaction fluctuation, and the later income value can be increased/decreased due to market status. To reduce the risk generated due to business concentration, the brokerage business unit not only follows the regulations of the competent authorities but also demands the thorough implementation of standard operation procedures for various aspects of business risk control, and complies with the risk management system, establishes various business limits as well as establishes relevant risk control mechanisms, in order to rigorously execute the internal control system and to reduce the operational risk.

IBF Venture Capital, is a professional venture capital company, and the industry and amount of the investment cases are of diversification, such that there is no risk of business concentration.

Rakuten International Commercial Bank is mainly engaged in the deposit and lending business. In order to avoid excessive concentration of business, which may lead to significant losses, Rakuten International Commercial Bank has set various concentration limits, monitors risk concentration regularly, and takes timely measures to control concentration risk.

7.6.8 Impacts, risks and countermeasures when directors or shareholders with shareholding percentage exceeding 1% transfer or sell large quantity of shares

The shareholders structure of the Company remains uniformly diversified. Shareholders shall select directors and independent directors to participate in the company operation according to the statutory procedures for the shareholders' meeting. Directors perform duties according to regulations are under the supervisory management of the competent authority. Change of equity has no impacts on the business operation of the Company.

7.6.9 Impacts, risks and countermeasures of change in management rights

The Company is not subject to any change of management rights in 2021.

7.6.10 Litigation or non-litigation cases with results possibly having major impacts on the rights and benefits of the shareholders or securities price of the Company

1. The Company

- (1) On December 17, 2021, the Company's shareholder, Taiwan Miao-Nong Dairy Development Co., Ltd. filed a lawsuit in the Commercial Court requesting the Company's Board of Directors' resolution dated October 14, 2021 to be confirmed as invalid. On December 29, 2021, the trial court notified the Company that mediation proceedings would be conducted in accordance with Article 20 of the Commercial Case Adjudication Act.
- (2) On December 29, 2021, the Company's shareholders, Guo Zheng Investment and Development Co., Ltd. and Ares International Development Co., Ltd filed a

lawsuit in the Commercial Court requesting the resolution of the first extraordinary shareholders' meeting dated December 2, 2021 to be revoked. On January 11, 2022, the trial court notified the Company that mediation proceedings would be conducted in accordance with Article 20 of the Commercial Case Adjudication Act.

2. International Bills Finance Corp.

On January 6, 2022, the Taipei City Field Office, Investigation Bureau, Ministry of Justice visited IBFC to conduct an investigation and search for information on equity trading, and interviewed the representative of corporate directors, the president and other related personnel, and seized relevant information. IBFC indicated that the matter under investigation was a recurring business of equity trading and was not expected to significantly impact shareholders' equity or securities prices.

3. IBF Securities

Plaintiff Chen ○○ and Plaintiff Pan ○○ claimed that the Company's salesperson misrepresented when handling securities collateral for futures margin, which caused Plaintiff Chen ○○'s position to be forced to sell and Plaintiff Pan ○○'s position to be forced to sell. In August 2021, the plaintiff filed a complaint with the court, requesting the Company and IBF Futures Co., Ltd. to pay the principal amount of NT\$20,660,600 together with interest and costs, etc. The case is currently under 1st instance trial.

4. IBF Venture Capital

None.

5. Rakuten International Commercial Bank

None.

6. Directors, presidents, substantial responsible person of the Company and subsidiaries, or major shareholders holding exceeding 1% and their affiliates:

None.

7.6.11 Other significant risks and countermeasures

1. Information security management status of the Company:

To enhance the information security management, the Company has established a secured and reliable information system in order to ensure the security of data, system, equipment and network. In addition, the Company has stipulated the "Information Security Policy" for the compliance with information communication security related regulations. The Company has entrusted a professional and qualified third-party information security vendor to conduct inspections on the information architecture, network activities, network equipment, servers and terminals equipment, network security, software/hardware security setting and social engineering drill etc., and that there are no material operating risks.

The Company has also completed the “Information Security Event Reporting System” in order to facilitate all subsidiaries of the Group to report information security events. In addition, the “Information Security Platform” has been established for the corporate information security event reporting and responsive handling and information security technology sharing in the Group and for the information security policy educational promotion of the competent authority.

7.7 Emergency response mechanism

7.7.1 Emergency response regulations

1. The Company establishes the “Group Operation Emergency Response Countermeasures” to clearly specify the command system and countermeasures for the Company and subsidiaries during occurrence of major incidents. According to the emergency handling policy and procedure, “Operation Emergency Response Task Force” is established. Depending upon the level and nature of the event occurred, a task force is formed by all department supervisors in order to perform analysis and assessment on various solutions of emergency handling, and to obtain the latest status update, provide proposal or submit revised countermeasure plans in order to satisfy actual needs.
2. For incidents of natural disasters, fire alarm or infectious diseases etc., such events are handled and reported according to relevant regulations specified in the “Disaster Emergency Countermeasure Handbook”. In addition, the "Emergency Response Mechanism for Severe and Special Infectious Pneumonia" has been established in response to the COVID-19 pandemic. Irregular drills and educational training courses are organized depending upon the needs in order to improve personnel’s responsive ability and emergency awareness, such that the impact of major incidents on the business operation of the Company is reduced.

7.7.2 Major incident reporting management

1. To improve the management performance of the Company on affiliates and to strengthen the risk control of the Company, subsidiaries, and internet-only bank, “Affiliate Report Management Guidelines”, and the Guidelines specific for Rakuten International Commercial Bank, are established in order to specify the events and timing required to be notified by each subsidiary, thereby establishing an appropriate reporting management process.
2. Establish an emergency contact reporting system, member formation and responsibilities according to the “Group Operation Emergency Response Countermeasures” and “Disaster Emergency Countermeasure Handbook” in order to ensure the smoothness of the reporting system and to increase the efficiency of the reporting process.

7.8 Other significant incidents

None.

VIII. Special Disclosure

8.1 Information of Affiliated Enterprises

8.1.1 Consolidated Business Report of Affiliated Enterprises

1. Organizational Chart of Affiliated Enterprises

Please refer to the Organizational Relationship Chart on page 19

2. Information on Affiliated Enterprises

February 28, 2022

NT\$ in thousands

HK\$ in thousands

US\$ in thousands

RMB\$ in thousands

Company	Date of Inception	Address	Paid-in Capital	Business Activities
International Bills Finance Corporation (Note1)	1977/01/05	8-10F, No.128, Lequn 3rd Rd., Zhongshan Dist., Taipei, Taiwan(R.O.C.) (Note 1)	NT\$ 16,390,000	● Certification and underwriting of short-term bills ● Brokerage and proprietary trading of short-term bills ● Guarantee and endorsement of short-term bills ● Acting as agent for interbank call loans ● Advisory services on corporate finances ● Proprietary trading of government bonds ● Certification and underwriting of financial debentures ● Proprietary trading of financial debentures ● Financial derivatives sanctioned by the regulatory authority ● Proprietary trading of corporate bonds ● Transaction of revolving bills over one-year period ● Investments in equity related commodities ● Proprietary trading of bonds and securitized products (Limited to fixed-income securities) at business outlets ● Proprietary trading of foreign currency bonds ● Convertible bond asset swap (CBAS) services ● Certification, underwriting, brokerage and proprietary services of foreign currency bills ● Cross-selling in conjunction with IBF Holdings affiliates
IBF Securities Co., Ltd	1990/02/02	5F, No.128, Lequn 3rd Rd., Zhongshan Dist., Taipei, Taiwan(R.O.C.) (Note2).	NT\$ 8,500,000	● Brokerage of securities transactions on the centralized market ● Brokerage of securities transactions at business outlets ● Financing for margin lending and short sales ● Proprietary trading of securities on the centralized market ● Proprietary trading of securities at business outlets ● Underwriting of securities ● Brokerage of foreign securities transactions ● Serving as agent of stock affairs ● Services on trading of equity-related futures ● Services on short-dated bills ● Proprietary trading of equity-related futures ● Equity advisory services ● Other equity-related operations sanctioned by the regulatory authority

Company	Date of Inception	Address	Paid-in Capital	Business Activities
IBF Venture Capital Co., Ltd.(Note3)	2004/07/09	7F, No.126, 128, 132 Lequn 3rd Rd., Zhongshan Dist., Taipei, Taiwan(R.O.C.) (Note 3)	NT\$ 1,540,000	● Direct provision of capital to investees ● Provision of management expertise and consultative services to investees
Rakuten International Commercial Bank Co., Ltd.	2020/05/18	11F, No. 433, Songjiang Rd., Zhongshan Dist., Taipei, Taiwan (R.O.C.)	NT\$ 10,000,000	● To accept Demand Deposits ● To accept Time Deposits ● To issue Bank Debentures ● To extend short-term, medium-term and long-term loans ● To invest in government bonds, short-term notes, corporate bonds, Bank Debentures and corporate stocks ● To handle domestic and foreign remittances ● To issue foreign and domestic Letters of Credit ● To handle domestic and foreign corporate bonds ● To guarantee domestic and foreign transactions ● To act as collecting and paying agent ● To conduct other relevant business which may be authorized by the Competent Authority
IBF Securities Investment Consulting Co., Ltd.	1996/12/27	7F, No.130, Lequn 3rd Rd., Zhongshan Dist., Taipei, Taiwan(R.O.C.) (Note4)	NT\$ 90,000	● Securities investment advisory services ● Discretionary investment services ● Other operations sanctioned by the regulatory authority
IBF Futures Co., Ltd.	1993/11/23	15F-1, No. 188, Sec. 5, Nanjing E. Rd., Taipei, Taiwan (R.O.C.) (Note5)	NT\$ 821,000	● Futures brokerage ● Futures investment advisory services ● Futures proprietary trading
IBF Securities Venture Capital Co., Ltd.	2020/12/18	5F, No.130, Lequn 3rd Rd., Zhongshan Dist., Taipei, Taiwan(R.O.C.) (Note6)	NT\$ 200,000	● Venture capital ● Investment Advisory Services ● Management Consultancy Activities ● All business items that are not prohibited or restricted by law, except those subject to special approval.
IBF Financial Holding (BVI) Co., Ltd.	2012/01/19	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	US\$ 30,100 (Exchange rate on financial reporting date is 27.68) NT\$ 833,168	● General investment business
Guo Want International Leasing Corp.	2012/05/23	26F, Building 4, Nanjing Financial City, No.248, Lushan Road, Jianye District, Nanjing, China	RMB\$ 186,734 (Exchange rate on financial reporting date is 4.344) NT\$ 811,172	● Financial leasing ● Leasing ● Procurement of leased property from abroad ● Leased property residual value disposal and maintenance ● Counseling for leasing transactions; non-financing guarantee

Note1 : Relocated on January 4, 2021.

Note2 : Relocated on January 18, 2021.

Note3 : Relocated on January 4, 2021.

Note4 : Relocated on May 21, 2021.

Note5 : Relocated on November 1, 2021.

Note6 : Relocated on January 18, 2021.

Note7 : Financial reporting date is December 31 2021

3. Directors, Supervisors and Presidents of Affiliates

February 28, 2022

Company	Position	Name or Representative	Entity Represented	Shares Held by the Entity		Shares Held by individual or the Representative (Note 1)	
				Number of Shares	Stake (%)	Number of Shares	Stake (%)
International Bills Finance Corporation	Chairman	Chi-Lin Wea	IBF Financial Holdings Co., Ltd.	1,639,000,000	100	0	0
	Director	Ma, Jhen-Hua				0	0
	Director	Su, Song-Huei				0	0
	Director	Michael Chen				0	0
	Director	Wen-Ching Yang				0	0
	Director	-				0	0
	Director	Shu-Mei Hsueh				0	0
	Independent Director	Hong, Ci-Chang				0	0
	Independent Director	Chen, Shu Chuan				0	0
	Supervisor	Tzu-Chiang Wang				0	0
	Supervisor	Nai-Rong Chi				0	0
	Supervisor	Hung, Hui-Ching				0	0
	President	Yen-Lang Chiu	-	-	-	0	0
IBF Securities Co., Ltd.	Chairman	Hsiang-Wen Wang	IBF Financial Holdings Co., Ltd.	493,748,045	58.09	0	0
	Vice Chairman	Ho, Chih-Chiang				0	0
	Director	Andre Huang				0	0
	Director	Hsien-Hsin Chiang				0	0
	Director	Chun-Long Chou				0	0
	Director	Cheng-Fong Shih				0	0
	Director	Chang-Yi Chen				0	0
	Director	Chang-Hsiang Lin				0	0
	Director	Hsiu-Ling Wu	Mega International Commercial Bank	87,619,411	10.31	0	0
	Director	Shou-Jen Chen	Bank of Kaohsiung	41,963,319	4.94	0	0
	Director	Kuo-Kuei Peng	The Shanghai Commercial & Savings Bank, Ltd.	39,865,153	4.69	0	0
	Director	Yu-Chieh Hsiao	-	-	-	0	0
	Independent Director	Hsueh-Yen Chen	-	-	-	0	0
	Independent Director	Jui-Hsiang Huang	-	-	-	0	0
	Independent Director	Hsiao-Chen Lin	-	-	-	0	0
	Acting President	Yu-Chi Chang	-	-	-	0	0
IBF Venture Capital Co., Ltd.	Chairman	Kuan-Ju Chen	IBF Financial Holdings Co., Ltd.	154,000,000	100	0	0
	Director	Tainyi Luor				0	0
	Director	Chun-Hsing Lu				0	0
	Director	Dong-Ho Wang				0	0
	Director	Cheng-Hsi Yang				0	0
	Supervisor	Kang-Jung Chan				0	0
	Supervisor	Chao-Kuo Chou				0	0
	President	Ju-Shan Liu	-	-	-	0	0

Company	Position	Name or Representative	Entity Represented	Shares Held by the Entity		Shares Held by individual or the Representative (Note 1)	
				Number of Shares	Stake (%)	Number of Shares	Stake (%)
Rakuten International Commercial Bank Co., Ltd.	Chairman	Saiki Kazuhiko (Acting Chairman)	-	-	-	0	0
	Director	Chi-Lin Wea	IBF Financial Holdings Co., Ltd.	490,000,000	49	0	0
	Director	-				0	0
	Director	Nagai Hiroyuki	-	-	-	0	0
	Director	Ishii Eiji	-	-	-	0	0
	Supervisor	Dong-Ho Wang	-	-	-	0	0
	Supervisor	Torin Tomotaka	-	-	-	0	0
	Supervisor	Uchiyama Hiroyuki	-	-	-	0	0
	President	Saiki Kazuhiko	-	-	-	0	0
IBF Securities Investment Consulting Co., Ltd.	Chairman	Yang-Kuang Chen	IBF Securities Co., Ltd.	9,000,000	100	0	0
	Director	Jun-Hsien Wu				0	0
	Director	Kuan-Ju Chen				0	0
	Supervisor	Chiu-Hsien Lin				0	0
	Supervisor	Cheng-Fong Shih				0	0
	Acting President	Kai-Ling Chang	-	-	-	0	0
IBF Futures Co., Ltd.	Chairman	Hsiang-Wen Wang	IBF Securities Co., Ltd.	82,019,254	99.90	0	0
	Director	Yu-Chi Chang				0	0
	Director	Kuan-Ju Chen	-	-	-	0	0
	Supervisor	Kang-Jung Chan	-	-	-	0	0
	Supervisor	Hui-Lun Tsai	-	-	-	0	0
	Supervisor	Ming-Jin Chu	-	-	-	0	0
	President	Wu-Hua Chou	-	-	-	0	0
IBF Securities Venture Capital Co., Ltd.	Chairman	Hsiang-Wen Wang	IBF Securities Co., Ltd.	20,000,000	100	0	0
	Director	Ho, Chih-Chiang				0	0
	Director	Yang-Kuang Chen				0	0
	Director	Cheng-Hsi Yang				0	0
	Director	Cheng-Fong Shih				0	0
	Supervisor	Yu-Chi Chang	-	-	-	0	0
	President	Shu-Fang Liu	-	-	-	0	0
IBF Financial Holding (BVI) Co., Ltd.	Director	-	IBF Venture Capital Co., Ltd.	30,100	100	0	0
	Director	Andrew Chiu				0	0
	Director	Wen-Chuan Hung				0	0
	Director	Tainyi Luor				0	0
	Director	Kuan-Ju Chen				0	0
Guo Want International Leasing Corp.(Note2)	Chairman	Ju-Shan Liu	IBF Financial Holding (BVI) Co., Ltd.	USD 30,000 in thousands (contribution)	100	0	0
	Director	Andrew Chiu				0	0
	Director	Hsien-Tsung Li				0	0
	Director	Wen-Chuan Hung				0	0
	Supervisor	Milton Huang	-	-	-	0	0
	President	Chun-Hsin Liu	-	-	-	0	0

Note 1: The shares held by a representative include the shares held by his/her spouse and minor children.

Note 2: The firm is a limited company with no shares in issue and only information on the amount and percentage of capital contributed provided.

4. Operating Performance of Subsidiaries

December 31, 2021

NT\$ in thousands

Company	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Operating Revenue	Operating Profit	Net Income (Loss) (After tax)	EPS (in dollar) (After tax)
International Bills Finance Corporation	16,390,000	258,638,390	227,702,806	30,935,584	4,470,751	3,530,385	2,949,803	1.80
IBF Securities Co., Ltd.	8,500,000	71,151,711	58,443,962	12,707,749	5,325,436	1,830,538	1,744,001	2.052
IBF Venture Capital Co., Ltd.	1,540,000	4,340,018	2,381,897	1,958,121	658,865	490,828	479,063	3.11
Rakuten International Commercial Bank Co., Ltd.	10,000,000	15,760,635	6,481,212	9,279,423	10,173	(558,711)	(446,032)	(0.45)
IBF Securities Investment Consulting Co., Ltd.	90,000	137,468	36,877	100,591	57,866	1,285	239	0.027
IBF Futures Co., Ltd.	821,000	10,123,262	9,126,763	996,499	316,469	10,042	26,529	0.323
IBF Securities Venture Capital Co., Ltd.	200,000	199,637	207	199,430	643	(625)	(453)	(0.023)
Waterland Securities (BVI) Co., Ltd.	0	0	0	0	0	(1)	526	0.094
Waterland Securities (HK) Co., Ltd.	0	0	0	0	0	(68)	(60)	(0.001)
IBF Financial Holding (BVI) Co., Ltd.	US\$ 30,100 (Exchange rate on financial reporting date is 27.68) NT\$ 833,168	1,183,301	0	1,183,301	95,016	95,016	90,635	-
Guo Want International Leasing Corp.	RMB 186,734 (Exchange rate on financial reporting date is 4.344) NT\$ 811,172	3,121,603	1,940,374	1,181,229	277,591	125,050	94,990	-

Note 1: Waterland Securities (BVI) Co., Ltd. share par value is USD 1. The dissolution proceedings were completed on February 25, 2022.

Note 2: Waterland Securities (HK) Co., Ltd. share par value is HKD 1, The dissolution proceedings were completed on October 23, 2021.

Note 3: If an affiliate is a foreign company, its paid-in capital may be expressed in foreign currency, and the exchange rate at the financial reporting date shall be indicated in order to be converted into NT\$. The balance sheet items were converted into NT\$ based on the exchange rate of the financial reporting date, and the income statement items were converted into NT\$ based on the average exchange rate of the fiscal year.

8.1.2 Consolidated Financial Statements

(Please refer to pages 255~384)

8.1.3 Affiliation Report

The Company is not a subordinate company of another company as described in the Chapter of Affiliated Enterprises of the Company Act.

8.2 Private Placement Securities in the Most Recent Year and up to the printing date of the annual report

None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in 2021 and up to the printing date of the annual report

None.

8.4 Other supplementary information

None.

8.5 For 2021 and up to the printing date of the annual report, occurrence of events having material impact on shareholders' rights and interests or securities prices according to Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act

The Company and Rakuten Bank, Ltd. and Rakuten Card Co., Ltd. jointly initiated the establishment of an internet-only bank “Rakuten International Commercial Bank” obtained a business license issued by the Financial Supervision and Administration Commission on December 8, 2020. After completing its opening preparations, Rakuten International Commercial Bank operated on December 30, 2020, and had its grand opening on January 19, 2021.

The Company execute a share swap agreement with EnTie Commercial Bank to acquire 100% of its shares by way of share swap in consideration of cash payment and issuance of preferred shares. After the resolution of the board of directors' meeting on October 14, 2021 and Extraordinary shareholders' meeting on December 2, 2021 being passed, an application was sent to the Financial Supervisory Commission (FSC). The application is deterred for the moment due to FSC's several concerns.

Appendix: 2021 Consolidated Financial Report

IBF Financial Holdings Co., Ltd.

Declaration on Consolidated Financial Statements of Affiliated Enterprises

March 14, 2022

According to ‘Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises’, the Company is not required to provide consolidated financial statements of affiliated enterprises, as affiliates shall be included in that financial report are identical with those included in the consolidated financial statements with subsidiaries which is edited following IFRS 10, and all related information is disclosed in the aforementioned financial statements.

Declared by

IBF Financial Holdings Co., Ltd.

Chairman of the Board of Directors: Chi-Lin Wea

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000363

To the Board of Directors and Shareholders of IBF Financial Holdings Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of IBF Financial Holdings Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi No. 10802731571 and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Provision for guarantee obligation of financial guarantee contracts***Description***

For the accounting policy for provision for guarantee obligation of financial guarantee contracts, please refer to Note 4(14) of the financial statements; for critical accounting judgements, estimates and key

sources of assumption uncertainty, please refer to Note 5(2) of the financial statements; as of December 31, 2021, provision for guarantee obligation was NT \$1,584,206 thousand; for disclosure of the financial statement line items, please refer to Note 6(18) of the financial statements.

The subsidiary, International Bills Finance Corporation's provision for guarantee obligation of financial guarantee contracts is based on the measurement of expected credit losses ("ECLs") under International Financial Reporting Standards 9 ("IFRS 9"), 'Financial instruments'. The Company also sets out related policy and adopts modelling to ensure that the provision is recognised in a proper manner. Modelling and parameter assumptions are adopted with reference to actual loss rate in the past years and yearly macro-economic projections in terms of business cycle released by government agencies. If the credit risk of debtors has not been significantly increased since initial recognition, 12-month ECLs is recognised. If the credit risk of debtors has been significantly increased since initial recognition, lifetime ECLs is recognised after taking into consideration factors such as any adverse changes resulting from debtors' repayment history, industry information related to overdue payment and the collateral's value.

In addition, in accordance with "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" and related regulations, after off-balance-sheet credit assets are classified according to the status of their loan collaterals and length of time in arrears, provision for guarantee obligation is determined based on amount of each classification and their respective fixed rates, to provide guarantee obligation at a sufficient and appropriate amount.

Since the measurement of guarantee obligation of financial guarantee contracts involves subjective judgment and numerous assumptions and estimates, we have included provision for guarantee obligation of financial guarantee contracts as one of the key audit matters in our audit.

How our audit addressed the matter

Procedures we conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Understood and assessed the reasonableness of the policies, internal control, and modelling and processing procedures related to the provisioning of guarantee obligation.
2. Assessed whether the indicators scaling the significant increase of credit risk are reasonable; selected samples and reviewed to confirm that the classification and calculation are both accurate.
3. Assessed whether the modelling and parameter assumptions are justifiable, for instance, to evaluate the historical loss figures and forward-looking economic factors are properly adopted, and updated on a regular basis.
4. Tested a selection of appraisal reports on debtors' collateral to assess whether the point in time of estimated future cash flows and assumptions are reasonable and whether the calculation is accurate.
5. Sampled and tested information on debtors' time in arrears and status of collaterals for financial guarantee contracts, and confirmed the completeness of the reports and the appropriateness of the logic for classifications; sampled and tested the appropriateness of provisions that were calculated according to classifications and respective fixed rates as stipulated under "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".

Fair value measurement of unlisted stocks without active market**Description**

For the accounting policy for unlisted stocks without active market (shown as ‘financial assets at fair value through profit or loss’ and ‘financial assets at fair value through other comprehensive income’), please refer to Notes 4(6) and (8) of the financial statements; for critical accounting judgements, estimates and assumption uncertainty, please refer to Note 5(2) of the financial statements; as of December 31, 2021, the unlisted stocks without active market held by the Group amounted to NT \$3,845,430 thousand and were shown as ‘financial assets at fair value through profit or loss’ and ‘financial assets at fair value through other comprehensive income’ (Level 3 fair value); for disclosure of the financial statement line items, please refer to Notes 6(3) and (5) of the financial statements.

Due to the lack of an active market, the fair value of the unlisted stocks held by the Group was determined using valuation method. Management measured the fair value by using comparable listed companies in market approach or net assets value approach. The main assumption of market approach is the latest published price to book ratio of comparable listed companies in similar industries, which the calculation is based upon, and discounts on market liquidity or risk particularity. Main assumption of net assets value approach is to assess the total value of individual assets and liabilities to reflect the value as a whole.

Abovementioned estimation of fair value involves various assumptions and material unobservable inputs which has high uncertainty and relies on the subjective judgment of management. Any changes in judgements and estimates may affect the ultimate result of accounting estimates and have an impact on the financial statements of the Group. Thus, we have included the fair value measurement of unlisted stocks without active market as one of the key audit matters in our audit.

How our audit addressed the matter

Procedures we conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Sampled to understand and assess the reasonableness of the policies, internal control, and models for fair value measurement and approval procedures related to the fair value measurement of unlisted stock.
2. Sampled to assess whether the management adopts valuation techniques widely adopted in the industry.
3. Sampled to assess whether the management adopts reasonable parameters from comparable companies.
4. Sampled to examine the inputs and formula in valuation models and to agree supporting documentation with reference information.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Publicly

Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current period 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.

Chi, Shu-Mei

Lin, Wei Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

ASSETS			December 31, 2021		December 31, 2020			
			Notes	AMOUNT	%	AMOUNT	%	
Assets								
11000	Cash and cash equivalents	6(1) and 7	\$	2,277,534	1	\$	2,622,153	1
11500	Due from Central Bank and call loans	6(2)						
	to other banks			5	-		62,707	-
12000	Financial assets at fair value through	6(3), 7 and 8						
	profit or loss			163,784,100	47		129,093,828	41
12150	Financial assets at fair value through	6(5), 7 and 8						
	other comprehensive income			111,293,647	32		128,782,536	41
12500	Investments in bills and bonds under	6(4) and 7						
	resale agreements			1,550,000	-		107,055	-
13000	Receivables – net	6(6)(18) and 7		34,115,876	10		30,865,519	10
13200	Current income tax assets			54	-		22	-
15000	Equity investments accounted for	6(9)						
	under the equity method – net			6,415,079	2		6,686,775	2
15500	Other financial assets – net	6(10)(18), 7 and 8		14,440,256	4		8,119,298	2
18000	Investment property	6(13) and 8		44,734	-		7,120	-
18500	Property and equipment – net	6(11) and 8		7,576,526	2		7,469,422	2
18600	Right-of-use assets – net	6(12)		155,561	-		146,563	-
19000	Intangible assets – net	6(14)		246,351	-		232,370	-
19300	Deferred income tax assets	6(22)		125,110	-		97,953	-
19500	Other assets – net	6(15), 7 and 8		7,860,931	2		2,464,165	1
19999	Total Assets		\$	349,885,764	100	\$	316,757,486	100

(Continued)

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY		Notes	December 31, 2021		December 31, 2020		
			AMOUNT	%	AMOUNT	%	
Liabilities							
21500	Due to Central Bank and other banks	6(2), 7 and 8	\$ 26,564,505	8	\$ 19,903,291	6	
22000	Financial liabilities at fair value	6(3)					
	through profit or loss		2,750,157	1	2,093,780	1	
22500	Bills and bonds payable under	6(4) and 7					
	repurchase agreements		216,339,953	62	205,440,521	65	
22600	Commercial paper payable – net	6(16) and 7	22,337,911	6	19,708,341	6	
23000	Payables	6(17) and 7	17,323,653	5	18,306,953	6	
23200	Current income tax liabilities		702,814	-	633,549	-	
Provisions							
24620	Employee benefits provision	6(20)	421,874	-	321,906	-	
24630	Provision for guarantee obligation	6(18)	1,584,206	-	1,424,118	1	
24690	Other provisions	6(21)	9,911	-	6,298	-	
25500	Other financial liabilities	6(19)	9,041,140	3	3,173,196	1	
26000	Lease liabilities		151,627	-	147,141	-	
29300	Deferred income tax liabilities	6(22)	231,006	-	550,297	-	
29697	Other liabilities		8,243,197	2	2,310,284	1	
29999	Total Liabilities		305,701,954	87	274,019,675	87	
Equity attributable to owners of parent							
31100	Share capital	6(23)					
31101	Common stock		29,975,086	9	28,964,817	9	
31500	Capital surplus	6(24)	158,167	-	156,037	-	
	Retained earnings	6(25)					
32001	Legal reserve		2,397,742	1	2,074,646	1	
32003	Special reserve		234,587	-	234,587	-	
32011	Undistributed earnings		3,893,216	1	3,232,516	1	
Other equity interest							
32500	Other equity interest		2,314,646	-	3,682,457	1	
32600	Treasury shares	6(26)	(106,346)	-	(106,346)	-	
39500	Non-controlling interests		5,316,712	2	4,499,097	1	
39999	Total Equity		44,183,810	13	42,737,811	13	
Total Liabilities and Equity			\$ 349,885,764	100	\$ 316,757,486	100	

The accompanying notes are an integral part of these consolidated financial statements.

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	For the years ended December 31,			
		2021		2020	
		AMOUNT	%	AMOUNT	%
41000 Interest income	6(27) and 7	\$ 3,435,284	34	\$ 3,498,912	41
51000 Less: Interest expense	6(27) and 7	(745,971)	(8)	(1,221,655)	(14)
Net interest income		2,689,313	26	2,277,257	27
Net non-interest income					
49800 Service fee and commission income — net	6(28) and 7	4,590,027	45	3,466,705	40
49820 Gain on financial assets and financial liabilities at fair value through profit or loss	6(3)(29) and 7	2,167,076	22	1,370,186	16
49835 Realised gains on financial assets at fair value through other comprehensive income	6(5)(30)	617,780	6	1,170,140	14
49870 Foreign exchange (loss) gain		(27,312)	-	49,366	-
49880 Reversal of impairment loss on assets	6(31)	19,358	-	3,890	-
49890 Share of profit or loss of associates and joint ventures accounted for using equity method	6(9)	(75,403)	(1)	18,083	-
49900 Other non-interest gain	6(32)	115,006	1	135,442	2
49951 Rental income	7	68,022	1	79,082	1
Net profit		10,163,867	100	8,570,151	100
58100 Bad debt expense, commitment and guarantee liability provision	6(18)(33)	(151,088)	(2)	(93,004)	(1)
Operating Expenses					
58501 Employee benefit expense	6(34)	(3,297,935)	(32)	(2,682,234)	(31)
58503 Depreciation and amortization	6(35)	(214,802)	(2)	(206,224)	(3)
58599 Other business and administrative expenses	6(36)	(1,004,287)	(10)	(845,948)	(10)
61000 Consolidated income from continuing operations before income tax		5,495,755	54	4,742,741	55
61003 Income tax expense	6(22)	(890,705)	(9)	(1,007,822)	(12)
69000 Consolidated net income		4,605,050	45	3,734,919	43

(Continued)

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share)

				For the years ended December 31,			
		2021		2020			
Items	Notes	AMOUNT	%	AMOUNT	%		
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
69561	Remeasurements of defined benefit plans	6(20)					
				(\$	107,580)	(	1)
				(\$			40,669)
69567	Gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(5)					
					1,071,792		11
				(			39,369)
69563	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(9)					
					4,812	-	(
							2,462)
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)					
					21,516	-	
							8,134
							-
Components of other comprehensive income that will be reclassified to profit or loss							
69571	Exchange differences on translation of foreign financial statements			(			18,770)
				-		(	
							947)
69585	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(5)					
				(			2,317,740)
				(		23)	
							1,465,158
69575	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(9)					
				(			117,867)
				(		1)	
							40,955
69579	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(22)					
					298,696	3	(
							168,820)
				(			15
69500	Other comprehensive income (loss) (net of tax)			(	1,165,141)	(	11)
							1,261,980
69700	Total comprehensive income						58
				\$	3,439,909	34	\$
							4,996,899
Net income attributable to:							
69901	Stockholder of the Company			\$	3,883,865	38	\$
							3,248,085
69903	Non-controlling interests				721,185	7	
							486,834
				\$	4,605,050	45	\$
							3,734,919
							43
Comprehensive income attributable to:							
69951	Stockholder of the Company			\$	2,502,467	25	\$
							4,505,763
69953	Non-controlling interests				937,442	9	
							491,136
				\$	3,439,909	34	\$
							4,996,899
							58
Earnings Per Share							
Basic and diluted earnings per share							
				\$		1.30	\$
							1.09

The accompanying notes are an integral part of these consolidated financial statements.

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THREYEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Non-controlling interests	Total equity
	Retained Earnings					Other equity interest						
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Treasury shares	Total			
For the year ended December 31, 2020												
Balance at January 1, 2020	\$ 28,480,646	\$ 153,610	\$ 1,814,982	\$ 234,587	\$ 2,596,632	(\$ 128,601)	\$ 2,536,256	\$ -	\$ 35,688,112	\$ 4,140,649	\$ 39,828,761	
Net income for the period	-	-	-	-	3,248,085	-	-	-	3,248,085	486,834	3,734,919	
Other comprehensive income (loss) for the period	-	-	-	-	(21,397)	6,852	1,272,223	-	1,257,678	4,302	1,261,980	
Total comprehensive income	-	-	-	-	3,226,688	6,852	1,272,223	-	4,505,763	491,136	4,996,899	
Appropriation of 2019 earnings												
Legal reserve	-	-	259,664	-	(259,664)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,851,242)	-	-	-	(1,851,242)	-	(1,851,242)	
Stock dividends	484,171	-	-	-	(484,171)	-	-	-	-	-	-	
Changes in equity of investment accounted for using equity method	-	200	-	-	-	-	-	-	200	-	200	
Other changes in capital surplus	-	2,227	-	-	-	-	-	-	2,227	-	2,227	
Repurchase of treasury shares	-	-	-	-	-	-	-	(106,346)	(106,346)	-	(106,346)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(132,688)	(132,688)	
Disposal of investment in equity instruments measured at fair value through other comprehensive income	-	-	-	-	7,898	-	(7,898)	-	-	-	-	
Disposal of investments in equity instruments measured at fair value through other comprehensive income by equity investments accounted for using equity method	-	-	-	-	(3,625)	-	3,625	-	-	-	-	
Balance at December 31, 2020	\$ 28,964,817	\$ 156,037	\$ 2,074,646	\$ 234,587	\$ 3,232,516	(\$ 121,749)	\$ 3,804,206	(\$ 106,346)	\$ 38,238,714	\$ 4,499,097	\$ 42,737,811	
For the year ended December 31, 2021												
Balance at January 1, 2021	\$ 28,964,817	\$ 156,037	\$ 2,074,646	\$ 234,587	\$ 3,232,516	(\$ 121,749)	\$ 3,804,206	(\$ 106,346)	\$ 38,238,714	\$ 4,499,097	\$ 42,737,811	
Net income for the period	-	-	-	-	3,883,865	-	-	-	3,883,865	721,185	4,605,050	
Other comprehensive income (loss) for the period	-	-	-	-	(43,619)	(13,336)	(1,324,443)	-	(1,381,398)	216,257	(1,165,141)	
Total comprehensive income (loss)	-	-	-	-	3,840,246	(13,336)	(1,324,443)	-	2,502,467	937,442	3,439,909	
Appropriation of 2020 earnings												
Legal reserve	-	-	323,096	-	(323,096)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,876,213)	-	-	-	(1,876,213)	-	(1,876,213)	
Stock dividends	1,010,269	-	-	-	(1,010,269)	-	-	-	-	-	-	
Other changes in capital surplus	-	2,130	-	-	-	-	-	-	2,130	-	2,130	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(119,827)	(119,827)	
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	29,943	-	(29,943)	-	-	-	-	
Disposal of investments in equity instruments measured at fair value through other comprehensive income by equity investments accounted for using equity method	-	-	-	-	89	-	(89)	-	-	-	-	
Balance at December 31, 2021	\$ 29,975,086	\$ 158,167	\$ 2,397,742	\$ 234,587	\$ 3,893,216	(\$ 135,085)	\$ 2,449,731	(\$ 106,346)	\$ 38,867,098	\$ 5,316,712	\$ 44,183,810	

The accompanying notes are an integral part of these consolidated financial statements.

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 5,495,755	\$ 4,742,741
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation and amortization	214,802	206,224
Bad debt expense, commitment and guarantee liability provision	151,088	93,004
Interest expense	745,971	1,221,655
Interest income	(3,435,284)	(3,498,912)
Dividend income	(269,346)	(216,007)
Share of profit or loss of associates and joint ventures accounted for using equity method	75,403	(18,083)
Gain on disposal and retirement of property and equipment	(1,072)	-
Lease modification and decommissioning liability modification losses - net	3,373	-
Reversal of impairment loss on assets	(19,358)	(3,890)
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets at fair value through profit or loss	(34,690,272)	(17,929,874)
Financial assets at fair value through other comprehensive income	16,262,103	1,248,338
Investments in bills and bonds under resale agreements	(1,442,945)	1,428,500
Receivables	(3,367,695)	(8,210,829)
Other financial assets	(6,130,728)	145,089
Other assets	(5,308,007)	(1,311,102)
Changes in operating liabilities		
Financial liabilities at fair value through profit or loss	656,377	1,048,379
Bills and bonds payable under repurchase agreements	10,899,432	13,049,461
Payables	(1,004,545)	7,744,152
Employee benefits provision	13,904	(5,587)
Other provisions	2,147	(108)
Other financial liabilities	5,867,944	(2,943,122)
Other liabilities	5,926,369	1,430,505
Cash outflow generated from operations	(9,354,584)	(1,779,466)
Interest received	3,570,271	3,735,603
Dividends received	268,589	213,221
Cash dividends received from investments accounted for using equity method	83,238	67,551
Interest paid	(744,548)	(1,273,649)
Income tax paid	(838,540)	(567,023)
Net cash flows (used in) from operating activities	(7,015,574)	396,237

(Continued)

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Loss on disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 3,625
Acquisition of property and equipment	(259,428)	(4,525,492)
Proceeds from disposal of property and equipment	2,325	-
Decrease in operating guarantee deposits	-	400,000
(Increase) decrease in clearing and settlement fund	(19,138)	11,134
(Increase) decrease in refundable deposits	(14,899)	146,420
Acquisition of intangible assets	(35,217)	(31,519)
Increase in deferred debits	(61,049)	(2,437)
(Increase) decrease in certificates of deposit pledged	(190,230)	29,777
Net cash flows used in investing activities	(577,636)	(3,968,492)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in due to the Central Bank and other banks	6,661,214	13,152
Increase in commercial paper payable	2,618,708	6,459,952
Repayment of principal portion of lease liabilities	(81,960)	(90,628)
Repurchase of treasury shares	-	(106,346)
Cash dividends paid	(1,876,213)	(1,851,242)
Unclaimed dividend	2,130	2,227
Changes in non-controlling interests	(119,827)	(132,688)
Net cash flows from financing activities	7,204,052	4,294,427
Effect of exchange rate changes on cash and cash equivalents	(18,163)	(2,295)
Net (decrease) increase in cash and cash equivalents	(407,321)	719,877
Cash and cash equivalents at beginning of year	2,684,860	1,964,983
Cash and cash equivalents at end of year	\$ 2,277,539	\$ 2,684,860
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 2,277,534	\$ 2,622,153
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	5	62,707
Cash and cash equivalents at end of reporting period	\$ 2,277,539	\$ 2,684,860

The accompanying notes are an integral part of these consolidated financial statements.

IBF FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) IBF Financial Holding Co., Ltd. (hereinafter referred to as “IBF Financial Holdings” or the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in underwriting, certification as well as endorsements and guarantees of short-term bills; trading and underwriting securities such as commercial papers and bonds; consignment trading of securities; financing and short selling as well as lending and borrowing business of securities; trading as well as introducing brokerage services of futures; agency and leasing business of real estate and movables as well as venture capital business.
- (2) As of March 26, 2002, the Company was incorporated pursuant to the Financial Holding Company Act and the Company Law. In connection with the formation of the Company, the shares of International Bills Finance Corporation (hereinafter referred to as “IBFC”), Concord Securities Co., Ltd. and Dadong General Securities Co., Ltd. were exchanged for shares of the Company. The Company was listed on the Taiwan Stock Exchange on the same date with approval of the Competent Authority. The Company is primarily engaged in financial holding company business.
- (3) Concord Securities Co., Ltd. and Dadong General Securities Co., Ltd. merged with IBF Securities Co., Ltd. in October 2002. IBF Securities Co., Ltd. was the surviving entity (hereinafter referred to as “IBF Securities”).

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 14, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)
 New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform—Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—Cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – 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
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the

Group's financial condition and financial performance based on the Group's assessment.

Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'

The amendments require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

On January 1, 2022, the Group's liabilities related to right-of-use assets, lease liabilities and decommissioning liabilities that are all deductible and taxable temporary differences are recognised as deferred tax assets and liabilities, the effect of which is still under evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e., transactions with owners in their capacity as

owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(BLANK)

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
IBF Financial Holdings	IBFC (Note 2)	Brokerage and proprietary trading of short-term bills and bonds; underwriting, certification and guarantee of commercial papers, etc.	100.00%	100.00%
IBF Financial Holdings	IBF Securities (Note 5)	Brokerage of securities proprietary trading, underwriting business, margin purchases and short selling of securities, etc.	58.09%	58.09%
IBF Financial Holdings	IBF Venture Capital Co., Ltd. (“IBF VC”)	Venture capital business	100.00%	100.00%
IBF Securities	IBF Securities Investment Consulting Co., Ltd.(“IBF Securities Investment Consulting”)	Acceptance of appointment to provide opinion on research and analysis for securities investment and discretionary services	58.09%	58.09%
IBF Securities	IBF Futures Co., Ltd.(“IBF Futures”)(Note 3)	Futures business	58.03%	58.03%
IBF Securities	IBF Securities Venture Capital Co., Ltd. (“IBF Securities Venture”)(Note 4)	Venture capital business and management consultant	58.09%	58.09%
IBF Securities	Waterland Securities (BVI) Co., Ltd. (“Waterland Securities (BVI)”)(Note 1 , Note 6 and Note 7)	Holding company	-	58.09%
Waterland Securities (BVI)	Waterland Securities (HK) Co., Ltd. (“Waterland Securities (HK) ”)(Note 1)	Securities brokerage, proprietary trading and underwriting co-organiser and other related businesses	-	58.09%
IBF VC	IBF Financial Holding (BVI) Co., Ltd.	General investment business	100.00%	100.00%
IBF Financial Holding (BVI) Co., Ltd.	Guo Want International Leasing Corp. (“Guo Want International Leasing”)	Financial leasing business	100.00%	100.00%

Note 1: The dissolution and liquidation of Waterland Securities (HK) Co., Ltd. invested by Waterland Securities (BVI) Co., Ltd. was delegated to the Chairman as resolved at the Board meeting in August 2012 under relevant regulations. On August 31, 2020, the company has obtained approval of revocation by the Securities and other liquidation procedures have been completed by the announcement of the Hong Kong Companies Registry on October 23, 2021.

Note 2: On March 20, 2020, the Board of Directors of IBFC and on April 20, 2020, the Board of Directors of IBFC in the capacity of shareholders' meeting, approved to increase capital with undistributed surplus of \$700,000. The effective date was May 29, 2020. It has been approved by the FSC and the change of registration was completed.

Note 3: On March 19, 2020, the shareholders of IBF Futures resolved the issuance of common stock for cash amounting to \$200,000, issuing 20,000 thousand shares. The effective date was June 4, 2020. Subsidiary IBF Securities had purchased 19,991 thousand shares. Subsidiary IBF Futures Co., Ltd.'s regular shareholders' meeting in July 2020 resolved for increasing capital by retained earnings of 2019, and the effective date was August 31, 2020. 2,098 thousand shares were distributed to IBF Securities. As of December 31, 2021, IBF Securities has held 82,019 thousand shares of IBF Futures Co., Ltd. with an ownership of 99.90%. IBF Financial Holdings has a consolidated ownership of 58.03%.

Note 4: On December 18, 2020, IBF Securities Venture was approved by the Taipei City Government for establishment and registration by the Letter No. 10957515000. Its total capital amounted to \$200,000, with par value of \$10, by issuing 20,000 thousand shares.

Note 5: On July 26, 2021, the shareholders' meeting of IBF Securities resolved to increase capital with undistributed surplus of \$500,000. The effective date was October 2, 2021. It has been approved by the FSC on October 20, 2021 and the change of registration was completed.

Note 6: The Board of Directors of Waterland Securities (BVI) Co., Ltd. resolved the dissolution of the company on November 5, 2021.

Note 7: On December 3, 2021, the subsidiary IBF Securities received a letter from the FSC agreed to dismantle the overseas investment subsidiary Waterland Securities (BVI) Co., Ltd. and the remaining funds were remitted on December 22, 2021. The dissolution has been completed on February 25, 2022.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2021		December 31, 2020	
		Amount	Ownership (%)	Amount	Ownership (%)
IBF Securities	Taiwan	\$ 5,316,712	41.91%	\$ 4,499,097	41.91%

For the years ended December 31, 2021 and 2020, total comprehensive income attributable to the abovementioned non-controlling interests are \$937,442 and \$491,136, respectively. Summarized financial information of the subsidiaries is provided in Note 12(9).

(4) Foreign currency translation

A. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

C. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet includes cash on hand, demand deposit, time deposits, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents shown in the consolidated balance sheet, due from the Central Bank and call loans to banks qualified as cash and cash equivalents as defined by IAS 7 and approved by FSC.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, unless the dividend clearly represents the recovery of a portion of the investment cost.
- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Bills and bonds under repurchase or resale agreements

Bills and bonds under repurchase or resale agreements are stated at the amount actually received from or paid to the counterparties. When transactions of bills and bonds with a condition of resale agreements occur, the actual payment shall be recognised in investments in bills and bonds under resale agreements. When transactions of bills and bonds with a condition of repurchase agreements occur, the actual receipt shall be recognized in bills and bonds payable under repurchase agreements. Any difference between the actual payment/receipt and predetermined resell (repurchase) price is recognised in interest income or interest expense.

(10) Receivables

A. Receivables include those originated and those not originated by the Group such as accounts receivable, notes receivable and other receivables.

- (a) Receivables overdue within six months shall be accounted for as accounts receivable.
- (b) During the period which guaranteed commercial papers are issued for, the collateral is subject to provisional attachment yet the borrower still pays the interest regularly. In order to extend a grace period for the borrower to apply for removal of such

attachment, if such commercial paper matures without being presented immediately, the balance of the commercial paper shall be accounted for as notes receivable.

(c) Other receivables represent receivables other than accounts receivable and notes receivable.

B. Receivables are shown at net value with allowance for impairment losses assessed in accordance with IFRS 9 at balance sheet date. As for credit assets, allowance is provided at the higher of the aforementioned impairment loss assessed in accordance with IFRS 9 and the impairment losses assessed in accordance with “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”.

C. Adjustments of loss allowance and provisions shall be made if there are collections of bad debts recovery.

(11) Overdue receivables

Receivables overdue for longer than six months shall be accounted for as overdue receivables. Allowance is provided at the higher of the impairment losses assessed in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loan” and IFRS 9. Allowance is a valuation item under overdue receivables.

(12) Impairment of financial assets

A. For debt instruments measured at fair value through other comprehensive income, lease receivables and financial guarantee contracts, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

The Group measures the expected credit impairment losses of financial instruments by reflecting the following items:

(a) Unbiased and probability-weighted amount that is determined by evaluating all kinds of possible outcomes.

(b) Time value of money.

(c) Reasonable and provable information about past events, present situation, and forecasts of future economic conditions (available at reporting date without undue cost or effort).

B. The Group shall assess the credit assets in and off balance sheets in accordance with “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” with the consideration of collateral provided and the time length of overdue payment. Take the sum of 1% debt balance of normal credit assets, 2% debt balance of assets requiring special attention, 10% debt balance of assets deemed recoverable, 50% debt balance of assets that are doubtful and 100% debt balance of assets are not recoverable as the minimum for allowance for credit loss and reserve for losses of

provision for guarantee obligation, which shall be sufficient to cover any possible losses based on the Group's experience.

(13) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(14) Financial guarantee contracts

- A. Financial guarantee contract is a contract that requires IBFC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
- B. IBFC initially recognises financial guarantee contracts at fair value on the date of issuance. IBFC charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.
- C. IBFC measures the financial guarantee contract it issues at the greater of the following two amounts:
 - (a) Allowance for losses determined by expected credit loss valuation model; and
 - (b) The amount initially recognised less, when appropriate, cumulative effect recognised in accordance with IFRS 15.

In addition to the abovementioned, subsidiary IBFC also assesses the possible loss on credit assets off balance sheets in accordance with "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" and other applicable laws. The greater of the two amounts is recognised and included in the provision for guarantee obligation.

(15) Derecognition of financial assets and financial liability

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(16) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(17) Investments accounted for using equity method

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(18) Customer margin account /Futures traders' equity

Engaged in futures brokerage business with receiving margins, premiums and differences from fair value in accordance with "Regulations Governing Futures Commission Merchants", which are all recognised in 'Customer margin deposit account' in assets and 'Futures traders' equity' in liabilities. 'Customer margin deposit account' and 'Futures traders' equity' adjustments are according to the differences of daily market closing prices and related commissions. Accounts cannot be offset except for the same type of accounts of the same customer. Moreover, if borrower's balance arises from futures traders' equity, the balance shall be recognised as 'Futures trading margin receivables'.

(19) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of buildings, equipment and leasehold are 55~60 years, 3~12 years and 3~6 years or lease term, respectively.

(20) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(21) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its useful life of 50 years.

(22) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful lives of 3~6 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. Goodwill is tested annually for impairment and presented in cost less accumulated impairment.

(23) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the accumulated depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill is evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or

group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(24) Provisions for contingent liabilities and contingent assets

A. When all the following criteria are met, the Group shall recognise a provision:

- (a) A present obligation (legal or constructive) as a result of a past event.
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognised when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

- B. Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.
- C. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group did not recognise any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.
- D. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Or it could be a present obligation as a result of past events but the payment is not probable or the amount cannot be measured reliably. The Group did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations. The Group did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 5% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Common stock dividends of the Company recognised as equity at the year of shareholders' meeting approved. If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.

(28) Share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are classified as liabilities.

(30) Income and expenses

Income and expense of the Group are recognised as incurred, the main components are as follows:

- A. Interest income and expense: Interest income means interest income generated from holding bills and bonds, investments in bills and bonds under resale agreements, various deposits, and other financial assets. Interest expense means interest expenses resulting from bills and bonds payable under repurchase agreements and financing from banks. All the interest income and interest expense generated from interest-bearing financial instruments are calculated by effective interest rate according to relevant regulations and recognized as 'Interest income' and 'Interest expense' in the statements of comprehensive income.
- B. Service fee income and expense: Service fee income means service fee income earned from provision of guarantee, certification, underwriting and brokerage services. Service fee expense means expenses resulting from authorizing others to handle various procedures. Amounts received when providing the services, such as guarantee service, is recognized as service fee income on a straight-line basis when providing the services. If

the amounts earned are classified as income from implementation of significant activities, such as underwriting service, the amounts shall be recognized as income when the significant activities are completed.

- C. Futures contract gains or losses: The margin of futures trading is recognised at cost and measured through mark-to-market accounting. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognised as gains or losses in the current period; dealer handling fee expenditures is recognised on the transaction date of futures trading.
- D. Operating expenses: Operating expenses refer to expenditures required to carry out business operations, which primarily comprise employee benefit expense, depreciation and amortization expenses, and other business and administrative expenses.

(31) Treasury shares

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received and net of any directly attributable incremental transaction costs, is included in equity attributable to the Company equity holders.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The details on critical accounting judgements, estimates and assumption uncertainty are as follows:

- (1) As the consolidated financial statements of the Group may be affected by the adoption of accounting policies, accounting estimates and assumptions, the Group's management shall properly exercise its professional judgements, estimates, and assumptions on the information of the key risks that are not easy to obtain from other resources and could affect the carrying amounts of financial assets and liabilities in the next fiscal year while adopting critical accounting policies as stated in Note 4. Estimates and assumptions of the Group are the best estimates made in compliance with IFRSs. Estimates and assumptions are made based on historical experience and other factors deemed relevant; however, the actual results may differ from the estimates. The Group reviews the estimates and assumptions on an ongoing basis and recognises the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized in both periods.
- (2) The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The

estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Provisions for guarantee obligation of financial guarantee contracts.

Unless otherwise provided by laws or regulations, IBFC assesses the adequacy of provisions for guarantee obligation of financial guarantee contracts at the balance sheet date by adopting related policies and models of expected credit loss.

- (a) The evaluation model and parameter assumptions adopted are based on the historical actual loss rate and the predicted information on macro-economic forecast of future prosperity changes issued by the government organizations annually.
- (b) For the debtors who have no significant increase of credit losses since the initial recognition after assessed, the provisions are measured use aforementioned model to recognise 12-month. For the debtors who have significant increase of credit losses since the initial recognition, the provisions are measured to recognise lifetime through observing if any adverse movement in payment status of the debtors, or industry information and other indicators of arrears, and considering the value of collateral.
- (c) IBFC periodically reviews assumptions of factors for judgement in order to reduce the difference between expected credit loss and actual credit loss.

B. Fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks without active market held by the Group, if measured using valuation model, is measured with observable data or models of financial instruments with similar characteristics. If there are no observable inputs from the market, the fair value of the instruments is measured with appropriate assumptions. If fair value is determined by a valuation model, it should be calibrated so that the end result reflects actual data and market prices, and only observable data should be used whenever it is possible.

The measurement of fair value by using valuation model, is refer to the calculation by P/E method, P/B method and taking into account the discount due to market liquidity or risk specificity, and if the object has no comparable instruments or its fair value cannot be estimated using market method, other valuation technique, such as net assets method, is used to estimate its fair value. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(2) for the financial instruments fair value information.

C. Expected credit loss

For financial assets, the measurement of expected credit losses uses complex models and multiple assumptions. These models and assumptions take into account future macro-economic conditions and credit behaviors of borrowers (e.g. probability of customer default and loss). Please refer to Note 12(4) for detailed information on parameters, assumptions, and estimation methods used in measuring expected credit losses and disclosure of the sensitivity of credit loss to the aforementioned factors.

The measurement of expected credit losses according to applicable accounting rules involves significant judgement in several areas, for example;

- (a) The criteria used to judge whether there is significant increase in credit risk;

- (b) The selection of appropriate models and assumptions for measuring expected credit losses;
- (c) Determining the forward-looking factors that are necessary for the measurement of expected credit losses for each type of product;
- (d) For the purpose of measuring expected credit losses, classifying the financial instruments according to similar credit risk characteristics.

For judgements and estimations used in above expected credit losses, please refer to Note 12(4).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash	\$ 1,511	\$ 1,500
Checking accounts and demand deposits	1,200,875	908,624
Foreign currency deposits	303,018	542,849
Time deposits	<u>772,130</u>	<u>1,169,180</u>
Cash and cash equivalents reported in the balance sheet	2,277,534	2,622,153
Due from Central Bank and call loans to other banks	<u>5</u>	<u>62,707</u>
Total	<u>\$ 2,277,539</u>	<u>\$ 2,684,860</u>

As of December 31, 2021 and 2020, the Group's time deposit pledged to others was recognized under other financial assets. The details are provided in Notes 6(10) and 8.

(2) Due from Central Bank and call loans to other banks / Due to Central Bank and other banks

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Due from Central Bank	\$ 5	\$ 15
Call loans to other banks	<u>-</u>	<u>62,692</u>
	<u>\$ 5</u>	<u>\$ 62,707</u>
Bank call loans and overdrafts from banks	\$ 22,843,061	\$ 16,224,598
Bank borrowings	<u>3,721,444</u>	<u>3,678,693</u>
	<u>\$ 26,564,505</u>	<u>\$ 19,903,291</u>

- A. Call loans to other banks are the amount of call loans which are lent to banks and bills finance companies. The contract periods are all within a year, the contract is renewable and interest is calculated by call loan rate set by banks. As of December 31, 2021 and 2020, interest rates for the loans were 0% and 0.25%, respectively.
- B. Bank call loans and overdrafts from banks are short-term borrowings with daily interest IBFC borrowed within the credit line from banks or other financial institutions. The contract period is within a year, the contract is renewable and interest is calculated by call loan rate set by banks. As of December 31, 2021 and 2020, interest rate for bank call loans and overdrafts from banks were 0.32% to 0.38% and 0.21% to 0.76%, respectively.
- C. As of December 31, 2021 and 2020, credit line from banks were both \$500,000. December 31, 2021 and 2020, credit line was not used.
- D. As of December 31, 2021 and 2020, the line of credit for IBF VC were \$1,525,000 and \$1,705,000 and interest rates were 1.20% to 1.35% and 1.20% to 1.48%, respectively.

- E. As of December 31, 2021 and 2020, the line of credit for Guo Want International Leasing were \$3,456,827 and \$3,291,152 and interest rate were 1.18% to 4.66% and 1.23% to 4.61%, respectively.
- F. As of December 31, 2021 and 2020, the line of credit for IBF Securities were \$14,283,000 and \$12,033,000 and interest rate were 0.45% to 1.08% and 0.45% to 1.09%, respectively.
- G. As of December 31, 2021 and 2020, the information regarding pledged loan facility is provided in Note 8.

(3) Financial assets and liabilities at fair value through profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss		
Stocks	\$ 4,532,522	\$ 3,928,033
Beneficiary certificates	298,239	477,622
Commercial papers	132,808,228	97,396,400
Negotiable bank's certificates of deposit	20,580,048	22,554,993
Government bonds	458,290	511,248
Corporate bonds	3,786,460	3,355,917
Derivative instruments	43,092	31,140
Call (put) warrants	46,910	51,417
Others	176,633	212,505
Subtotal	162,730,422	128,519,275
Valuation adjustment	1,053,678	574,553
Total	<u>\$ 163,784,100</u>	<u>\$ 129,093,828</u>
Financial liabilities at fair value through profit or loss		
Contract of selling revolving commercial paper	\$ 537	\$ 556
Securities borrowing payable	1,280,883	696,788
Call (put) warrants liabilities	759,744	687,318
Derivative instruments	440,707	505,535
Subtotal	2,481,871	1,890,197
Valuation adjustment	268,286	203,583
Total	<u>\$ 2,750,157</u>	<u>\$ 2,093,780</u>

- A. As of December 31, 2021 and 2020, the amounts of IBFC's negotiable bank's certificate of deposit pledged to the Central Bank and other financial instruments as collateral for the credit line of call loans were \$7,490,000 and \$7,500,000, respectively. The information is provided in Note 8.
- B. As of December 31, 2021 and 2020, the amounts of IBF Securities' government bonds pledged to OTC as performance bonds and operation guarantee deposits were \$401,383 and \$417,337, respectively. The information is provided in Note 8.
- C. As of December 31, 2021, IBF Securities' outstanding call (put) warrants totaled to 2,739 warrants consisting of 413 European style warrants and 2,326 American style warrants. The settlement is carried out by stock delivery within six to nine months from the vesting period of call (put) warrants to the trading date. However, IBF Securities retains the option to settle by cash.
- D. For the fair value information of aforementioned debt instruments that were recognized as bonds with repurchase agreements, please refer to Note 6(7).
- E. Information relating to credit risk is provided in Note 12(5).

(4) Investments in bills and bonds under resale agreements and bills and bonds payable under repurchase agreements

- A. As of December 31, 2021 and 2020, the maturity of investment in bills and bonds under resale agreements were all within a year and the interest rates were 0.22% to 0.28% and 0.20% to 0.43%, respectively.
- B. As of December 31, 2021 and 2020, the maturity of bills and bonds payable under repurchase agreements both were within a year and the interest rate were -0.38% to 0.93% and -0.45% to 2.488%, respectively.

(5) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Debt instruments		
Government bonds	\$ 29,432,177	\$ 44,171,987
Financial bonds	18,959,712	21,093,844
Corporate bonds	56,990,113	56,304,283
	105,382,002	121,570,114
Valuation adjustment	1,338,532	3,637,109
Subtotal	106,720,534	125,207,223
Equity instruments		
Listed stocks	978,625	980,971
Unlisted stocks	1,803,846	1,847,608
	2,782,471	2,828,579
Valuation adjustment	1,790,642	746,734
Subtotal	4,573,113	3,575,313
Total	\$ 111,293,647	\$ 128,782,536

- A. The Group has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income.
- B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2021	2020
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 1,841,232)	\$ 2,507,862
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to reversal of impairment loss	(\$ 19,162)	(\$ 3,816)
Reclassified due to derecognition	(457,346)	(1,038,888)
	(\$ 476,508)	(\$ 1,042,704)
Interest income recognized in profit or loss	\$ 1,583,941	\$ 1,937,908

	For the years ended December 31,	
	2021	2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 1,071,784	(\$ 39,353)
Fair value change recognized in other comprehensive income – non-controlling interest	8	(16)
	<u>\$ 1,071,792</u>	<u>(\$ 39,369)</u>
Dividend income recognized in profit or loss from those held at end of period	\$ 160,434	\$ 131,252
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ 29,943</u>	<u>\$ 7,898</u>

- C. For the years ended December 31, 2021 and 2020, IBFC sold certain equity instrument investments amounting to \$144,621 and \$43,071, respectively. The cumulative gains on disposal were \$28,248 and \$98, respectively.
- D. For the years ended December 31, 2021 and 2020, IBF VC sold certain equity instrument investments amounting \$36,915 and \$34,275, respectively. The cumulative gains on disposal were \$4,550 and \$7,800, respectively.
- E. For the year ended December 31, 2021, Top Taiwan V Venture Capital Co., Ltd. invested by IBF Securities finished dissolution. The cumulative loss on disposal was \$4,914.
- F. The shareholders' meeting of Grand Cathay Venture Capital III Co., Ltd. resolve to reduce its capital on December 8, 2021. The base date for capital reduction was December 8, 2021. 166 thousand shares were reduced and the company's share capital of \$1,157 thousand was returned to the subsidiary IBF securities. The base date for the dissolution of Grand Cathay Venture Capital III Co., Ltd. by the resolution of the shareholders' meeting was December 31, 2021. As of the date of the audit report, it was still in the process of liquidation.
- G. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.
- H. For the fair value information of aforementioned debt instruments that were recognized as bonds with repurchase agreements, please refer to Note 6(7).
- I. Information relating to credit risk is provided in Note 12(5).

(6) Receivables-net

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes and accounts receivable	\$ 70,801	\$ 54,617
Interest receivable	986,882	1,121,869
Margin loans receivable	15,900,002	12,512,263
Guaranteed proceeds receivable from refinancing	22,314	60,403
Receivable of securities and bonds sold	21,394	4,070
Receivable of securities settlement price	12,199,790	12,998,557
Lease payments receivable	2,597,897	2,396,588
Refinance guaranty receivable	2,239,271	1,488,198
Other receivables	190,357	342,791
	<u>34,228,708</u>	<u>30,979,356</u>
Less: Allowance for bad debts	(112,832)	(113,837)
	<u>\$ 34,115,876</u>	<u>\$ 30,865,519</u>

A. Movements in allowance for accounts receivable for the years ended December 31, 2021 and 2020 is provided in Note 6(18).

B. Net lease payments receivable of Guo Want International Leasing on December 31, 2021 and 2020 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lease payments receivable	\$ 2,867,903	\$ 2,625,609
Unguaranteed residual value	-	-
Less: Unearned financing income	(256,000)	(227,567)
Allowance for bad debts	(57,471)	(43,651)
Lease payments receivable - net	<u>\$ 2,554,432</u>	<u>\$ 2,354,391</u>
Listed in accounts receivable	\$ 2,547,429	\$ 2,354,391
Listed in other financial assets	7,003	-

C. Minimum lease payments Guo Want International Leasing is expected to receive from lease investment as of December 31, 2021 and 2020 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Within one year	\$ 1,793,047	\$ 1,733,748
One to two years	880,962	725,016
Two to three years	188,367	166,845
Above three years	5,527	-
	<u>\$ 2,867,903</u>	<u>\$ 2,625,609</u>

D. Information relating to credit risk is provided in Note 12(5).

(7) Transfer of financial assets - not fully derecognized

During the Group's activities, the transferred financial assets that do not meet derecognition conditions are debt instruments under repurchase agreements. Because transactions in respect to the repurchase agreements of debt instruments reflected in the Group's related liabilities, which indicate the obligation to repurchase transferred financial assets in a specified future period within a fixed price, the Group, within the effective period of the transaction, cannot use, sell or pledge the already transferred financial asset, but must still bear interest risk and credit risk. Thus, such financial assets were not derecognized in its entirety. Financial assets that do not meet the derecognition conditions and related financial liabilities are analysed as below:

December 31, 2021		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	\$ 123,549,150	\$ 123,310,358
Financial assets at fair value through other comprehensive income		
Repurchase agreement	\$ 90,927,222	\$ 93,029,595
December 31, 2020		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	\$ 93,229,567	\$ 92,788,693
Financial assets at fair value through other comprehensive income		
Repurchase agreement	\$ 114,095,451	\$ 112,651,828

(8) Offsetting financial assets and financial liabilities

The Group has transactions that do not meet the offsetting criteria in paragraph 42 of IAS 32 but follow the net settled master netting arrangements or other similar arrangements, i.e. Derivatives, repurchase agreements and resale agreements. If one party breaches the contract, such as arrears, insolvency or bankruptcy, the counterparty can choose to use net settlement or exercise legal right over the collateral. The fair value is the amount of the collateral obtained (paid) and the offsetting amount should not exceed the total financial asset (liabilities). The relevant information is as follows:

A. Financial assets

As of December 31, 2021 and 2020: None.

B. Financial liabilities

December 31, 2021						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Not offsetted in the balance sheet		
				Financial instruments (Note)	Cash collateral pledged	Net amount
Repurchase agreements	\$ 3,943,948	\$ -	\$ 3,943,948	\$ 3,943,948	\$ -	\$ -
December 31, 2020						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Not offsetted in the balance sheet		
				Financial instruments (Note)	Cash collateral pledged	Net amount
Repurchase agreements	\$ 8,509,763	\$ -	\$ 8,509,763	\$ 8,509,763	\$ -	\$ -

Note: Including master netting arrangements and non-cash collaterals.

(9) Equity investments accounted for under the equity method - net

	December 31, 2021	December 31, 2020
Taiwan Finance Corporation	\$ 1,716,182	\$ 1,758,508
Pauguo Real Estate Management Corporation	59,556	55,162
JKO Asset Management Co., Ltd.	91,946	80,535
Rakutan International Commercial Bank Co., Ltd. (RICB)	4,547,395	4,792,570
	<u>\$ 6,415,079</u>	<u>\$ 6,686,775</u>

A. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2021	December 31, 2020		
Taiwan Finance Corporation	Taipei	24.55%	24.55%	-	Equity method
Pauguo Real Estate Management Corporation	Taipei	49.00%	49.00%	-	Equity method
JKO Asset Management Co., Ltd.	Taipei	20.00%	20.00%	-	Equity method
RICB	Taipei	49.00%	49.00%	-	Equity method

B. Rakuten International Commercial Bank Co., Ltd. which was established with the mode of incorporation by the Company, Rakuten Bank and Rakuten Card, completed establishment registration with Jing-Shou-Shang-Zi Letter No.10901079630 issued by the Investment Commission of the Ministry of Economic Affairs on May 18, 2020.

According to IFRS 10, the Company's shareholding ratio in RIBC is lower than Rakuten Bank, Ltd.'s and the directors appointed by the Company are less than Rakuten Bank, Ltd.'s appointed directors. Additionally, according to RIBC's joint venture agreement, Rakuten Bank, Ltd. dominates the business of RIBC, thus the Company does not have de facto control over RIBC. RIBC is not the Company's subsidiary and the Company's investment in RIBC is classified as an investment accounted for under the equity method. The Company will continuously evaluate whether the circumstance that the Company having no de facto control over RIBC has changed and shall be consolidated into the consolidated financial statements. The Company will supervise and manage RIBC in compliance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and will disclose RIBC's condensed balance sheet and condensed comprehensive income statements in compliance

with "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies".

Rakuten International Commercial Bank Co., Ltd. set up its preparatory office on January 8, 2019. It received establishment permission from the FSC on August 2, 2019 and completed establishment registration on May 18, 2020. Rakuten International Commercial Bank Co., Ltd. obtained its banking license issued by the FSC on December 8, 2020 and formally started operation on January 19, 2021.

C. The summarised financial information of the associates that are material to the Group is as follows:

Balance sheet	Taiwan Finance Corporation	
	December 31, 2021	December 31, 2020
Total assets	\$ 61,211,473	\$ 63,129,113
Total liabilities	(54,220,916)	(55,966,146)
Total net assets	\$ 6,990,557	\$ 7,162,967
Share in associate's net assets	\$ 1,716,182	\$ 1,758,508
Others	-	-
Carrying amount of the associates	\$ 1,716,182	\$ 1,758,508
Balance sheet	RICB	
	December 31, 2021	December 31, 2020
Total assets	\$ 15,760,635	\$ 9,849,594
Total liabilities	(6,481,212)	(68,840)
Total net assets	\$ 9,279,423	\$ 9,780,754
Share in associate's net assets	\$ 4,546,917	\$ 4,792,570
Others	478	-
Carrying amount of the associates	\$ 4,547,395	\$ 4,792,570
Statement of comprehensive income	Taiwan Finance Corporation	
	Years ended December 31,	
	2021	2020
Revenue	\$ 763,472	\$ 748,661
Profit from continuing operations	\$ 498,044	\$ 471,428
Other comprehensive (loss) income (net of tax)	(351,368)	159,779
Total comprehensive income	\$ 146,676	\$ 631,207
Dividends received from associates	\$ 78,564	\$ 64,625
Statement of comprehensive income	RICB	
	May 18, 2020	
	Year ended December 31, 2021	(establishment date) to December 31, 2020
Revenue	\$ 10,173	\$ 37,026
Loss from continuing operations	(\$ 446,032)	(\$ 191,079)
Other comprehensive loss (net of tax)	(55,299)	-
Total comprehensive loss	(\$ 501,331)	(\$ 191,079)
Dividends received from associates	\$ -	\$ -

D. Comprehensive income of associates accounted for using equity method for the years ended December 31, 2021 and 2020 are summarised below:

	Years ended December 31,	
	2021	2020
(Loss) profit from continuing operations (Note)	(\$ 75,403)	\$ 18,083
Comprehensive (loss) income (net of tax)	(113,055)	38,493
Total comprehensive (loss) income	(\$ 188,458)	\$ 56,576

Note: Investment loss of \$218,079 from RICB was recognized in 2021.

E. On June 10, 2020, the shareholders' meeting of JKO Asset Management Co., Ltd. resolved to reduce its capital to cover the deficit of \$42,100 and to eliminate 4,210 thousand shares. The effective date was July 21, 2020.

F. For the years ended December 31, 2021 and 2020, cash dividends received from Pauguo Real Estate Management Corporation amounted to \$4,674 and \$2,926, respectively.

G. In 2020, Taiwan Finance Corporation recognized unclaimed overdue cash dividends as capital surplus. The company recognized capital surplus of \$200 according to the shareholding ratio.

(10) Other financial assets - net

	December 31, 2021	December 31, 2020
Certificate of deposit pledged (Note 8)	\$ 2,497,397	\$ 2,307,167
Futures trading margin	1,600,831	1,188,056
Customer guarantee designated bank account for allowance to pay back	240,732	265,410
Customer margin account	9,053,010	3,197,872
Security borrowing deposits	721,498	894,846
Guaranteed price deposits for security borrowing	277,924	223,611
Prepayment for investments	33,000	-
Overdue receivables	24,248	151,952
	14,448,640	8,228,914
Less: Allowance for bad debts - overdue receivables	(8,384)	(109,616)
	\$ 14,440,256	\$ 8,119,298

A. Movements in allowance for overdue receivables is provided in Note 6(18).

B. Information relating to credit risk is provided in Note 12(5).

(11) Property and equipment - net

	Land	Buildings	Equipment	Leasehold improvements	Prepayments for land, buildings and equipment (Note)	Total
<u>At January 1, 2021</u>						
Cost	\$ 4,849,242	\$ 2,727,382	\$ 364,291	\$ 60,428	\$ 122,660	\$ 8,124,003
Accumulated depreciation	-	(313,823)	(248,671)	(44,723)	-	(607,217)
Accumulated impairment	(32,110)	(15,254)	-	-	-	(47,364)
	<u>\$ 4,817,132</u>	<u>\$ 2,398,305</u>	<u>\$ 115,620</u>	<u>\$ 15,705</u>	<u>\$ 122,660</u>	<u>\$ 7,469,422</u>
<u>2021</u>						
At January 1, 2021	\$ 4,817,132	\$ 2,398,305	\$ 115,620	\$ 15,705	\$ 122,660	\$ 7,469,422
Additions	-	-	175,245	13,659	70,524	259,428
Disposals	-	-	(1,252)	-	-	(1,252)
Reclassifications	226,434	(264,203)	102,816	63,152	(175,335)	(47,136)
Depreciation charge	-	(48,206)	(48,198)	(6,612)	-	(103,016)
Exchange differences	-	(863)	(30)	(12)	(15)	(920)
At December 31, 2021	<u>\$ 5,043,566</u>	<u>\$ 2,085,033</u>	<u>\$ 344,201</u>	<u>\$ 85,892</u>	<u>\$ 17,834</u>	<u>\$ 7,576,526</u>
<u>At December 31, 2021</u>						
Cost	\$ 5,075,676	\$ 2,462,005	\$ 567,693	\$ 121,616	\$ 17,834	\$ 8,244,824
Accumulated depreciation	-	(361,718)	(223,492)	(35,724)	-	(620,934)
Accumulated impairment	(32,110)	(15,254)	-	-	-	(47,364)
	<u>\$ 5,043,566</u>	<u>\$ 2,085,033</u>	<u>\$ 344,201</u>	<u>\$ 85,892</u>	<u>\$ 17,834</u>	<u>\$ 7,576,526</u>

	Land	Buildings	Equipment	Leasehold improvements	Prepayments for land, buildings and equipment (Note)	Total
<u>At January 1, 2020</u>						
Cost	\$ 1,135,804	\$ 750,432	\$ 299,699	\$ 54,038	\$ 1,356,727	\$ 3,596,700
Accumulated depreciation	-	(278,006)	(213,041)	(39,060)	-	(530,107)
Accumulated impairment	(32,110)	(15,254)	-	-	-	(47,364)
	<u>\$ 1,103,694</u>	<u>\$ 457,172</u>	<u>\$ 86,658</u>	<u>\$ 14,978</u>	<u>\$ 1,356,727</u>	<u>\$ 3,019,229</u>
<u>2020</u>						
At January 1, 2020	\$ 1,103,694	\$ 457,172	\$ 86,658	\$ 14,978	\$ 1,356,727	\$ 3,019,229
Additions	450,156	217,436	50,654	4,055	3,803,191	4,525,492
Reclassifications	3,263,282	1,757,561	17,033	2,134	(5,037,289)	2,721
Depreciation charge	-	(35,663)	(38,727)	(5,474)	-	(79,864)
Exchange differences	-	1,799	2	12	31	1,844
At December 31, 2020	<u>\$ 4,817,132</u>	<u>\$ 2,398,305</u>	<u>\$ 115,620</u>	<u>\$ 15,705</u>	<u>\$ 122,660</u>	<u>\$ 7,469,422</u>
<u>At December 31, 2020</u>						
Cost	\$ 4,849,242	\$ 2,727,382	\$ 364,291	\$ 60,428	\$ 122,660	\$ 8,124,003
Accumulated depreciation	-	(313,823)	(248,671)	(44,723)	-	(607,217)
Accumulated impairment	(32,110)	(15,254)	-	-	-	(47,364)
	<u>\$ 4,817,132</u>	<u>\$ 2,398,305</u>	<u>\$ 115,620</u>	<u>\$ 15,705</u>	<u>\$ 122,660</u>	<u>\$ 7,469,422</u>

Note : The Group purchased certain floors and parking spaces as offices in IBF Financial Holdings Building (formerly Huaku Development Landmark Building). The real estate purchase agreement was signed in May 2019. The total transaction amounting to \$5,686,633 has been made during the first half of 2020.

A. No borrowing costs were capitalised as part of property and equipment for the years ended December 31, 2021 and 2020.

B. Information about the property and equipment that were pledged to others as collateral is provided in Note 8.

(12) Leasing arrangements- lessee

A. The Group leases various assets including buildings, equipment and vehicles. Rental contracts are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Buildings	\$ 135,861	\$ 132,035
Equipment	3,407	7,339
Vehicles	16,293	7,189
	<u>\$ 155,561</u>	<u>\$ 146,563</u>
	Years ended December 31,	
	2021	2020
	Depreciation charge	Depreciation Expense
Buildings	\$ 65,538	\$ 81,918
Equipment	4,701	4,787
Vehicles	4,964	6,600
	<u>\$ 75,203</u>	<u>\$ 93,305</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$121,818 and \$51,917, respectively.

D. The information on profits and losses accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2021	2020
Items affecting profit and loss		
Interest expense on lease liabilities	\$ 1,683	\$ 1,997
Expense on short-term lease contracts	13,622	42,330
Expense on leases of low-value assets	14,611	13,690
Loss on lease modification	3,373	-
	<u>\$ 33,289</u>	<u>\$ 58,017</u>

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$111,876 and \$148,645, respectively.

(13) Investment property - net

	Land	Buildings	Total
<u>At January 1, 2021</u>			
Cost	\$ 4,944	\$ 2,195	\$ 7,139
Accumulated depreciation	-	(19)	(19)
	<u>\$ 4,944</u>	<u>\$ 2,176</u>	<u>\$ 7,120</u>
<u>For the year ended December 31, 2021</u>			
At January 1	\$ 4,944	\$ 2,176	\$ 7,120
Reclassifications	26,596	11,174	37,770
Depreciation charge	-	(156)	(156)
At December 31	<u>\$ 31,540</u>	<u>\$ 13,194</u>	<u>\$ 44,734</u>
<u>At December 31, 2021</u>			
Cost	\$ 31,540	\$ 13,660	\$ 45,200
Accumulated depreciation	-	(466)	(466)
	<u>\$ 31,540</u>	<u>\$ 13,194</u>	<u>\$ 44,734</u>
	Land	Buildings	Total
<u>At January 1, 2020</u>			
Cost	\$ -	\$ -	\$ -
Accumulated depreciation	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>For the year ended December 31, 2020</u>			
At January 1	\$ -	\$ -	\$ -
Reclassifications	4,944	2,179	7,123
Depreciation charge	-	(3)	(3)
At December 31	<u>\$ 4,944</u>	<u>\$ 2,176</u>	<u>\$ 7,120</u>
<u>At December 31, 2020</u>			
Cost	\$ 4,944	\$ 2,195	\$ 7,139
Accumulated depreciation	-	(19)	(19)
	<u>\$ 4,944</u>	<u>\$ 2,176</u>	<u>\$ 7,120</u>

- A. As of December 31, 2021 and 2020, the fair value of the investment property held by IBF VC was \$53,000 and \$7,275, respectively. The evaluation results of independent evaluation experts on December 31, 2021, is based on the comparison method and the income approach, and on December 31, 2020, the investment property was evaluated using the fair value of adjacent land as evaluation basis. It falls into Level 2 in fair value hierarchy.
- B. For the years ended December 31, 2021 and 2020, the rental income recognized were \$480 and \$0, respectively. For the years ended December 31, 2021 and 2020, the direct operating expense arising from the investment property, generating and non-generating rental income were \$156 and \$0, respectively.
- C. Information about the investment property that were pledged to others as collateral is provided in Note 8.

(14) Intangible assets - net

A. Movements in computer software and intangible assets incurred from business combination are as follows:

	Goodwill	Computer software	Others	Total
<u>At January 1, 2021</u>				
Cost	\$ 162,378	\$ 204,962	\$ 1,039	\$ 368,379
Accumulated amortisation and impairment	-	(134,970)	(1,039)	(136,009)
	<u>\$ 162,378</u>	<u>\$ 69,992</u>	<u>\$ -</u>	<u>\$ 232,370</u>
<u>2021</u>				
At January 1, 2021	\$ 162,378	\$ 69,992	\$ -	\$ 232,370
Additions	-	35,217	-	35,217
Reclassifications	-	9,096	-	9,096
Amortisation charge	-	(30,327)	-	(30,327)
Exchange differences	-	(5)	-	(5)
At December 31, 2021	<u>\$ 162,378</u>	<u>\$ 83,973</u>	<u>\$ -</u>	<u>\$ 246,351</u>
<u>At December 31, 2021</u>				
Cost	\$ 162,378	\$ 249,270	\$ 1,039	\$ 412,687
Accumulated amortisation and impairment	-	(165,297)	(1,039)	(166,336)
	<u>\$ 162,378</u>	<u>\$ 83,973</u>	<u>\$ -</u>	<u>\$ 246,351</u>
	Goodwill	Computer software	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 162,378	\$ 160,015	\$ 1,039	\$ 323,432
Accumulated amortisation and impairment	-	(107,220)	(1,022)	(108,242)
	<u>\$ 162,378</u>	<u>\$ 52,795</u>	<u>\$ 17</u>	<u>\$ 215,190</u>
<u>2020</u>				
At January 1, 2020	\$ 162,378	\$ 52,795	\$ 17	\$ 215,190
Additions	-	31,519	-	31,519
Reclassifications	-	13,423	-	13,423
Amortisation charge	-	(27,750)	(17)	(27,767)
Exchange differences	-	5	-	5
At December 31, 2020	<u>\$ 162,378</u>	<u>\$ 69,992</u>	<u>\$ -</u>	<u>\$ 232,370</u>
<u>At December 31, 2020</u>				
Cost	\$ 162,378	\$ 204,962	\$ 1,039	\$ 368,379
Accumulated amortisation and impairment	-	(134,970)	(1,039)	(136,009)
	<u>\$ 162,378</u>	<u>\$ 69,992</u>	<u>\$ -</u>	<u>\$ 232,370</u>

B. The details of the Group's goodwill are as follows:

December 31, 2021			
	Cost	Accumulated impairment	Total
IBF Securities brokerage segment	\$ 162,378	\$ -	\$ 162,378
December 31, 2020			
	Cost	Accumulated impairment	Total
IBF Securities brokerage segment	\$ 162,378	\$ -	\$ 162,378

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

		IBF Securities brokerage segment
2021		
Growth rate		2.46%
Discount rate		4.19%
		IBF Securities brokerage segment
2020		
Growth rate		2.32%
Discount rate		3.07%

IBF Securities' management determined the growth rate by previous performance and expected future market development. Discount rates adopted is the rate of weighted average cost of capital determined by the capital assets' pricing model of affiliated companies to reflect the specific risk disposed in related operating segments.

(15) Other assets - net

	December 31, 2021	December 31, 2020
Deferred charges	\$ 68,370	\$ 13,150
Prepaid expenses	76,980	177,441
Refundable deposits	574,351	540,314
Amounts held for settlement	141,490	183,275
Underwriting share proceeds collected on behalf of customers	3,749,708	499,175
Customer ledger account	3,204,135	1,023,847
Others	45,897	26,963
	<u>\$ 7,860,931</u>	<u>\$ 2,464,165</u>

- A. In accordance with the regulations of Regulations Governing Securities Firms, Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, Regulations Governing Futures Commission Merchants, Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises as well as Regulations Governing Offshore Funds, IBF Securities and its subsidiaries provided certificates of deposit both of \$110,000 as of December 31, 2021 and 2020.
- B. In accordance with the regulations of Regulations Governing Securities Firms and Regulations Governing Futures Commission Merchants, IBF Securities and its subsidiaries paid settlement fund as of December 31, 2021 and 2020 amounting to \$170,742 and \$151,604, respectively.

(16) Commercial paper payable - net

	December 31, 2021	December 31, 2020
Commercial paper payable	\$ 22,342,000	\$ 19,712,000
Less: Discount on commercial paper payable	(4,089)	(3,659)
	<u>\$ 22,337,911</u>	<u>\$ 19,708,341</u>

- A. As of December 31, 2021 and 2020, the interest rate ranges of commercial papers issued by the Company, IBF Securities and IBF VC were 0.21% to 1.02% and 0.24% to 1.07%, respectively.
- B. As of December 31, 2021 and 2020, the Company has signed a commissioned guaranteed commercial papers contract with Ta Ching Bills Finance Corporation all amounting to \$200,000. A repayment promissory note of the same amount was issued to Ta Ching Bills Finance Corporation.
- C. As of December 31, 2021, the Company has signed a general credit contract with Taishin International Bank Co., Ltd. Credit line for short-term loan and commercial paper issuing guarantee amounted to \$500,000.
- D. IBF Securities entered into a \$200 million loan agreement with Ta Ching Bills Finance Corporation ("Ta Ching Bills") in April 2021. Ta Ching Bills is in charge of underwriting non-guaranteed commercial papers with maturity less than 100 days. Based on the agreement, all facilities shall be drawn down (issued) within 60 days from the signing date of agreement and facilities shall be reissued continually once they are drawn down. If one party is unable to issue or purchase non-guaranteed commercial papers at the agreed-upon amount or at the agreed-upon total cost of issuance, a penalty of 0.5% of the face value of unissued or at unpurchased commercial papers based on the actual number of days elapsed shall be paid to the counterparty by the default party as commitment fees. The contract period will end in April 2024.
- E. IBF Securities entered into a \$50 million loan agreement with Union Bank of Taiwan Co., Ltd. ("UBOT") in January, March, 2019 and March, 2020, respectively. UBOT is in charge of certificating and underwriting non-guaranteed commercial papers with maturity less than 180 days. Based on the agreement, all facilities shall be drawn down (issued) within 90 days from the signing date of agreement and facilities shall be reissued continually once they are drawn done. If one party is unable to issue or purchase non-guaranteed commercial papers at the agreed-upon amount or at the agreed-upon total cost of issuance, a penalty of 1% of the face value of unissued or at unpurchased commercial papers based on the actual number of days elapsed shall be paid to the counterparty by the default party as commitment fees. The contract period will end in January, March 2022 and March 2023, respectively.

- F. IBF Securities entered into a \$500 million, \$500 million and \$1,250 million loan agreement with International Bills Finance Corporation (“IBFC”) in January, March, 2019, and March, 2020, respectively. IBFC is in charge of certificating and underwriting non-guaranteed commercial papers with maturity less than 180 days. Based on the agreement, all facilities shall be drawn down (issued) within 90 days from the signing date of agreement and facilities shall be reissued continually once they are drawn done. If one party is unable to issue or purchase non-guaranteed commercial papers at the agreed-upon amount or at the agreed-upon total cost of issuance, a penalty of 1% of the face value of unissued or at unpurchased commercial papers based on the actual number of days elapsed shall be paid to the counterparty by the default party as commitment fees. The contract period will end in January, March 2022 and March 2023, respectively.
- G. IBF Securities entered into a \$500 million and a \$1,000 million loan agreements with Hua Nan Commercial Bank, Ltd. (“Hua Nan Bank”) in June 2021. Hua Nan Bank is in charge of underwriting non-guaranteed commercial papers with maturity less than 180 days. Based on the agreement, all facilities shall be drawn down (issued) within 3 months from the signing date of agreements and shall be reissued continually once they are drawn down. If one party is unable to issue or purchase non-guaranteed commercial papers in line with agreements, penalty shall be calculated based on the actual amount unpurchased or unissued in line with the agreements and the actual number of days elapsed, and shall be paid to the counterparty by the default party. The contract period will end in June 2024 and 2025.

(17) Payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Settlement payable	\$ 12,111,651	\$ 13,110,839
Deposits received from securities borrowers	1,309,489	1,131,053
Guaranteed price deposits received from securities borrowers	1,573,894	1,341,322
Interest payable	45,219	54,658
All collections	42,494	542,771
Others	2,240,906	2,126,310
	<u>\$ 17,323,653</u>	<u>\$ 18,306,953</u>

(18) Allowance for bad debt / provisions

Movements in allowance for bad debt - accounts receivable and overdue receivables as well as provision for guarantee obligation are as follows:

	Allowance for bad debt - accounts receivable and overdue receivables	Provision for guarantee obligation
At January 1, 2021	\$ 223,453	\$ 1,424,118
Reversal	5,962	160,000
Transfer	(88)	88
Write-off	(103,953)	-
Exchange differences	(4,158)	-
At December 31, 2021	<u>\$ 121,216</u>	<u>\$ 1,584,206</u>
	Allowance for bad debt - accounts receivable and overdue receivables	Provision for guarantee obligation
At January 1, 2020	\$ 368,124	\$ 1,373,676
Provision and reversal	91,374	95,500
Transfer	45,058	(45,058)
Write-off	(281,604)	-
Exchange differences	501	-
At December 31, 2020	<u>\$ 223,453</u>	<u>\$ 1,424,118</u>

The abovementioned provision for guarantee obligation is analysed and provisioned based on balance of guarantees (Note 9) which IBFC provided on commercial papers at the balance sheet date.

(19) Other financial liabilities

	December 31, 2021	December 31, 2020
Futures traders' equity	<u>\$ 9,041,140</u>	<u>\$ 3,173,196</u>

(20) Pension plan

A. Defined benefit plans

- (a) Except that the overseas subsidiary operates in accordance with local regulations, the Group has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law.
- (b) Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement for the Company and its domestic subsidiaries except IBFC. The Company and its domestic subsidiaries except for IBFC contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Under the defined benefit pension plan of IBFC, 2 units are accrued for each service year for the service before February 28, 1998, an additional unit is accrued for the 16th service year with maximum of 61 units. 2 units are accrued for each service year for the first 15 years of the service after March 1, 1998. 1.5 units are accrued for each service year from the 16th to the 25th service year, an additional unit is accrued for the 16th. 1 unit is accrued for each service year with maximum of 51 units for the service over 25 years. Pension benefits are calculated based on the abovementioned standards

(one unit represent the average monthly salaries and wages of the last 6 months prior to retirement). The total units for discontinued section calculation are no more than 51 units, the rule is not applicable for employees who have units over 51 before March 1, 1998. The subsidiary IBFC contributed to the retirement fund to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee based on the actuarial results in accordance with IAS 19. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(c) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	\$ 759,599	\$ 674,320
Fair value of plan assets	(337,725)	(352,414)
Net liabilities in balance sheet	\$ 421,874	\$ 321,906
Provisions	\$ 421,874	\$ 321,906
Other assets	-	-
Net liabilities	\$ 421,874	\$ 321,906

(d) Movements in net defined benefit liabilities are as follows:

	Present value of		
	defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2021			
Balance at January 1	\$ 674,320	(\$ 352,414)	\$ 321,906
Current service cost	2,379	-	2,379
Interest (expense) income	2,695	(1,413)	1,282
	679,394	(353,827)	325,567
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(14,768)	(14,768)
Change in demographic assumptions	8,428	-	8,428
Change in financial assumptions	(11,320)	-	(11,320)
Experience adjustments	125,240	-	125,240
	122,348	(14,768)	107,580
Pension fund contribution	-	(11,273)	(11,273)
Paid pension	(42,143)	42,143	-
Balance at December 31	\$ 759,599	(\$ 337,725)	\$ 421,874

	Present value of		
	defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	\$ 650,190	(\$ 363,933)	\$ 286,257
Current service cost	2,970	-	2,970
Interest (expense) income	4,709	(2,653)	2,056
	<u>657,869</u>	<u>(366,586)</u>	<u>291,283</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(10,281)	(10,281)
Change in demographic assumptions	5,838	-	5,838
Change in financial assumptions	17,125	-	17,125
Experience adjustments	27,987	-	27,987
	<u>50,950</u>	<u>(10,281)</u>	<u>40,669</u>
Pension fund contribution	-	(10,046)	(10,046)
Paid pension	(34,499)	34,499	-
Balance at December 31	<u>\$ 674,320</u>	<u>(\$ 352,414)</u>	<u>\$ 321,906</u>

(e) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(f) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2021	2020
Discount rate	0.60%~0.75%	0.30%~0.70%
Future salary increases	1.50%~2.75%	1.50%~2.75%
Future mortality rate (Note)	the 6th version	the 5th version

Note: The Group's assumptions regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table.

Because the Company and the subsidiary IBFC changed the main actuarial assumption, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 4,724)	\$ 4,845	\$ 3,986	(\$ 3,912)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 5,584)	\$ 5,735	\$ 4,740	(\$ 4,645)

Because the subsidiary, IBF Securities, changed the main actuarial assumption, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 20,395)	\$ 21,843	\$ 21,184	(\$ 19,985)

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 16,404)	\$ 17,631	\$ 17,081	(\$ 16,059)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (g) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$69,902.

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% or above of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$117,214 and \$66,478, respectively.

(21) Other provisions

	<u>Decommissioning liabilities</u>
At January 1, 2021	\$ 6,298
Added during the year	1,059
Unwinding of discount	2,554
At December 31, 2021	<u>\$ 9,911</u>
	<u>Decommissioning liabilities</u>
At January 1, 2020	\$ 6,561
Reversal during the year	(339)
Unwinding of discount	76
At December 31, 2020	<u>\$ 6,298</u>

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ 958,892	\$ 890,161
Prior year income tax (over) underestimation	(41,951)	97,520
Total current tax	<u>916,941</u>	<u>987,681</u>
Deferred tax:		
Origination and reversal of temporary differences	(26,236)	20,141
Total deferred tax	(26,236)	20,141
Income tax expense	<u>\$ 890,705</u>	<u>\$ 1,007,822</u>

(b) The income tax charge relating to components of other comprehensive income is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Remeasurements of defined benefit plans	(\$ 21,516)	(\$ 8,134)
Debt instruments measured at fair value through other comprehensive income	(298,696)	168,820
	<u>(\$ 320,212)</u>	<u>\$ 160,686</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 1,099,151	\$ 948,548
Expenses disallowed by tax regulation	41,421	42,239
Tax exempt income by tax regulation	(212,334)	(75,344)
Prior year income tax (over) underestimation	(41,951)	97,520
Income tax impact of the minimum tax system	3,496	-
Others	922	(5,141)
Income tax expense	<u>\$ 890,705</u>	<u>\$ 1,007,822</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	
			December 31	
Temporary differences:				
Deferred tax assets:				
Allowance for bad debts	\$ 26,792	\$ 645	\$ -	\$ 27,437
Unrealized retirement funds	8,643	-	-	8,643
Asset impairment losses	17,354	(1,306)	-	16,048
Remeasurements of defined benefit plans	45,164	1,956	21,516	68,636
Unrealized loss on exchange	-	4,346	-	4,346
Subtotal	<u>97,953</u>	<u>5,641</u>	<u>21,516</u>	<u>125,110</u>
Deferred tax liabilities:				
Remeasurements of defined benefit plans	(99)	-	-	(99)
Unrealized gains on exchange	(6,217)	6,217	-	-
Unrealized gains on valuation	(543,981)	14,378	298,696	(230,907)
Subtotal	<u>(550,297)</u>	<u>20,595</u>	<u>298,696</u>	<u>(231,006)</u>
Total	<u>(\$ 452,344)</u>	<u>\$ 26,236</u>	<u>\$ 320,212</u>	<u>(\$ 105,896)</u>

For the year ended December 31, 2020

	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Allowance for bad debts	\$ 56,520	(\$ 29,728)	\$ -	\$ 26,792
Unrealized retirement funds	8,643	-	-	8,643
Asset impairment losses	16,854	500	-	17,354
Remeasurements of defined benefit plans	37,912	(970)	8,222	45,164
Unrealized loss on evaluation	5,378	(5,378)	-	-
Subtotal	125,307	(35,576)	8,222	97,953
Deferred tax liabilities:				
Remeasurements of defined benefit plans	(11)	-	(88)	(99)
Unrealized gains on exchange	-	(6,217)	-	(6,217)
Unrealized gains on valuation	(396,813)	21,652	(168,820)	(543,981)
Subtotal	(396,824)	15,435	(168,908)	(550,297)
Total	(\$ 271,517)	(\$ 20,141)	(\$ 160,686)	(\$ 452,344)

D. The Company's consolidated tax return are filed jointly with IBFC and IBF VC. As of December 31, 2021 and 2020, the estimated tax refund payables were \$317,015 and \$410,077, respectively.

E. Income tax returns of the Company, subsidiary IBFC and IBF VC through 2017 have been assessed and approved by the Tax Authority.

F. Except for 2018, income tax returns of IBF Securities through 2019 have been assessed and approved by the Tax Authority.

G. Income tax returns of IBF Futures, IBF Securities Investment Consulting and IBF Securities Venture through 2019, 2019 and 2020 have been assessed and approved by the Tax Authority.

(23) Share capital

A. As of December 31, 2021 and 2020, the Company's authorised capital and paid-in capital were \$80,000,000, \$29,975,086 and \$80,000,000, \$28,964,817, respectively.

B. On March 23, 2021, the Board of Directors approved the capitalisation of unappropriated earnings of \$1,010,269 which the shareholders' meeting resolved accordingly on July 29, 2021. The record date for capital increase was October 12, 2021. The capital increase has been approved by the FSC and the registration amendment has been completed. The authorised and paid-in capital were \$80,000,000 and \$29,975,086, respectively.

(24) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit. Alternatively, it can be used to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership, which shall be resolved by stockholders' meetings, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Source and details of capital surplus of the Company are as follows:

	December 31, 2021	December 31, 2020
Premium on capital stock	\$ 153,610	\$ 153,610
Changes in equity of investment accounted for using equity method	200	200
Unclaimed dividend	4,357	2,227
	<u>\$ 158,167</u>	<u>\$ 156,037</u>

(25) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to offset accumulated deficit, pay taxes, set aside as legal reserve and set aside or reverse special reserve in accordance with regulations. Whether the remainder, if any, is to be retained or to be appropriated, shall be resolved by the stockholders at their meetings. Cash dividends shall account for at least 10% of the total dividends and the remaining will be distributed as stock dividends.
- B. Pursuant to the R.O.C. by the Company Act, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Gwun-Zen-Fa Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D.(a) The Company's earnings distribution for 2020 and 2019 was resolved by the stockholders during their meetings in July 2021 and June 2020, respectively. Details are as follows:

	2020		2019	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 323,096		\$ 259,664	
Cash dividends	1,876,213	\$ 0.65	1,851,242	\$ 0.65
Stock dividends	1,010,269	0.35	484,171	0.17
	<u>\$ 3,209,578</u>		<u>\$ 2,595,077</u>	

- (b) The Company's earnings distribution for 2021 was proposed at the Board of Directors' meeting in March 2022. Details are as follows:

2021	
	Dividend per share
Amount	(in dollars)
Legal reserve	\$ 387,028
Cash dividends	1,948,381
Stock dividends	1,498,754
	<u>\$ 3,834,163</u>

(26) Treasury shares

- A. In 2021, no treasury share transactions have occurred. Movements in the number of the Company's treasury shares for the year ended December 31, 2020 are as follows:

(Expressed in thousands of shares)

Reason for reacquisition	Year ended December 31, 2020			
	Beginning balance of shares	Share increase	Share decrease	Ending balance of shares
To be reissued to employees	-	10,000	-	10,000

- B. Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- C. Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- D. Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within nine months of acquisition.
- E. On March 23, 2020, the Board of Directors resolved to buy back 50,000 thousand of the Company's shares to reissue to employees. As of December 31, 2021, 10,000 thousand shares were bought back, and the total consideration was \$106,346.

(27) Interest income and interest expense

	For the years ended December 31,	
	2021	2020
Interest income		
Interest income, bills	\$ 757,559	\$ 731,327
Interest income, bonds	1,591,321	1,946,463
Interest income, self-operation margin trading and short selling	729,222	467,289
Interest income, deposit	29,039	37,582
Interest income, rental	258,209	273,190
Others	69,934	43,061
	<u>3,435,284</u>	<u>3,498,912</u>
Interest expenses		
Interest expense, bills and bonds payable under repurchase agreements	(494,397)	(938,636)
Interest expense, commercial papers	(52,651)	(63,659)
Interest expense, due to Central Bank and other banks	(145,880)	(184,716)
Others	(53,043)	(34,644)
	<u>(745,971)</u>	<u>(1,221,655)</u>
Net interest income	<u>\$ 2,689,313</u>	<u>\$ 2,277,257</u>

(28) Service fee and commission income-net

	Years ended December 31,	
	2021	2020
Service fee		
Service fee, guarantee	\$ 850,821	\$ 838,698
Service fee, underwriting	618,854	573,249
Service fee, brokering	3,254,408	2,083,950
Others	288,876	264,239
	<u>5,012,959</u>	<u>3,760,136</u>
Service charge		
Service charge, self-operation	(32,781)	(27,423)
Service charge, brokering	(306,053)	(198,536)
Service charge, settlement	(52,554)	(47,250)
Futures commission expense	(29,188)	(14,939)
Others	(2,356)	(5,283)
	<u>(422,932)</u>	<u>(293,431)</u>
	<u>\$ 4,590,027</u>	<u>\$ 3,466,705</u>

(29) Gain on financial assets and financial liabilities at fair value through profit or loss

	Years ended December 31,	
	2021	2020
Realised gain (loss)		
Net gain, bills	\$ 243,351	\$ 233,005
Net gain, bonds	613,970	415,269
Net gain, disposal of listed stocks and open-end fund	2,940,289	586,456
Net loss, disposal of derivatives	(413,544)	(305,225)
Net (loss) gain, issuing call warrants	(1,130,661)	492,702
Dividend income	108,912	84,755
Net loss realized from short covering on security borrowing and bond with resale agreement	(602,356)	(88,136)
	<u>1,759,961</u>	<u>1,418,826</u>
Measured gain (loss)		
Net loss, bills	(87,299)	(58,202)
Net (loss) gain, bonds	(51,717)	281,525
Net gain, listed stocks and open-end fund	361,975	100,693
Net gain (loss), derivatives	157,412	(272,740)
Net gain, issuing call warrants	91,448	45,113
Net loss on security borrowing and bond with resale agreement at fair value through profit or loss	(64,704)	(145,029)
	<u>407,115</u>	<u>(48,640)</u>
	<u>\$ 2,167,076</u>	<u>\$ 1,370,186</u>

(30) Realised gains on financial assets at fair value through other comprehensive income

	Years ended December 31,	
	2021	2020
Government bonds	\$ 334,391	\$ 702,297
Financial bonds	116,480	138,552
Corporate bonds	6,475	198,039
	<u>457,346</u>	<u>1,038,888</u>
Stock dividend income	160,434	131,252
	<u>\$ 617,780</u>	<u>\$ 1,170,140</u>

(31) Reversal of impairment loss on assets

	Years ended December 31,	
	2021	2020
Reversal of impairment on investments in debt instruments measured at fair value through other comprehensive income	\$ 19,162	\$ 3,816
Reversal of impairment gains on debt instruments interest receivable	196	74
	<u>\$ 19,358</u>	<u>\$ 3,890</u>

(32) Other non-interest gain

	For the years ended December 31,	
	2021	2020
Management fee and consulting revenues	\$ 87	\$ 72
Gains on disposal and retirement of assets	1,073	-
Sub-brokerage revenues	79,608	87,356
Others	34,238	48,014
	<u>\$ 115,006</u>	<u>\$ 135,442</u>

(33) Bad debt expense, commitment and guarantee liability provision

	Years ended December 31,	
	2021	2020
Recovered bad debts and overdue accounts	(\$ 15,070)	(\$ 93,944)
Provision for guarantee obligation	160,000	95,500
Allowance for bad debts	6,158	91,448
	<u>\$ 151,088</u>	<u>\$ 93,004</u>

(34) Employee benefit expense

As of December 31, 2021 and 2020, the Group had 1,569 and 1,539 employees, respectively. The employee benefit expenses incurred for the years ended December 31, 2021 and 2020 are summarised below by function:

	Years ended December 31,	
	2021	2020
Employee benefit expense		
Wages and salaries	\$ 2,952,279	\$ 2,449,402
Labour and health insurance fees	157,553	123,261
Pension costs	138,204	71,504
Other personnel expenses	49,899	38,067
	<u>\$ 3,297,935</u>	<u>\$ 2,682,234</u>

- A. In accordance with the Articles of Incorporation of the Company, the ratio of distributable profit before tax of the current year, before employees' compensation and directors' remuneration, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be between 1‰ and 2‰ for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the years ended December 31, 2021 and 2020, employees' compensation were accrued at \$53,609 and \$50,048, respectively, while directors' remuneration were accrued at \$63,536 and \$60,057, respectively. The aforementioned amounts were recognized in wages and salaries.
- C. For the year ended December 31, 2021, the distributable profit of current year for the employees' compensation and directors' remuneration were estimated based on the ratio under the Articles and will be distributed in the form of cash.
- D. The employees' compensation of \$45,088 and directors' remuneration of \$53,438 of 2020 as resolved by the Board of Directors is different from the amount recognized in the 2020 financial statements which were \$50,048 and \$60,057, respectively. The total difference amounting to \$11,579 was due to differences in estimates and is treated as a change in accounting estimate, where the difference was recognized as profit or loss in 2021.
- E. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(35) Depreciation and amortization

	Years ended December 31,	
	2021	2020
Depreciation	\$ 178,375	\$ 173,172
Amortization	36,427	33,052
	<u>\$ 214,802</u>	<u>\$ 206,224</u>

(36) Other business and administrative expenses

	For the years ended December 31,	
	2021	2020
Taxes	\$ 319,856	\$ 250,146
Rental expense	28,233	56,011
Information technology expense	81,175	71,992
Postage expenses	74,960	66,577
Entertainment expense	33,187	38,077
Professional service fees	38,109	23,194
Repairs and maintenance expense	42,778	34,410
Depository service expense	85,289	53,427
Membership fee and allocation of expense	24,605	22,348
Security borrowing expenses	60,972	54,495
Others	215,123	175,271
	<u>\$ 1,004,287</u>	<u>\$ 845,948</u>

(37) Basic and diluted earnings per share

Year ended December 31, 2021			
		Weighted average number of ordinary shares outstanding	Earnings per share
	Amount after tax	(share in thousands)	(in dollars)
<u>Basic and diluted earnings per share</u>			
Profit attributable to the parent	\$ 3,883,865	2,987,509	\$ 1.30
Year ended December 31, 2020			
		Weighted average number of ordinary shares outstanding	Earnings per share
	Amount after tax	(share in thousands)	(in dollars)
<u>Basic and diluted earnings per share</u>			
Profit attributable to the parent	\$ 3,248,085	2,990,546	\$ 1.09

The aforementioned weighted average number of shares outstanding was retrospectively adjusted based on retained earnings capitalisation ratio in 2021 and 2020.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Rakuten International Commercial Bank Co., Ltd. ("RICB")	Investments accounted for using equity method of the Company
Taiwan Finance Corporation	Investments accounted for using equity method of the subsidiary IBFC
JKO Asset Management Co., Ltd. ("JKO")	Investments accounted for using equity method of the subsidiary IBF Securities
First Commercial Bank Co., Ltd. ("FCB")	Director of the Company
Taiwan Cooperative Bank, Ltd. ("TCB")	Director of the Company
Mega International Commercial Bank Co., Ltd. ("MICB")	Director of the subsidiary IBF Securities
Bank of Kaohsiung Co., Ltd. ("BOK")	Director of the subsidiary IBF Securities
The Shanghai Commercial & Savings Bank, Ltd. ("SCSB")	Director of the subsidiary IBF Securities
Cathay United Bank Co., Ltd. ("Cathay United Bank")	Major stockholder of the subsidiary IBF Securities
Cathay Financial Holding Co., Ltd. ("Cathay Financial Holding")	Major stockholder of the subsidiary IBF Securities
Mega Bills Finance Co., Ltd. ("Mega Bills")	Director of the subsidiary IBF Securities's affiliated entity
Mega Securities Co., Ltd. ("Mega Securities")	Director of the subsidiary IBF Securities's affiliated entity

Names of related parties	Relationship with the Company
Taiwan Cooperative Financial Holding Co., Ltd. ("TCFHC")	The parent company of director of the Company
First Financial Holding Co., Ltd. ("FFHC")	The parent company of director of the Company
First Securities Inc. ("FS")	The affiliated entity of director of the Company
First Financial Asset Management Co., Ltd. ("FFAM")	The affiliated entity of director of the Company
First Securities Investment Trust Co., Ltd. ("FSIT")	The affiliated entity of director of the Company
Taiwan Cooperative Bills Finance Corporation ("TCBF")	The affiliated entity of director of the Company
Taiwan Cooperative Securities Co., Ltd. ("TCS")	The affiliated entity of director of the Company
BNP Paribas Cardif TCB Life Insurance Co., Ltd. ("BPCTLI")	The affiliated entity of director of the Company
EnTie Commercial Bank, Ltd. ("EnTie Bank")	The chairman of Company and the general manager of the Company are second-degree(Note1)
Mayer Steel Pipe Co., Ltd. ("Mayer Steel Pipe")	Subsidiary IBFC's related party
Funds managed by JKO Asset Management	Funds managed by JKO Asset Management for using equity method
Integrated Service Technology Inc. ("IST")	Sub-subsidiary IBF Securities Investment Consulting Co., Ltd.'s chairman is this IST's director
Norwares Inc. ("Norwares")	Major shareholder of the Company
Digital Commercial Times Inc. ("Digital Commercial Times")	Stakeholder of a major shareholder of the Company
Taiwan Stock Exchange Corporation ("TWSE")	Subsidiary IBF Securities is TWSE's director
Chuan Yue Investment Co., Ltd. ("Chuan Yue Investment")	Subsidiary IBF Securities's chairman is the Company's supervisor
Hungmen Enterprise Co. ("Hungmen")	Subsidiary IBF Securities's chairman is the Company's supervisor
International Bills Finance Corporation	The directors of the foundation are employees of the Company
Social Welfare Charity Foundation	
Other	The subsidiary IBFC's directors, supervisors, general manager, vice general managers, head of department directly under general managers and spouses and relatives of the subsidiary IBFC's directors and general manager.

Note 1: EnTie Bank has been a non-related person since December 1, 2021.

Note 2: Mr. Hong Sanxiong, former chairman of the subsidiary IBF Securities, resigned on February 18, 2022.

(2) Significant related party transactions

A. Significant transactions between IBFC and related parties are as follows:

- (a) Cash deposited with banks and interest income: As of December 31, 2021 and 2020, the details of deposit balances were as follows:

December 31, 2021				
	Time deposits	Checking account and demand deposits	Reserve account (Note)	Total
Key management of the parent company:				
FCB	\$ -	\$ 4,124	\$ 136,129	\$ 140,253
TCB	200,000	112,228	22,977	335,205
	<u>\$ 200,000</u>	<u>\$ 116,352</u>	<u>\$ 159,106</u>	<u>\$ 475,458</u>
December 31, 2020				
	Time deposits	Checking account and demand deposits	Reserve account (Note)	Total
Key management of the parent company:				
FCB	\$ -	\$ 3,861	\$ 136,752	\$ 140,613
TCB	200,000	51,740	33,821	285,561
	<u>\$ 200,000</u>	<u>\$ 55,601</u>	<u>\$ 170,573</u>	<u>\$ 426,174</u>

Note: It is shown as other financial assets. Please refer to Note 6(10).

For the years ended December 31, 2021 and 2020, the related interest income were \$143 and \$187, respectively.

- (b) Banks call loans and overdrafts from banks and interest expense: The details of call loans and overdrafts balance as of December 31, 2021 and 2020 and the highest balance of call loans and overdraft, interest rate and related interest expense for the years ended December 31, 2021 and 2020 were as follows:

Year ended December 31, 2021				
	Highest balance	Ending balance	Interest rate (%)	Interest expense
Key management of the parent company:				
FCB	\$ 7,000,000	\$ 5,000,000	0.33	\$ 12,303
TCB	1,000,000	-	-	137
	<u>\$ 8,000,000</u>	<u>\$ 5,000,000</u>		<u>\$ 12,440</u>
Year ended December 31, 2020				
	Highest balance	Ending balance	Interest rate (%)	Interest expense
Key management of the parent company:				
FCB	\$ 7,000,000	\$ 4,000,000	0.20~0.53	\$ 15,095
TCB	2,750,000	50,000	0.19~0.50	907
	<u>\$ 9,750,000</u>	<u>\$ 4,050,000</u>		<u>\$ 16,002</u>

- (c) Underwriting non-guaranteed commercial papers and commercial papers guaranteed by others: For the years ended December 31, 2021 and 2020, service fee from underwriting and certification amounted to \$997 and \$607, respectively. As of December 31, 2021 and 2020, details of issuance of underwriting non-guaranteed commercial papers and commercial papers guaranteed by others from related parties were as follows:

December 31, 2021			
	Unmatured amount	Outstanding amount	Rate (%)
Other related parties:			
FS	\$ 400,000	\$ -	0.23 ~ 0.52
December 31, 2020			
	Unmatured amount	Outstanding amount	Rate (%)
Other related parties:			
TCFHC	\$ 500,000	\$ -	0.34 ~ 0.66
TCS	200,000	-	0.27 ~ 0.63
FS	500,000	200,000	0.27 ~ 0.70
	\$ 1,200,000	\$ 200,000	

(d) Net gain from trading bills and bonds: For the years ended December 31, 2021 and 2020, net gain from trading bills and bonds amounted to \$64,238 and \$46,953, respectively.

(e) Bills and bonds under repurchase or resale agreements: For the years ended December 31, 2021 and 2020, interest expenses of bills and bonds under repurchase or resale agreements with related parties were \$408 and \$837, respectively. As of December 31, 2021 and 2020, the balances of bills and bonds under repurchase or resale agreements with related parties were as follows:

	December 31, 2021	December 31, 2020
Other related parties:		
BPCTLI	\$ 215,782	\$ -
Funds managed by		
JKO Asset Management	137,946	67,987
	\$ 353,728	\$ 67,987

The terms for the above transactions are not materially different from those with non-related parties.

B. Significant transactions between IBF Securities and its subsidiaries and related parties are as follows:

(a) Bank deposits

	December 31, 2021	December 31, 2020
Key management of the parent company:		
TCB	\$ 30,790	\$ 30,465
FCB	8,965	9,223
Key management of IBF Securities:		
MICB	16,549	45,081
SCSB	4,202	3,162
Other related parties:		
Cathay United Bank	466,603	410,071
EnTie Bank	-	839
	\$ 527,109	\$ 498,841

(b) Outright bond purchases/sales

	Years ended December 31,			
	2021		2020	
	Outright purchase transaction price	Outright sell transaction price	Outright purchase transaction price	Outright sell transaction price
Key management of the parent company:				
TCB	\$ 4,623,108	\$ 2,545,395	\$ 1,946,366	\$ 1,497,511
FCB	-	49,864	-	374,058
Key management of IBF Securities:				
MICB	254,084	1,015,351	1,797,931	657,585
Other related parties:				
Cathay United Bank	8,218,284	2,313,002	4,944,411	3,191,471
Mega Securities	1,852,712	1,134,365	9,134,023	7,103,042
EnTie Bank	259,369	-	1,971,146	1,805,018
Others	923,103	-	1,204,896	763,018
	<u>\$ 16,130,660</u>	<u>\$ 7,057,977</u>	<u>\$ 20,998,773</u>	<u>\$ 15,391,703</u>

(c) Customer margin accounts/ Futures traders' equity

	December 31, 2021	December 31, 2020
Other related parties:		
Funds managed by JKO		
Asset Management	<u>\$ 2,551,239</u>	<u>\$ 130,675</u>

(d) Financial assets at fair value through profit or loss

i. Funds holdings at the end of the year

	December 31, 2021		December 31, 2020	
	Units (in thousand)	Ending balance	Units (in thousand)	Ending balance
Other related parties:				
Funds managed by JKO				
Asset Management	7,652	<u>\$ 85,886</u>	14,268	<u>\$ 248,210</u>
		Years ended December 31,		
		2021		2020
		Gain (loss) on disposal		Gain (loss) on disposal
Other related parties:				
Funds managed by JKO				
Asset Management		<u>\$ 1,157,480</u>		<u>\$ 1,658,867</u>

ii. Stocks issued by related parties

	December 31, 2021		December 31, 2020	
	Ending balance of shares (in thousand shares)	Ending balance	Ending balance of shares (in thousand shares)	Ending balance
Other related parties:				
Cathay Financial Holding	244	<u>\$ 15,233</u>	334	<u>\$ 14,123</u>

	Years ended December 31,	
	2021	2020
	Gain (loss) on disposal	Gain (loss) on disposal
Other related parties:		
Cathay Financial Holding	\$ 4,537	(\$ 499)
(e) Financial assets at fair value through other comprehensive income		
As of December 31, 2021 and 2020, IBF Securities held 25,437 thousand shares and 22,712 thousand shares of TWSE, respectively.		
(f) Settlement receivable (payable)		
As of December 31, 2021 and 2020, Settlement receivables (payable) arising from transactions with TWSE were \$11,694,899, (\$11,644,859) and \$12,477,870, (\$12,486,054), respectively.		
(g) Other assets		
	December 31, 2021	December 31, 2020
Key management of the parent company:		
FCB	\$ 37	\$ 89
Key management of IBF Securities:		
SCSB	3,204,487	1,023,907
MICB	3,215	1,218
Other related parties:		
Cathay United Bank	3,807,706	640,814
	<u>\$ 7,015,445</u>	<u>\$ 1,666,028</u>

The above other assets are stock settlement and underwriting share proceeds collected on behalf of customers.

- (h) Stock management revenue: For the years ended December 31, 2021 and 2020, stock management revenue from related parties amounted to \$1,439 and \$1,328, respectively. As of December 31, 2021 and 2020, stock management revenue receivables were \$174 and \$162, respectively. Above-mentioned stock management stated are same as the trade terms with non-related parties.
- (i) Rental revenue: For the years ended December 31, 2021 and 2020, rental revenue from related parties amounted to \$31,308 and \$30,419, respectively. As of December 31, 2021 and 2020, lease receivables were \$684 and \$667, respectively. The above-mentioned transaction payment terms are based on a mutually agreed-upon contract.
- (j) Lease transaction-lessee:
- IBF Securities leases buildings from FCB. The lease contract period is 1 to 5 years.
 - Right-of-use assets acquisition:
For the years ended December 31, 2021 and 2020, the amount of right-of-use assets IBF Securities acquired were both \$268.
 - Rental expense:

	Years ended December 31,	
	2021	2020
Key management of the parent company:		
FCB	\$ 9,715	\$ 9,682

iv. Lease liabilities:

a. Outstanding balance:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Key management of the parent company:		
FCB	<u>\$ 12,067</u>	<u>\$ 21,328</u>

b. Interest expense

	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Key management of the parent company:		
FCB	<u>\$ 197</u>	<u>\$ 275</u>

(k) Other non-operating revenue

	<u>Years ended December 31,</u>	<u>Years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
Key management of the parent company:		
FCB	\$ -	\$ 162
Key management of IBF securities:		
SCSB	-	1
Other related parties:		
TWSE	-	2,185
JKO	563	1,321
	<u>\$ 563</u>	<u>\$ 3,669</u>

Other non-operating revenue included decommissioning obligations extraction revenue, consignment fund revenue, competition bonus revenue and subsidized revenue.

(l) Lines of credit and drawdown amounts

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Line of credit</u>	<u>Drawdown amount</u>	<u>Line of credit</u>	<u>Drawdown amount</u>
Key management of the parent company:				
FCB	\$ 1,000,000	-	\$ -	-
Key management of IBF Securities:				
SCSB	1,000,000	-	300,000	-
MICB	-	-	50,000	-
Other related parties:				
Cathay United Bank	3,500,000	-	3,500,000	-
Mega Bills	-	-	1,000,000	-
	<u>\$ 5,500,000</u>	<u>\$ -</u>	<u>\$ 4,850,000</u>	<u>\$ -</u>

(m) Interest income

	Years ended December 31,	
	2021	2020
Key management of the parent company:		
FCB	\$ 212	\$ 566
Key management of IBF Securities:		
BOK	255	307
SCSB	6,807	2,571
MICB	12	23
Other related parties:		
Cathay United Bank	91	3,126
TWSE	175	152
	<u>\$ 7,552</u>	<u>\$ 6,745</u>

Abovementioned interest income refers to interest income due from banks.

(n) Borrowing costs

i. Borrowing costs

	Years ended December 31,	
	2021	2020
Key management of the parent company:		
FCB	\$ 114	\$ 53
Key management of IBF Securities:		
SCSB	-	2
Other related parties:		
Cathay United Bank	2,359	966
	<u>\$ 2,473</u>	<u>\$ 1,021</u>

ii. Borrowing costs payable

	December 31, 2021	December 31, 2020
Other related parties:		
Cathay United Bank	\$ 92	\$ 13

Borrowing costs include interest, license, underwriting and settlement expenses.

(o) Expense from issuance of call (put) warrants

i. Expense from issuance of call (put) warrants

	Years ended December 31,	
	2021	2020
Other related parties:		
TWSE	<u>\$ 141,423</u>	<u>\$ 130,334</u>

ii. Payable arising from issuance of call (put) warrants

	December 31, 2021	December 31, 2020
Other related parties:		
TWSE	<u>\$ 12,687</u>	<u>\$ 16,820</u>

(p) Computer information system fee

i. Computer information system fee

Years ended December 31,	
2021	2020
Other related parties:	
TWSE	
\$ 17,690	\$ 11,018

ii. Computer information system fee payable

December 31, 2021	December 31, 2020
Other related parties:	
TWSE	
\$ 1,081	\$ 749

(q) Brokerage fee

i. Brokerage fee

Years ended December 31,	
2021	2020
Other related parties:	
TWSE	
Digital Commercial Times	
\$ 192,578	\$ 105,981
14	5
\$ 192,592	\$ 105,986

ii. Brokerage fee payable

December 31, 2021	December 31, 2020
Other related parties:	
TWSE	
\$ 12,723	\$ 14,384

(r) Pledged assets

i. Time deposit

	December 31, 2021		
	Pledged certificate of deposit	Other banks time deposit pledge	Total pledged amount
Key management of the parent company: FCB	\$ 1,547	\$ -	\$ 1,547
Key management of IBF Securities: SCSB	1,000,000	-	1,000,000
Other related parties: Cathay United Bank	-	1,270,000	1,270,000
	<u>\$ 1,001,547</u>	<u>\$ 1,270,000</u>	<u>\$ 2,271,547</u>
	December 31, 2020		
	Pledged certificate of deposit	Other banks time deposit pledge	Total pledged amount
Key management of the parent company: FCB	\$ 1,547	\$ -	\$ 1,547
Key management of IBF Securities: SCSB	300,000	-	300,000
MICB	5,000	-	5,000
Other related parties: Cathay United Bank	7,500	1,770,000	1,777,500
	<u>\$ 314,047</u>	<u>\$ 1,770,000</u>	<u>\$ 2,084,047</u>

- ii. As of December 31, 2021 and 2020, land and buildings pledged to Cathay United Bank were \$2,890,318 and \$1,039,332, respectively.
- iii. Collateral pledged are mainly for short-term borrowings, settlement reserve and deposit for property leasing.
- (s) As of December 31, 2021 and 2020, the balance of time deposits of IBF Securities and its subsidiaries in Cathay United Bank as operating guarantee deposits were both \$70,000, respectively.
- (t) For the years ended December 31, 2021 and 2020, IBF Securities and its subsidiaries received dividend from TWSE were \$77,219 and \$52,920, respectively.
- (u) For the years ended December 31, 2021 and 2020, securities brokerage fee income by IBF Securities from related parties were \$3,204 and \$5,605, respectively.
- (v) For the years ended December 31, 2021 and 2020, miscellaneous expenses of purchasing goods and services by IBF Securities from related parties were \$759 and \$732, respectively.
- (w) The transaction price and payment terms that IBF Securities and its subsidiaries has come to an agreement with above related parties are the same as those with non-related parties.

C. As of December 31, 2021 and 2020, the balance of cash deposited with banks as related parties of the Company were \$37,591 and \$442, respectively. For the years ended December 31, 2021 and 2020, interest income on deposits from related parties were \$4 and \$36, respectively.

D. For the years ended December 31, 2021 and 2020, donation of the Group to the related party, International Bills Finance Corporation Social Welfare Charity Foundation were both \$2,500.

(3) Key management compensation

	Years ended December 31,	
	2021	2020
Wages and salaries and other short-term employee benefit	\$ 490,079	\$ 410,305
Post-employment benefits	19,759	2,657
	<u>\$ 509,838</u>	<u>\$ 412,962</u>

8. PLEDGED ASSETS

Asset items	December 31, 2021	December 31, 2020	Purpose of pledge
Property and equipment			
Land	\$ 2,947,685	\$ 1,672,126	Short-term borrowings
Building	1,130,317	606,992	Short-term borrowings
Investment property			
Land	31,540	-	Short-term borrowings
Building	13,195	-	Short-term borrowings
Other financial assets			
Time deposits	2,497,397	2,307,047	Short-term borrowings, rental deposits, settlement payments for others and bank overdrafts collateral
Other assets			
Refundable deposits	280,742	261,604	Operating bond and clearing and settlement fund to securities firm and futures commission merchant
Financial assets at fair value through profit or loss			
Transferable time deposits	7,490,000	7,500,000	Central Bank and bank overdrafts collateral
Government bond	401,383	417,337	OTC performance bonds and operation guarantee deposits
Financial assets at fair value through other comprehensive income			
Government bond	912,883	918,013	Central Bank and other banks refundable deposits
"	101,931	102,342	Settlement deposits for Electronic Bond Trading System
"	1,997	1,986	Guaranty money for litigations
"	1,655,646	1,608,005	Collateral for bank overdrafts
	<u>\$ 17,464,716</u>	<u>\$ 15,395,452</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of December 31, 2021 and 2020, the details of commitments and contingent liabilities of the subsidiary, IBFC, are as follows:

	December 31, 2021	December 31, 2020
Guarantees on commercial paper	\$ 134,773,600	\$ 119,801,600
Sales of bills and bonds under repurchase agreements (Note)	\$ 201,358,009	\$ 189,210,353
Fixed rate commercial paper commitments	\$ 24,223,000	\$ 22,978,000
Benchmark interest rate commercial paper commitments	\$ 74,236,300	\$ 65,775,300
Commitment of selling revolving commercial paper	\$ 900,000	\$ 1,700,000

Note: Refers to repurchase/resell prices of repurchase / resell trades on maturity dates.

- (2) In accordance with regulations, the subsidiary IBF Securities obtained letters of consent from Yuanta Securities Co., Ltd. and Capital Securities Corp. to be the first priority and second priority to conduct settlement matters on its behalf. According to the letters of consent, when branches of IBF Securities are unable to perform their settlement obligations, the mandated securities firm shall undertake to conduct settlement matters immediately on behalf of branches of IBF Securities as per TWSE's request. Branches of IBF Securities have also been appointed to be the first or second priority of mandated securities firm for the above securities firms.
- (3) The information of lease contracts and capital expenditure commitment of the Group is disclosed in Note 12(5) B(c).
- (4) Other litigation cases
- A. Shareholders of the Company, Taiwan Miao Nong Dairy Development Co., Ltd. claimed the invalidity of resolution of the Company's 15th meeting of the 7th Board of Directors on October 14, 2021: (1) share conversion with the EnTie Bank, (2) issuance of Class A Preferred shares, (3) cash capital increase of common shares. The Company has drafted relevant litigation procedures and has engaged attorney to conduct the follow-up matters in accordance with legal procedures. So far, this has not had a significant impact on the Company's operations and finances.
- B. Shareholders of the Company, Guozheng Investment Development Co., Ltd. and Zitong International Development Co., Ltd. filed a lawsuit requesting the court to revoke the second resolution of the first extraordinary shareholders' meeting of 2021 on December 2, 2021 to swap shares with EnTie Bank. The Company has drafted relevant litigation procedures and has engaged an attorney to conduct the follow-up matters in accordance with legal procedures. So far, this case has not had a significant impact on the Company's operations and finances.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) In order to expand the scope of operation and enhance the comprehensive efficiency and competitiveness of the Company, the 15th meeting of the seventh Board of Directors passed the resolution on October 14, 2021 and shareholders' meeting passed the resolution on December 2, 2021, resolved to sign a share swap contract with EnTie Commercial Bank Co., Ltd. ("EnTie Bank"). The share swap contract is to obtain 100% of EnTie Bank's shares by cash (through capital increase by cash) and issuing type A preferred shares with the rights of

converting to common shares. On January 27, 2022, the Company received a letter from the Competent Authority stating that it had concerns over this case and postponed the discussion.

- (2) In February 2022, the Company transferred 10,000 thousand of its treasury shares to the employees of the Group.

12. OTHERS

(1) Fair value information of financial instruments

As the short maturities or future payment or receipt is close to the carrying amount, the carrying amount at the balance sheet date was approximate to fair value for the financial instruments that are not measured at fair value, including cash and cash equivalents, due from Central Bank and call loans to other banks, investments in bills and bonds under resale agreements, receivables, other financial assets, guarantee deposits paid, due to Central Bank and other banks, bills and bonds payable under repurchase agreements, commercial papers payable, payables, other financial liabilities and other liabilities. Hierarchy information on financial instruments at fair value is as follows.

(2) Fair value information

A. Definition for the hierarchy classification of financial instruments measured at fair value

(a) Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, emerging stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

(b) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in emerging stocks without active market, off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments is included in Level 2.

(c) Level 3

Unobservable inputs for the asset or liability. Unlisted stock and emerging stock investments are all classified within Level 3.

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer and broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. Fair values of listed stocks, closed-end funds and depository receipts are determined by the closing price at the balance sheet date in an active market. Fair values of open-ended funds are determined by the net asset value at the balance sheet date. When fair value of debt instruments are available in major exchange markets and bulletined (for central government bonds determined as on-the-run issues) by OTC market, the debt instruments are classified as quoted prices in active market quotes in level 1.

- C. If all significant inputs required to measure fair value of an instrument are observable, the instrument is included in level 2. If non-derivatives held by the Group have no active market, fair value measured by using valuation techniques or quoted price offered by the counterparties can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods,

including calculated by applying model using market information available at the balance sheet date (yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters and TAIBOR). When assessing non-standard and low-complexity derivative instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.

E. Level information of financial instruments at fair value

December 31, 2021				
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurements</u>				
<u>Non-derivative instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Short-term notes	\$ 153,470,198	\$ -	\$ 153,470,198	\$ -
Stocks investments	5,218,787	4,606,171	195,628	416,988
Bonds investments	4,512,329	49,024	4,463,305	-
Open-end fund	150,232	150,232	-	-
Index Fund	160,568	160,568	-	-
Call (put) warrants	52,261	52,261	-	-
Others	176,633	-	176,633	-
Financial assets at fair value through other comprehensive income				
Stocks investments	4,573,113	1,144,671	-	3,428,442
Bonds investments	106,720,534	-	106,720,534	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	2,309,450	2,308,913	537	-
<u>Derivative instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	43,092	275	42,817	-
Futures guarantee	1,600,831	1,600,831	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	440,707	-	440,707	-

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurements</u>				
<u>Non-derivative instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Short-term notes	\$ 119,949,815	\$ -	\$ 119,949,815	\$ -
Stocks investments	4,106,913	3,758,077	68,199	280,637
Bonds investments	4,197,650	99,375	4,098,275	-
Open-end fund	100,720	100,720	-	-
Index Fund	432,992	432,992	-	-
Call (put) warrants	62,093	62,093	-	-
Others	212,505	-	212,505	-
Financial assets at fair value through other comprehensive income				
Stocks investments	3,575,313	1,059,986	-	2,515,327
Bonds investments	125,207,223	3,031,754	122,175,469	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	1,588,245	1,587,689	556	-
<u>Derivative instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	31,140	2,556	28,584	-
Futures guarantee	1,188,056	1,188,056	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	505,535	3,917	501,618	-

- F. For the year ended December 31, 2021, the US dollar denominated bond held by IBF Securities was evaluated as debt instrument without active market. Therefore, it was transferred from Level 1 into Level 2, which amounted to \$972,192. The Group had no transfers between Level 1 and Level 2 occurred for the year ended December 31, 2020.

G. The change of financial assets at fair value in Level 3.

Year ended December 31, 2021								
Items	Gain and loss on valuation		Addition		Reduction			
	Beginning balance	Amount recognised in gain and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Stocks investment	\$ 280,637	\$ 40,477	\$ -	\$ 180,090	\$ 19,823	(\$ 39,344)	(\$ 64,695)	\$ 416,988
Financial assets at fair value through other comprehensive income								
Stocks investment	\$ 2,515,327	\$ -	\$ 951,963	\$ 1	\$ -	(\$ 38,849)	\$ -	\$ 3,428,442
Year ended December 31, 2020								
Items	Gain and loss on valuation		Addition		Reduction			
	Beginning balance	Amount recognised in gain and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Stocks investment	\$ 619,081	(\$ 224,284)	\$ -	\$ 32,338	\$ -	(\$ 34,253)	(\$ 112,245)	\$ 280,637
Financial assets at fair value through other comprehensive income								
Stocks investment	\$ 2,619,166	\$ -	(\$ 77,467)	\$ -	\$ -	(\$ 26,372)	\$ -	\$ 2,515,327

H. In September 2021, because an equity investment in financial assets at fair value through profit or loss terminated trading at the Emerging Stock Market and no sufficient observable market information was available, the Group transferred its fair value from Level 1 into Level 3 at the end of the month. In July 2021, an equity investment began trading at the Emerging Stock Market and sufficient observable market information was available, the Group transferred the fair value from Level 3 into Level 1 at the end of the month.

There were no transfers into Level 3 for the year ended December 31, 2020. In January and April 2020, as the stocks of the equity investment began trading at the Emerging Stock Market and sufficient observable market information was available, the Group transferred its fair value from Level 3 into Level 1 at the end of the month.

I. For fair value measurements of Level 3, the sensitivity analysis of fair value on reasonable and replaceable assumptions concludes that the fair value measurements on financial instruments are reasonable. However, different valuation models or parameters may lead to different valuation results. The following is the effect of profit or loss or of other comprehensive income from financial instruments categorized within Level 3 if the inputs used to valuation models have changed upward or downward 10%:

December 31, 2021	Fair value changes recognised in profit and loss		Fair value changes recognised in other comprehensive income	
	Favourable	Unfavourable	Favourable	Unfavourable
Financial assets at fair value through profit or loss				
Stocks investment	\$ 4,474	(\$ 4,474)	\$ -	\$ -
Financial assets at fair value through other comprehensive income				
Stocks investment	\$ -	\$ -	\$ 191,380	(\$ 191,380)
December 31, 2020	Fair value changes recognised in profit and loss		Fair value changes recognised in other comprehensive income	
	Favourable	Unfavourable	Favourable	Unfavourable
Financial assets at fair value through profit or loss				
Stocks investment	\$ 6,008	(\$ 6,008)	\$ -	\$ -
Financial assets at fair value through other comprehensive income				
Stocks investment	\$ -	\$ -	\$ 143,087	(\$ 143,087)

(BLANK)

J. The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2021	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between inputs and fair value
Financial assets at fair value through profit or loss					
Unlisted stocks	\$ 416,988	Market approach –Using comparable listed companies to decide fair value	Price to earnings ratio multiple	8.41 ~ 25.5	The higher price-to-earnings ratio is, the higher the fair value is.
			Discount for lack of marketability	20% ~ 50%	The higher discount for marketability is, the lower the fair value is.
			Price-to-book ratio multiple	0.12 ~ 3.31	The higher price-to-book ratio is, the higher the fair value is.
			Transaction price in recent year	1 ~ 110	Not applicable
Financial assets at fair value through other comprehensive income					
Venture capital company	\$ 161	Net assets method	Not applicable	Not applicable	Not applicable
Unlisted stocks	3,428,281	Market approach –Using comparable listed companies to decide fair value	Discount for lack of marketability	10% ~ 60%	The higher discount for marketability is, the lower the fair value is.
			Price-to-book ratio multiple	1.02 ~ 1.81	The higher price-to-book ratio is, the higher the fair value is.
			Transaction price in recent year	Not applicable	Not applicable
December 31, 2020	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between inputs and fair value
Financial assets at fair value through profit or loss					
Unlisted stocks	\$ 280,637	Market approach –Using comparable listed companies to decide fair value	Price to earnings ratio multiple	9.69 ~ 21.98	The higher price-to-earnings ratio is, the higher the fair value is.
			Discount for lack of marketability	20% ~ 50%	The higher discount for marketability is, the lower the fair value is.
			Price-to-book ratio multiple	0.93 ~ 2.88	The higher price-to-book ratio is, the higher the fair value is.
Financial assets at fair value through other comprehensive income					
Venture capital company	\$ 2,018	Net assets method	Not applicable	Not applicable	Not applicable
Unlisted stocks	2,513,309	Market approach –Using comparable listed companies to decide fair value	Discount for lack of marketability	10% ~ 60%	The higher discount for marketability is, the lower the fair value is.
			Price-to-book ratio multiple	0.71 ~ 1.62	The higher price-to-book ratio is, the higher the fair value is.
			Transaction price in recent year	22.85	Not applicable

K. Fair value measurement process for instruments classified in Level 3

When the Group measures the fair value of Level 3 financial instruments, the valuation department shall confirm the valuation model, parameters used, source of parameters and calculation method with the verification department first, confirm the independence and reliability of data sources and periodically adjust the valuation model, parameters and calculation methods to ensure the valuation result is reasonable.

(3) Capital management

In order to establish an evaluation process for capital adequacy and maintain proper self-owned capital structure, and also to develop business and control risk for better improvement of capital utilization, the Company sets up Minimum Capital Adequacy Ratio Management to implement capital strategies of senior management and disclose or report related information to competent authority.

Objectives, policies and procedures of capital management are as follows:

A. Objectives of capital management

- (a) The Company and each subsidiary in the Group shall identify, measure and control all relevant risks when undertaking a business and confine potential risks to a reasonable level in order to realise optimum allocation between risks and returns and maintain the capital adequacy.
- (b) In accordance with the Company's rules of risk management procedures, the consolidated capital adequacy ratio for the Group shall not be lower than 100%, capital adequacy ratio for bank subsidiary should be not be lower than 10.5%, capital adequacy ratio for IBFC should be not be lower than 10%, capital adequacy ratio for IBF Securities should not be lower than 200%.

B. Policies and procedures of capital management

The Company sets up its warning indicators for risk limitation and risk warning procedures are triggered if capital adequacy ratio of the Group does not meet 120%, or capital adequacy ratio for bank subsidiary does not meet 12.6%, or capital adequacy ratio for IBFC does not meet 12%, or capital adequacy ratio for IBF Securities does not meet 240%. Department of risk management of the Company shall issue a warning notice to the Company or subsidiaries, request for explanation and report it to the Company's chairman.

C. Related information on capital adequacy

(a) The Group's capital adequacy

Expressed In Thousands of New Taiwan Dollars, %
December 31, 2021

Company \ Items	Ownership of financial holding company	Qualifying capital	Legal capital demand
IBF Financial Holdings	-	\$ 38,863,676	\$ 45,267,403
RICB	49%	3,977,702	92,607
IBFC	100%	27,966,775	16,352,067
IBF Securities	58.09%	5,720,174	2,897,822
IBF VC	100%	1,958,121	2,170,009
Deductible items		44,799,827	44,799,827
Subtotal		\$ 33,686,621	\$ 21,980,081
Capital adequacy ratio			153.26%

Expressed In Thousands of New Taiwan Dollars, %
December 31, 2020

Company \ Items	Ownership of financial holding company	Qualifying capital	Legal capital demand
IBF Financial Holdings	-	\$ 38,234,902	\$ 44,843,965
RICB	49%	4,264,758	92,836
IBFC	100.00%	27,910,651	15,905,898
IBF Securities	58.09%	4,803,852	2,980,378
IBF VC	100%	1,657,044	1,888,257
Deductible items		(44,261,884)	(44,261,884)
Subtotal		\$ 32,609,323	\$ 21,449,450
Capital adequacy ratio			152.03%

(b) Qualifying capital of financial holding company

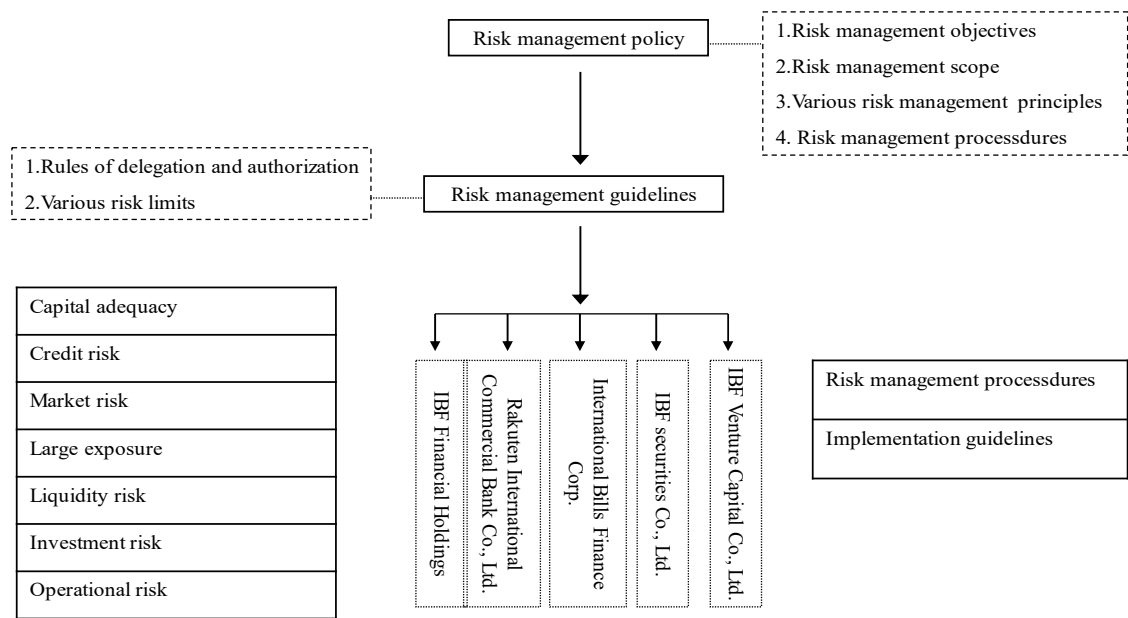
Expressed In Thousands of New Taiwan Dollars

Items	December 31, 2021	December 31, 2020
Common stock	\$ 29,975,086	\$ 28,964,817
Capital surplus	158,167	156,037
Legal reserve	2,397,742	2,074,646
Special reserve	234,587	234,587
Accumulated profit and loss	3,893,216	3,232,516
Equity adjustment	2,314,646	3,682,457
Less : capital deductible items	(109,768)	(110,158)
Total qualifying capital	\$ 38,863,676	\$ 38,234,902

(4) Financial risk management objectives and policies

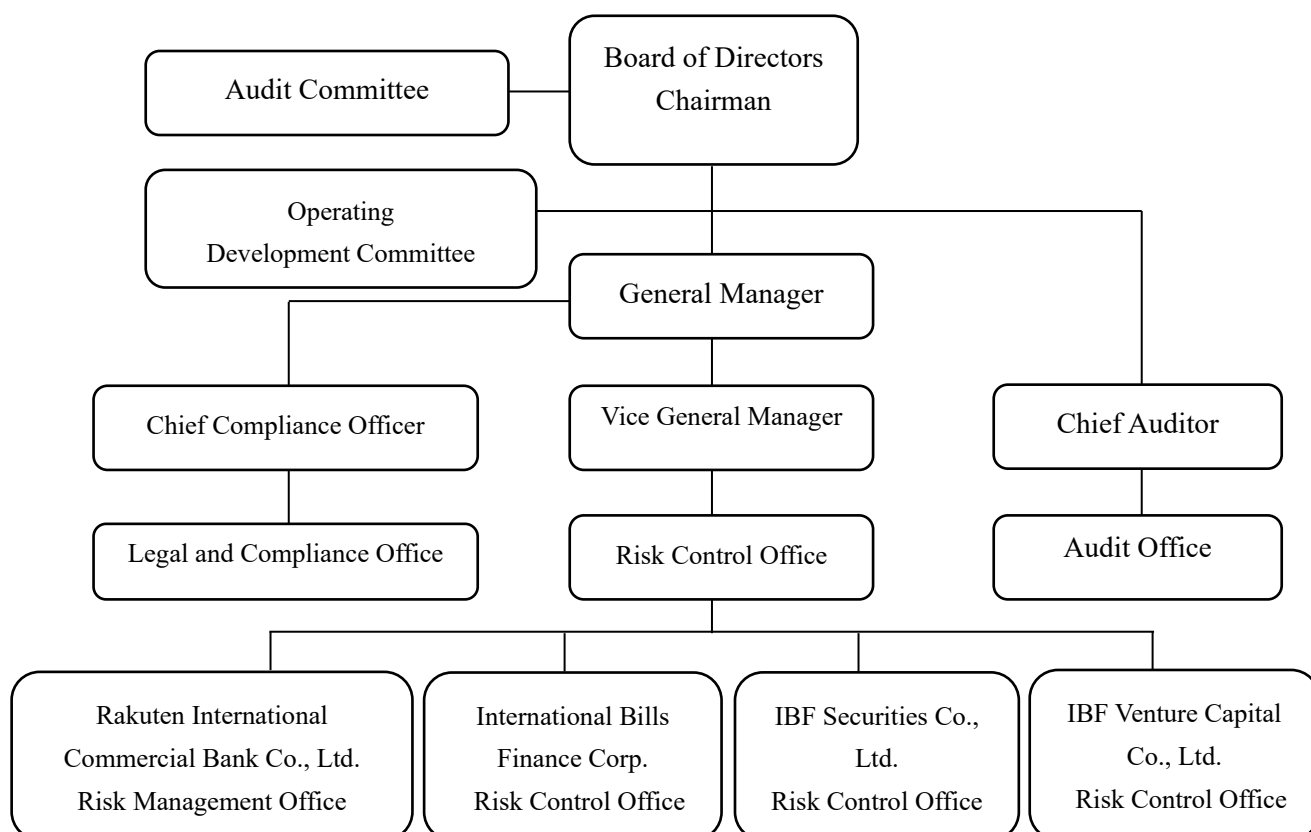
A. Risk management mechanism

The Company constructed a risk management mechanism in accordance with laws and regulations and the overall business strategy of the Company. The Company's risk management policy covers objectives, scope and management procedures, and sets risk management principles and limits based on different attributes of various risks. The risk management objective of the Company is to identify, measure and control various business risks, to control the risks that may arise to a reasonable extent and to maintain appropriate level of capital adequacy. The Company has risk management guidelines, and based upon that, each subsidiary has developed risk management procedures and implementation guidelines for related businesses. The risk management mechanism is as follows:



B. Risk management organization

The Board of Directors of the Company approves risk management policy, and senior management implements the policies approved by the Board of Directors, and clearly defines procedures for identifying, measuring, supervising and controlling various risks. The Company has (a) Audit Committee, which is affiliated to the Board of Directors, is responsible for supervising the effective implementation of internal controls and the control of the existing or potential risks of the Company; (b) Operating Development Committee, which is affiliated to the Board of Directors, is responsible for the medium and long-term operating and development of the Company, capital planning, review of subsidiaries' business objectives and budget, and coordination of major business matters between subsidiaries and the supervision of subsidiaries operating performance; (c) Legal and Compliance Office, to which the vice general manager is assigned as the compliance officer, is responsible for planning, management and execution of compliance system; (d) Risk Control Office, responsible for monitoring exposure various types of risk, and reviewing the development and implementation of risk management mechanisms of subsidiaries; (e) Audit Office, responsible for auditing various business risks on a regular basis. The risk management organization structure of the Company is as follows:



C. Risk management policy

All types of risks involved in the business of the Company and its subsidiaries, including but not limited to market risk, credit risk, operational risk, legal risk and liquidity risk, should be included in the scope of risk management. When implementing various risk management procedures, the Company and its subsidiaries shall, in addition to complying with the relevant provisions of competent authorities, follow risk management policies and guidelines. Various risk management principles are as follows:

(a) Capital adequacy management

In order to ensure the normal operation of finances and businesses, the Company and its subsidiaries should maintain appropriate level of capital adequacy.

(b) Market risk management

Control market risks through management mechanisms such as limit management, investment review and stop loss.

(c) Credit risk management

Control credit risk through management mechanisms such as limit management and credit review.

(d) Liquidity risk management

Assets or liabilities should not be excessively concentrated and should maintain a diversified source of funding.

(e) Large exposure management

Control large-scale risk expose through management mechanisms such as limit management, credit review and investment review.

(f) Operational risk management

Establish a rigorous internal control system and reduce the chances of operational risks through internal audits and legal compliance systems.

(g) Investment risk management

The long-term investment evaluation report shall be co-signed by an independent risk management unit or an audit unit.

In addition, relevant risk management policies of IBFC are as follows:

(a) Credit risk

Credit risk management policy of IBFC includes credit evaluation beforehand, grading management and credit monitoring afterwards and measures to effectively reduce the risk. IBFC establishes appropriate risk limits through clear tiered authorization responsibility to avoid excessive concentration of credit risk; and establishes a credit review system to detect possible credit problems early, reduce defaults, and regularly assessed and supervision of credit enhancement tools. Credit risk from credit, various transactions and securities purchased are managed as a whole. IBFC regularly monitors credits, and the transaction status of each authorized amount are handled in accordance with relevant regulations.

(b) Market risk

In accordance with the annual market risk management objectives reviewed by the Board of Directors of the subsidiary IBFC, the handling plan for individual risk limits and loss limits for major financial instruments is sought to balance the expected profit of each financial instrument with the risk-taking ability of the subsidiary. It also formulates various business standards, control indicators, position evaluations and rules of business handling for new types of financial instruments, as the basis for the implementation of risk management. Market risk management reports are provided on a regular basis as a reference for monitoring market risks and developing market risk management strategies.

(c) Operational risk

The subsidiary establishes a rigorous internal control system and reduces the chances of operational risks through internal audits and legal compliance systems. Each transaction and operation personnel shall establish independent operation procedures for front-end trading and back-end settlement in order to implement operational risk management. Each business unit shall carry out its business in accordance with the relevant internal control system, business rules and emergency contingency plans, and conduct self-auditing on a monthly basis.

(d) Liquidity risk

Asset allocation plan shall be formulated according to regulations, purposes of funding and liquidity and profitability. Assets or liabilities shall not be excessively concentrated, and the sources shall be kept diversified to control liquidity risks. Liquidity risk management reports, including funding sources, capital utilization, and funding gap analysis should be regularly provided. In case of abnormal changes in the funding gap, appropriate improvement measures should be taken according to the “Funding and Emergency Response Points” of IBFC to maintain security of capital management.

D. Sources and definition of risks

When the Company and its subsidiaries engage in various businesses, they should identify, measure and control the risks involved and control the risks that may arise to a reasonable extent to achieve the optimal allocation of risks and rewards and maintain appropriate capital adequacy. In addition, relevant details of IBFC are as follows:

(a) Credit risk

The scope of measurement covers the risk that issuers of holding position, counterparties or debtors may not fulfill their obligations in the future. IBFC has established a client relationship management (CRM) database which extensively collects multi-dimensional operation and finance information of clients. IBFC establishes an early warning system to grasp clients’ dynamics, raises the credit review ratio, and regularly reviews credit risk. It also prepares various business statistics and risk management reports. IBFC reports them to the management, and to competent authorities on a regular basis. IBFC develops principles of credit risk pricing, and

applied price differences based on the default risk and the collateral recovery rate, in order to balance expected loss and profit. A stress test is conducted each year to assess the potential impact on the subsidiary under extreme cases and provide to management reference for making credit risk strategy.

(b) Market risk

The scope of measurement includes the risk that various financial instruments may cause the market value of the holding position to fall due to fluctuations in market prices or interest rates. IBFC conducts a fair value assessment on financial instrument measured at fair value and monitors whether the relevant transactions are carried out within the authorized risk limits. At the same time, a sensitivity analysis and market risk value (VaR) model are established to plan for efficient risk compensation decisions. IBFC regularly produces market risk assessment reports to the management, which includes various market risk positions, unrealized gains and losses, derivative analysis and related risk limits.

(c) Operational risk

The scope of measurement covers whether the design of front-end trading, middle-office risk control, and back-office settlement and delivery duties considers separation of duties and checks and balances. In order to effectively control operational risk, each unit should fill out the “Operational Risk Management Monthly Report” every month, and continually track and manage the operational risk events that have been but yet to be closed. The risk management unit shall report the operation risk management situation to the Risk Management Committee and the Board of Directors on a quarterly basis as a reference for business management decisions. All units shall conduct self-auditing and report to the Audit Office on a monthly basis; and the Audit Office shall conduct on-site inspections to each business unit at least every six months, and follow up on ratification of the control deficiencies.

(d) Liquidity risk

The scope of measurement includes appropriateness of various use of funds of IBFC (mainly for holding commercial papers, bonds, call loans to other banks, deposits and bills and bonds under resale agreements) and source of funds (mainly bills and bonds payable under repurchase agreements and call loans from other bank). In order to effectively control liquidity risk, various capital utilization and source management principles and funding gap limits are established. If the limits have to be exceeded for business, it must be signed by the general manager for verification and adjusted and improved as soon as possible.

E. Risk hedging or mitigation policy

When the Company and its subsidiaries engage in various businesses, they shall not exceed the statutory limits of these businesses and limits internally set; in addition, the Company may limit the scope of related business of subsidiaries or the engaging amount based on the consideration of risk diversification. Various risk limits are as follows:

Type of risk	Item	Part limit
Capital adequacy	Company capital adequacy ratio	100%
Credit risk	Credit plus credit transaction balance of negotiable securities	8 times
Market risk	Unlisted open beneficiary certificate	30%
	Interest-rate-sensitive gap (30 days)	7.5 times
	Interest-rate-sensitive gap (90 days)	6 times
	Interest-rate-sensitive gap (180 days)	4.5 times
	1-day risk value (VaR) 99% trust level limit	4%
Large exposure	Risk position to same natural person or same legal person	40%
	Risk position to same bank	60%
	Risk position to same natural person and his/her spouse, kindship within second degree, and enterprises whose person in charge is same person or his/her spouse	100%
	Risk position to same affiliated company	100%
	Risk position to same affiliated company of same bank	150%
	Industry-specific concentration limits-Finance and insurance	4 times
	Industry-specific concentration limits-Others	2 times
	Total risk assets held in China	100%
Liquidity risk	Source of debt financing for the same affiliated company	50%
	Asset-liability maturity gap (30 days)	7.5 times
	Asset-liability maturity gap (60 days)	6.5 times
	Asset-liability maturity gap (120 days)	5.5 times
	Foreign currency asset-liability maturity gap (30 days)	2 times
	Foreign currency asset-liability maturity gap (60 days)	2 times
	Foreign currency asset-liability maturity gap (120 days)	2 times
Investment risk	Double leverage ratio	125%
	Total investment in other undertakings other than Article 36, item 2 of the Financial Holding Company Act	15%
	Total investment in China	10%

Note: Except for capital adequacy ratio, other items are multiples or percentages of the Company's net book.

F. Recognition and measurement of expected credit losses

Expected credit loss is the valuation basis of impairment loss, which considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions (available without undue cost or effort). On the balance sheet date, the Group assesses whether there has been significant increase in credit risk since initial recognition or whether asset is already credit-impaired. It is classified into one of the following three stages: credit risk has not significantly increased or credit risk is low on the balance sheet date (Stage 1), credit risk has significantly increased (Stage 2) and credit has been impaired (Stage 3). The loss allowance is measured using 12-month expected credit losses (Stage 1) and lifetime expected credit losses (Stage 2 and Stage 3).

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

	Stage 1	Stage 2	Stage 3
Definition	Financial assets with no significant increase in credit risk since initial recognition or low credit risk at the reporting	Financial assets with significant increase in credit risk since initial recognition, but not yet credit-impaired	Credit-impaired financial assets at the reporting date
Recognition of expected credit losses	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The Group uses the following key judgements and assumptions when estimating expected credit losses in accordance with IFRS 9:

(a) Determining whether there has been significant increase in credit risk since initial recognition

At each reporting date, the Group assesses whether there has been changes in the default risk of credit assets and debt instruments measured at fair value through other comprehensive income in order to determine whether there has been significant increase in credit risk since initial recognition.

i. Credit business

The major indicators for significant increase in credit risk used by the credit business of IBFC are as follows:

(i) The borrower is over 30 days past due.

(ii) The borrower has other records of bad credit:

(a) The borrower has applied for interest-only payments or initiated debt negotiations.

(b) Negotiable instruments issued by the borrower are not accepted.

(c) The borrower has delayed payments owed to other financial institutions.

(d) Other records of bad credit.

(iii) The possibility of elimination of collateral.

ii. Debt instruments

A debt instrument is considered to have significant increase in credit risk if any of the following conditions apply:

(i) Contractual payments, including interest, are 30 days past due.

(ii) Credit rating at the reporting date is of non-investment grade (BBB-) and has decreased by more than 2 scales since initial recognition.

(b) Definition of financial assets in default and a credit-impaired financial asset

i. Credit business

- (i) The borrower is more than 3 months past due.
- (ii) Borrower's loans from other banking institutions have been recognised as non-performing, and reclassified as non-accrual or written off as uncollectible.
- (iii) Borrower has filed for reorganization or bankruptcy.
- (iv) The borrower failed to repay principal and there is deterioration of the financial condition. The borrower has hired loan negotiators.
- (v) The collateral has been seized or auctioned.
- (vi) Other situation that has significant damage to the Group's credit right.

ii. Debt instruments

A debt instrument is considered credit-impaired if any of the following conditions apply:

- (i) Contractual payments, including interest, are over 3 months past due.
- (ii) Credit rating at the reporting date is of default grade.
- (iii) Court has initiated reorganisation or liquidation proceedings.
- (iv) Declaration of bankruptcy in court.
- (v) The issuer has filed for bankruptcy, reorganisation or other debt relief procedures, or another party has filed for such procedures on behalf of the issuer.

(c) Write-off policy

The Company writes off its non-performing and non-accrual loans as bad debt, less the estimated recoverable amount, if any of the following conditions apply:

- i. The debt cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.
- ii. The collateral and assets of the primary and secondary debtors cannot be used to recover the debt due to more senior claims on such assets or low value of such assets.
- iii. The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple attempts.
- iv. The non-performing and non-accrual loans are two years past due, and could not be recovered from collection procedures.
- v. The non-performing and non-accrual loans less than two years past due, which could not be recovered from collection procedures, can be written off as bad debt, less the estimated recoverable amount.
- vi. Unsecured non-performing and non-accrual loans are required to be written off as bad debt when they are over six months past due; however, loans for which it is possible to go after the assets of the primary or secondary debtor are not subject to this requirement.

(d) Measurement of expected credit losses

The expected credit loss (ECL) model of debt instruments is primarily based on the following three parameters: probability of default, loss given default and exposure at default.

i. Credit business

(i) Loss given default (LGD)

- (a) Stage 1 : The incidence rate of guarantee obligation for normal assets are assessed based on the self - guaranteed loss rate in the past 10 years. Calculation of the self - guaranteed loss rate is as follows: (amount of written-off bad debt in the past 10 years less amount of recovered bad debt in the past 10 years)/ average guaranteed amount in the past 10 years.

- (b) Stage 2 : “Guaranteed bill receivables evaluation form” is prepared based on the financial situation of debtors and collateral to estimate potential losses from difference between future cash flow and credit balance.
- (c) Stage 3 : “Credit evaluation form” is assessed based on the financial situation of debtors and collateral to estimate potential losses from difference between the future cash flow and credit balance.
- (ii) Exposure at default (EAD): EAD is the balance of self - guaranteed loss issuance and it is calculated on commercial paper guarantee amount off the balance sheet.
- ii. Debt instruments
 - (i) Probability of default: Use data from external credit ratings.
 - (ii) Loss given default: The average loss given default in data from external credit ratings.
 - (iii) Exposure at default: Total carrying amount, including interest receivable.
- (e) Consideration of forward-looking information:
 - i. Credit business
 - (i) Please refer to Market Observation Post System for material information and external credit information.
 - (ii) Internal credit check process and credit rating include background checks, financial situation, operating performance, investment performance, repayment capacity, business comparison, industrial development.
 - ii. Debt instruments

According to the rating guideline published by external credit rating agencies, credit ratings have already incorporated forward-looking information.
- (5) Significant financial risks and degrees of financial risks

A. Credit risk

Credit risks occur when counterparty fails to fulfil its obligation and results in losses in financial instruments held by the Group. In addition, the information regarding policy of IBFC is as follows:

Losses in financial instruments held by IBFC occurs when the counterparty fails to fulfil its obligation. IBFC has a considerable amount of guarantee commitments because of financial guarantees for underwriting of commercial papers issued. Such guarantee agreement normally comes with a year expiration period. The range of contract period for commercial papers is within a year and the expiration dates are not concentrated on the same day. Since IBFC is only subject to payments in the event of default on the issuer of commercial papers in such guarantee contracts and not all the contracts are guaranteed to be funded, the contract amount for such financial instruments does not represent the expected future cash outflow. In other words, the demand for future cash flow is less than the contract amount. When default on the issuer of commercial papers in such guarantee contracts occurred and the underlying collateral or other collateral has completely lost its values, the amount of credit risk exposure will be equal to the drawn down amount, which is the maximum potential loss. In granting guarantees for the issuance of commercial papers, IBFC undertakes strict credit assessment and also demands appropriate collateral from clients as necessary. Collateral provided normally includes cash, real estate, liquid securities or other assets. In the event of client defaults, IBFC assumes rights on such collateral or other collateral to reduce credit risk. Fair value of collateral is not taken into consideration when disclosing maximum credit risk exposure.

As a result of the COVID-19 outbreak in the beginning of 2020, certain entities and the global economy were impacted, and the quality of IBFC’s credit assets may have been affected. However, the actual impact would be determined based on the subsequent

development of the epidemic and the magnitude of the effect on the global economy. IBFC has collected historical, current and future development information, and grouped related factors into various parameters and assumptions which were associated with the expected credit loss impairment model and methodology (including a new future economic condition criteria in the measurement of the expected credit impairment loss). IBFC will continually follow the development of the epidemic, and cautiously assess and positively resolve the related impact on financial conditions and operating performance.

- (a) The commercial papers guarantee contracts, drawn down amount of guarantee contracts and percentage of guarantee with collateral of IBFC that has credit risks off the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper guarantee contracts	\$ 226,158,100	\$ 218,578,200
Drawdown amounts of guarantee contracts	134,773,600	119,801,600
Percentage of guarantee with collateral	68.00%	68.30%

- (b) The maximum credit exposure of IBFC and accounts off the balance sheet are as follows:

<u>Financial instrument items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Guarantees off the balance sheet	<u>\$ 134,773,600</u>	<u>\$ 119,801,600</u>

- (c) Profile of concentration of credit risk of the Group:

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar. The concentration of credit risk includes the nature of business activities of debtors. The Group does not significantly carry out transactions with single client or single counterparty. Commercial papers underwritten by IBFC have similar industrial types and the contract amount of the credit risk concentration are shown as follows:

i. Industrial types

Type of industry	December 31, 2021		December 31, 2020	
	Amount	Ratio(%)	Amount	Ratio(%)
Infrastructure and construction	\$ 36,199,100	26.85	\$ 32,686,900	27.28
Finance periphery and investment industry	32,981,100	24.47	27,566,700	23.01
Petrochemical and utilities (Note 1)	16,721,000	12.41	12,944,000	10.80
Electric machinery and electronics	4,030,500	2.99	3,925,000	3.28
Machinery	6,066,000	4.50	6,299,000	5.26
Food and textile	3,914,000	2.90	3,603,400	3.01
Trade and commerce	9,151,600	6.79	8,133,900	6.79
Shopping center and hotel	7,797,900	5.79	7,627,600	6.37
Others – no greater than 5% (Note 2)	17,912,400	13.30	17,015,100	14.20
	<u>\$ 134,773,600</u>	<u>100.00</u>	<u>\$ 119,801,600</u>	<u>100.00</u>

Note 1: Including mining industry, paper and forest industry, chemical industry, petrochemical industry and utilities industry (Including green energy).

Note 2: Including storage and transportation, telecommunication, media, securities finance, real estate, miscellaneous industries, financial holding and others.

ii. Collateral

Collateral	December 31, 2021		December 31, 2020	
	Amount	Ratio(%)	Amount	Ratio(%)
Unsecured	\$ 43,127,552	32.00	\$ 37,977,107	31.70
Secured				
Secured by real estate	57,548,327	42.70	52,592,903	43.90
Secured by stocks	21,698,549	16.10	18,808,851	15.70
Secured by bonds	2,156,378	1.60	2,755,437	2.30
Secured by checks	1,078,189	0.80	1,078,214	0.90
Others	9,164,605	6.80	6,589,088	5.50
	<u>\$ 134,773,600</u>	<u>100.00</u>	<u>\$ 119,801,600</u>	<u>100.00</u>

(d) The changes in the Group's allowance for bad debt and accumulated impairment

i. Credit business

(i) For the years ended December 31, 2021 and 2020, the reconciliation of the balance of provision for guarantee obligation is as follows:

For the year ended December 31, 2021	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Impairment difference recognized in accordance with "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"	Provision for guarantee obligation
Balance at the beginning of the year	\$ 47,893	\$ 69,500	\$ -	\$ 117,393	\$ 1,306,725	\$ 1,424,118
- Transferred to 12-month expected credit losses	Stage 2 – > Stage 1	-	-	-	-	160,000
	Stage 3 – > Stage 1	-	-	-	-	
- Transferred to lifetime expected credit losses	Stage 1 – > Stage 2	-	-	-	-	
	Stage 3 – > Stage 2	-	-	-	-	
- Transferred to credit-impaired financial asset	Stage 1 – > Stage 3	-	-	-	-	
	Stage 2 – > Stage 3	-	-	-	-	
Originated or purchased	19,466	-	-	19,466	153,922	
Derecognised	-	(13,300)	-	(13,300)		
Write-off of uncollectible amount	-	-	-	-		-
Foreign exchange	-	-	-	-		-
Other changes	-	-	-	-		88
Balance at the end of the year	\$ 67,359	\$ 56,200	\$ -	\$ 123,559	\$ 1,460,647	\$ 1,584,206

For the year ended December 31, 2020		12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Impairment difference recognized in accordance with "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"	Provision for guarantee obligation
Balance at the beginning of the year		\$ 146,726	\$ 162,100	\$ -	\$ 308,826	\$ 1,064,850	\$ 1,373,676
- Transferred to 12-month expected credit losses	Stage 2 — > Stage 1	-	-	-	-	241,875	95,500
	Stage 3 — > Stage 1	-	-	-	-		
- Transferred to lifetime expected credit losses	Stage 1 — > Stage 2	(39,500)	39,500	-	-		
	Stage 3 — > Stage 2	-	-	-	-		
- Transferred to credit- impaired financial asset	Stage 1 — > Stage 3	-	-	-	-		
	Stage 2 — > Stage 3	-	-	-	-		
Originated or purchased		39,405	-	-	39,405		
Derecognised		-	(102,100)	-	(102,100)		
Write-off of uncollectible amount		-	-	-	-		-
Foreign exchange		-	-	-	-		-
Other changes		(98,738)	(30,000)	-	(128,738)		(45,058)
Balance at the end of the year		\$ 47,893	\$ 69,500	\$ -	\$ 117,393	\$ 1,306,725	\$ 1,424,118

- (ii) Except for the interest receivable of bonds which was assessed along with bond investment, the Group's receivables and overdue receivables adopted the simplified approach which measured allowance for bad debt accounts in line with the expected credit loss in their lifetime. For movements of allowance for bad debt accounts of receivables and overdue receivables for the years ended December 31, 2021 and 2020, please refer to Note 6(18).

ii. Bond investment

The reconciliation of the balance of the accumulated impairment of financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

For the year ended December 31, 2021		12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Allowance for losses
Balance at the beginning of the year		\$ 63,931	\$ -	\$ -	\$ 63,931	\$ 63,931
- Transferred to 12-month expected credit losses	Stage 2 – > Stage 1	-	-	-	-	(19,162)
	Stage 3 – > Stage 1	-	-	-	-	
- Transferred to lifetime expected credit losses	Stage 1 – > Stage 2	-	-	-	-	
	Stage 3 – > Stage 2	-	-	-	-	
- Transferred to credit- impaired financial asset	Stage 1 – > Stage 3	-	-	-	-	
	Stage 2 – > Stage 3	-	-	-	-	
Originated or purchased		-	-	-	-	
Derecognised (disposal)		(19,162)	-	-	(19,162)	
Write-off of uncollectible amount		-	-	-	-	-
Foreign exchange		-	-	-	-	-
Other changes		-	-	-	-	-
Balance at the end of the year		\$ 44,769	\$ -	\$ -	\$ 44,769	\$ 44,769

The details of material changes to the accumulated impairment of bond investments for the year ended December 31, 2021 are as follows:

Financial assets at fair value through other comprehensive income: As of December 31, 2021, the cost of bond financial assets at fair value through other comprehensive was \$14,407million and the accumulated impairment decreased correspondingly.

For the year ended December 31, 2020		12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Allowance for losses
Balance at the beginning of the year		\$ 67,747	\$ -	\$ -	\$ 67,747	\$ 67,747
- Transferred to 12-month expected credit losses	Stage 2 – > Stage 1	-	-	-	-	(3,816)
	Stage 3 – > Stage 1	-	-	-	-	
- Transferred to lifetime expected credit losses	Stage 1 – > Stage 2	-	-	-	-	
	Stage 3 – > Stage 2	-	-	-	-	
- Transferred to credit- impaired financial asset	Stage 1 – > Stage 3	-	-	-	-	
	Stage 2 – > Stage 3	-	-	-	-	
Originated or purchased		-	-	-	-	
Derecognised (disposal)		(3,816)	-	-	(3,816)	
Write-off of uncollectible amount		-	-	-	-	-
Foreign exchange		-	-	-	-	-
Other changes		-	-	-	-	-
Balance at the end of the year		\$ 63,931	\$ -	\$ -	\$ 63,931	\$ 63,931

The details of material changes to the accumulated impairment of bond investments for the year ended December 31, 2020 are as follows:

Financial assets at fair value through other comprehensive income: As of December 31, 2020, the cost of bond financial assets at fair value through other comprehensive was \$3,637 million and the accumulated impairment decreased correspondingly.

B. Liquidity risk

- (a) The capital and working capital of the Group and its subsidiaries are sufficient, therefore there is low liquidity risk due from inability to raise capital for fulfilling contractual obligations.

In order to fulfill the payment obligation and potential emergent fund demand in the market, the Group holds sound earning assets with high liquidity. In order to manage liquidity risk, the Group held assets including cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, investments in bills and bonds under resale agreements and financial assets at fair value through other comprehensive income, etc.

The Group's fundamental management policy is to match the maturity date and interest rate on assets and liabilities and control any mismatch. Due to uncertainty and variety of types of terms, maturity date and interest rate on assets and liabilities usually cannot fully match, such mismatch may result in either potential gain or loss. The Group divides it into group by the nature of assets and liabilities for maturity analysis to evaluate liquidity capacity of subsidiaries within the Group. The maturity analysis is as follows:

	Expressed in Millions of New Taiwan Dollars				
	December 31, 2021				
Financial instrument items	Up to one month	One to three months	Three months to one year	Over one year	Total
Liabilities					
<u>Non-derivative instruments</u>					
Due to Central Bank and other banks					
Call loans	\$ 22,843	\$ -	\$ -	\$ -	\$ 22,843
Short-term borrowings	1,207	890	1,624	-	3,721
Financial liabilities at fair value through profit or loss					
Call (put) warrant liabilities	60	247	453	-	760
Securities borrowing payable	1,549	-	-	-	1,549
Contract of selling revolving commercial paper	-	-	-	1	1
Bills and bonds payable under repurchase agreements	161,220	52,214	2,976	-	216,410
Commercial paper payable	17,032	1,700	610	3,000	22,342
Payables					
Deposits received from securities borrowers	1,574	-	-	-	1,574
Others payable	13,511	480	298	28	14,317
Guaranteed price deposits received from securities borrowers	1,309	-	-	-	1,309
Other financial liabilities					
Futures traders' equity	9,041	-	-	-	9,041
Lease liabilities	8	13	50	129	200
Other liabilities					
Security borrowing deposits - deposited	171	-	-	-	171
<u>Derivative instruments</u>					
Convertible corporate bond asset swaps, etc.	402	-	1	38	441
Total liabilities	\$ 229,927	\$ 55,544	\$ 6,012	\$ 3,196	\$ 294,679

Expressed in Millions of New Taiwan Dollars

December 31, 2020

	Up to one month	One to three months	Three months to one year	Over one year	Total
Financial instrument items					
Liabilities					
<u>Non-derivative instruments</u>					
Due to Central Bank and other banks					
Call loans	\$ 16,225	\$ -	\$ -	\$ -	\$ 16,225
Short-term borrowings	1,122	510	2,047	-	3,679
Financial liabilities at fair value through profit or loss					
Call (put) warrant liabilities	18	193	476	-	687
Securities borrowing payable	900	-	-	-	900
Contract of selling revolving commercial paper	-	-	-	1	1
Bills and bonds payable under repurchase agreements	145,093	55,430	4,562	-	205,085
Commercial paper payable	13,669	3,443	200	2,400	19,712
Payables					
Deposits received from securities borrowers	1,341	-	-	-	1,341
Others payable	14,755	828	105	39	15,727
Guaranteed price deposits received from securities borrowers	1,131	-	-	-	1,131
Other financial liabilities					
Futures traders' equity	3,173	-	-	-	3,173
Lease liabilities	7	14	49	77	147
Other liabilities					
Security borrowing deposits - deposited	273	-	-	-	273
<u>Derivative instruments</u>					
Convertible corporate bond asset swaps, etc.	499	-	-	7	506
Total liabilities	<u>\$ 198,206</u>	<u>\$ 60,418</u>	<u>\$ 7,439</u>	<u>\$ 2,524</u>	<u>\$ 268,587</u>

(b) Maturity analysis of off-balance-sheet items

The following table illustrates the maturity analysis for off-balance-sheet items of the Group by the remaining maturity from the balance sheet date to the contract expiration date. Regarding the financial guarantee contracts issued, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

<u>December 31, 2021</u>	<u>Up to one month</u>	<u>One month to three months</u>	<u>Three months to nine months</u>	<u>Total</u>
<u>Off-balance-sheet items</u>				
Commercial paper guarantee	\$ 76,402,200	\$ 58,341,400	\$ 30,000	\$ 134,773,600
<u>December 31, 2020</u>				
<u>Off-balance-sheet items</u>				
Commercial paper guarantee	\$ 73,086,800	\$ 46,668,500	\$ 46,300	\$ 119,801,600

(c) Maturity analysis for lease contracts and capital expenditure commitment

<u>December 31, 2021</u>	<u>Less than one year</u>	<u>One to five years</u>	<u>Total</u>
<u>Capital expenditure commitment</u>			
Capital expenditure	\$ 36,982	\$ 210	\$ 37,192
<u>December 31, 2020</u>			
<u>Capital expenditure commitment</u>			
Capital expenditure	\$ 71,708	\$ 1,110	\$ 72,818

C. Market risk

Sources and definition of market risk: the fluctuation in value of financial assets arising from uncertain market price in certain period, such as interest rate, exchange rate, equity securities and merchandise price, may lead to the risk of loss in owned position. The department of market risk management supervises the use of related risk limits each day, such as sensitivity, VaR and stress testing, the managing mechanism of market risk of the Company and IBFC is shown as follows:

(a) Interest rate risk management

The bonds and fixed interest rate investments in FRCP of IBFC may cause risk incurred by fair value changes of fixed interest risk instruments arising from the fluctuation of market interest rate. To respond to the fair value risk from interest rate fluctuation, IBFC pursues fixed and reasonable profit under the consideration of capital preservation as its investment strategy. Investments shall be allocated into different industries and to objectives with different natures. IBFC continuously monitors important domestic and overseas economic indicators to effectively distribute and control the risk.

At the beginning of each year, IBFC sets out various limits and the solutions while the limits be reached based on risk tolerance of financial instruments and annual budget target. The solutions will be reported to the Board of Directors and executed after approved. In addition, IBFC daily supervises the position limits of bonds and fixed interest rate investments in FRCP and limits of interest sensitivity to effectively control interest rate risk.

(b) Foreign exchange risk management

i. The Group is exposed to foreign exchange risk which refers to the net position of foreign currency assets less foreign currency liability, and plus the position of derivatives which may cause losses arising from movement in fair value by exchange rate fluctuations. In terms of foreign exchange risk management, the Group mainly monitors position limits on relevant businesses including the risk limits of overall foreign currencies, foreign currencies position limits, liquidity limits in foreign currency market, foreign currency asset allocation limits, liquidity limits in foreign currency funds, stress testing limits of foreign currency funds and exchange rate fluctuations.

ii. Information on foreign exchange risk gap

The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	USD	CNY	EUR
Cash and cash equivalents	\$ 201,802	\$ 69,695	\$ 12,453
Financial assets at fair value through profit or loss	78,035	176,633	1,838
Financial assets at fair value through other comprehensive income	24,738,007	-	253,294
Receivables - net	213,966	2,697,551	5,375
Other financial assets	2,680,178	7,094	1,021
Other assets - net	203,755	3,023	10
Total assets	28,115,743	2,953,996	273,991
Due to Central Bank and other banks	783,061	1,486,445	-
Financial liabilities at fair value through profit or loss	-	-	111
Bills and bonds payable under repurchase agreements	18,619,643	-	188,275
Payables	8,639	198,273	-
Other financial liabilities	2,554,849	56	(255)
Others	18,923	224,038	64
Total liabilities	21,985,115	1,908,812	188,195
On-balance-sheet foreign currency gap	\$ 6,130,628	\$ 1,045,184	\$ 85,796
Notional principal of off-balance-sheet currency swap	\$ 4,167,150	\$ -	\$ 93,840
Exchange rate to NTD	27.6800	4.3440	31.3200

	December 31, 2020		
	USD	CNY	EUR
Cash and cash equivalents	\$ 353,443	\$ 50,741	\$ 157,756
Financial assets at fair value through profit or loss	125,790	212,505	2,216
Financial assets at fair value through other comprehensive income	36,336,732	-	1,436,588
Receivables - net	333,822	2,686,948	28,206
Other financial assets	269,652	91	4,632
Other assets - net	151,532	2,525	10
Total assets	37,570,971	2,952,810	1,629,408
Due to Central Bank and other banks	424,598	1,543,693	-
Financial liabilities at fair value through profit or loss	5,718	-	3,138
Bills and bonds payable under repurchase agreements	32,361,995	-	1,279,906
Payables	77,244	176,339	-
Other financial liabilities	191,881	56	3,911
Others	38,182	216,698	-
Total liabilities	33,099,618	1,936,786	1,286,955
On-balance-sheet foreign currency gap	\$ 4,471,353	\$ 1,016,024	\$ 342,453
Notional principal of off-balance-sheet currency swap	\$ 849,400	\$ -	\$ 257,678
Exchange rate to NTD	28.4800	4.3770	35.0200

(c) Equity securities price risk management

i. Definition of equity securities price risk

The market risk of IBFC's equity securities comprises the individual risk arising from the price fluctuation of individual equity security market and the general market risk arising from the price fluctuation of the entire security market.

ii. Management policy

At the beginning of each year, IBFC sets out the position limits of equity security instruments, limits of monthly loss, annual loss and the solutions if the limits are reached based on the categories of financial instruments, risk tolerance and annual budget target. The solutions will be reported to the Board of Directors and executed after approval.

iii. Evaluation method

For the equity security instruments at fair value through profit or loss, the limits of monthly and annual loss of IBFC are calculated based on current year budgets. For the equity security instruments at fair value through other comprehensive income, the annual limits of loss are set as certain percentage of the amount of unrealised loss at fair value reached to certain ratio of net assets.

(d) Information on Value at Risk

Value at Risk is used to measure the possible maximum potential losses in investment portfolio arising from the fluctuation of market risk factors in a specified period and confidence level. The Group applies the historical simulation method to measure Value at Risk, which is gathering the historic risk factors information, calculating the movement of each two adjacent days and sorting the movements for the year (250 days), and using confidence level of 95% times positions respectively to calculate Value at Risk of one day in future.

Risks	Year ended December 31, 2021		
	Average	Maximum	Minimum
Interest VaR	\$ 134,744	\$ 215,510	\$ 100,555
Equity securities VaR	43,884	78,758	8,784
Total VaR	133,059	237,899	78,961

Risks	Year ended December 31, 2020		
	Average	Maximum	Minimum
Interest VaR	\$ 204,229	\$ 282,761	\$ 106,726
Equity securities VaR	27,801	56,280	9,664
Total VaR	199,939	275,795	107,108

Note: The maximum and minimum VaR are selected from the maximum and minimum VaR of a single day in the period.

- (6) In accordance with Article 46 of the Financial Holding Company Act, the following table represents the Company and its subsidiaries' provision of business credit or endorsements to, or other transactions with, the same individual, the same related party, or the same affiliated company.

December 31, 2021		
Expressed in Millions of New Taiwan Dollars; %		
Name	Total balance of transaction listed in article 46, paragraph 2 of the Financial Holding Company Act	Percentage (%) of net value on effective date of financial holding company
1. Same Natural Person or Same Legal Person		
(1) Ministry of Finance, R.O.C.	\$ 24,042	61.77
(2) Central Bank, R.O.C.	20,550	52.80
(3) Taiwan Semiconductor Manufacturing Co., Ltd.	6,033	15.50
(4) Others (Note)	57,433	147.58
Total	\$ 108,058	277.65
2. Same Related Party		
None.	\$ -	-
3. Affiliated Company of the Same Legal Person		
(1) Fubon Financial Holdings Co., Ltd.	\$ 10,990	28.24
(2) Far Eastern New Century Corporation	9,823	25.24
(3) Cathay Financial Holdings Co., Ltd.	7,640	19.63
(4) Taiwan Semiconductor Manufacturing Co., Ltd.	6,171	15.85
(5) Hon Hai Precision Industry Co., Ltd.	6,124	15.73
(6) Others (Note)	61,069	156.89
Total	\$ 101,817	261.58
Note: The customer's balance doesn't exceed 5% of the total sum of each item. For details, please check the company's website.		

- (7) Information on the allocation of the revenues, costs, expenses, gains and losses arising from business activities, transactions, joint promotion for businesses development, information sharing, and operating facilities or premises sharing between the financial holdings company and its subsidiaries and inter-subsidiary.

Remuneration and bonus: Promotion details, methods of calculation and payment of remuneration and bonus shall be determined separately by the responsible segments by considering the need of each type of services when the subsidiaries, IBFC and IBF Securities agree to promote businesses jointly. For the years ended December 31, 2021 and 2020, the subsidiaries recognized promotion commission income of \$38 and \$168, respectively, for the aforementioned transactions.

(8) Financial information by business line

Year ended December 31, 2021

Expressed in Thousands of New Taiwan Dollars

Items	Bills finance	Securities	Others	Consolidation
Net interest income	\$ 1,726,727	\$ 804,461	\$ 158,125	\$ 2,689,313
Net non-interest income	2,712,753	4,356,144	405,657	7,474,554
Net profit	4,439,480	5,160,605	563,782	10,163,867
Bad debt expense, commitment and guarantee liability provision	(144,930)	18,166	(24,324)	(151,088)
Operating expenses	(775,932)	(3,119,865)	(621,227)	(4,517,024)
Consolidated income from continuing operations before income tax	3,518,618	2,058,906	(81,769)	5,495,755
Income tax expense	(580,582)	(305,748)	(4,375)	(890,705)
Consolidated net income	\$ 2,938,036	\$ 1,753,158	(\$ 86,144)	\$ 4,605,050

Year ended December 31, 2020

Expressed in Thousands of New Taiwan Dollars

Items	Bills finance	Securities	Others	Consolidation
Net interest income	\$ 1,562,736	\$ 555,697	\$ 158,824	\$ 2,277,257
Net non-interest income	2,742,938	3,400,325	149,631	6,292,894
Net profit	4,305,674	3,956,022	308,455	8,570,151
Bad debt expense, commitment and guarantee liability provision	(96,556)	24,860	(21,308)	(93,004)
Operating expenses	(775,060)	(2,486,536)	(472,810)	(3,734,406)
Consolidated income from continuing operations before income tax	3,434,058	1,494,346	(185,663)	4,742,741
Income tax expense	(659,142)	(321,738)	(26,942)	(1,007,822)
Consolidated net income	\$ 2,774,916	\$ 1,172,608	(\$ 212,605)	\$ 3,734,919

Note: Financial information by business line which shall be shown separately is determined according to each company's classification methods for business group management to fill in amounts written off for consolidation purpose.

(9) Financial holdings company's individual financial statements and its subsidiary's condensed individual balance sheets and statements of comprehensive income

A. IBF Financial Holdings

(a) Individual Balance Sheets

Expressed in Thousands of New Taiwan Dollars					
Assets	December 31, 2021	December 31, 2020	Liabilities and Equity	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 37,842	\$ 690	Commercial paper payable	\$ 5,830,110	\$ 5,989,939
Financial assets at fair value through			Payables	197,617	155,682
other comprehensive income	100,557	78,431	Current income tax liabilities	317,015	410,077
Investments in bills and bonds			Employee benefits provision	5,705	5,483
under resale agreements	-	77,061	Lease liabilities	91,059	125,556
Receivables - net	195,602	319,761	Deferred income tax liabilities	99	99
Current income tax assets	36	22	Total liabilities	6,441,605	6,686,836
Investments accounted for under the					
equity method - net	44,799,827	44,261,884			
Property and equipment - net	70,362	47,049	Common stock	29,975,086	28,964,817
Right-of-use assets - net	88,326	123,124	Capital surplus	158,167	156,037
Intangible assets - net	2,406	2,793	Retained earnings	6,525,545	5,541,749
Deferred income tax assets - net	1,006	970	Other equity	2,314,646	3,682,457
Other assets - net	12,739	13,765	Treasury shares	(106,346)	(106,346)
			Total equity	38,867,098	38,238,714
Total assets	\$ 45,308,703	\$ 44,925,550	Total liabilities and equity	\$ 45,308,703	\$ 44,925,550

(b) Individual Statements of Comprehensive Income

Items	Expressed in Thousands of New Taiwan Dollars For the years ended December 31,	
	2021	2020
Income		
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	\$ 4,218,702	\$ 3,545,430
Realised gains on financial assets at fair value through other comprehensive income	5,812	4,410
Other income	24,869	20,740
	<u>4,249,383</u>	<u>3,570,580</u>
Expenses and losses		
Operating expenses	(372,652)	(309,199)
Other expenses and losses	(22,866)	(31,618)
	<u>(395,518)</u>	<u>(340,817)</u>
Net income from continuing operations before income tax	3,853,865	3,229,763
Income tax benefit	30,000	18,322
Net income	<u>3,883,865</u>	<u>3,248,085</u>
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	(179)	440
Gain (loss) on valuation of investments in equity instruments measured at fair value through other comprehensive income	22,126	(2,496)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	650,090	(46,654)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	36	(88)
Components of other comprehensive income that will be reclassified to profit or loss		
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(2,053,471)	1,306,476
Other comprehensive (loss) income (net of tax)	<u>(1,381,398)</u>	<u>1,257,678</u>
Total comprehensive income (net of tax)	<u>\$ 2,502,467</u>	<u>\$ 4,505,763</u>
Earnings per share		
Basic earnings per share (in dollars)	<u>\$ 1.30</u>	<u>\$ 1.09</u>

(c) Individual Statements of Changes in Equity

Expressed in Thousands of New Taiwan Dollars

	Retained earnings					Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gains or losses on financial assets measured at fair value through other comprehensive income	Treasury shares	Total
<u>For the year ended December 31, 2020</u>									
Balance at January 1, 2020	\$ 28,480,646	\$ 153,610	\$ 1,814,982	\$ 234,587	\$ 2,596,632	(\$ 128,601)	\$ 2,536,256	\$ -	\$ 35,688,112
Net income for the period	-	-	-	-	3,248,085	-	-	-	3,248,085
Other comprehensive income (loss) for the period	-	-	-	-	(21,397)	6,852	1,272,223	-	1,257,678
Total comprehensive income	-	-	-	-	3,226,688	6,852	1,272,223	-	4,505,763
Appropriation of 2019 earnings									
Legal reserve	-	-	259,664	-	(259,664)	-	-	-	-
Cash dividends	-	-	-	-	(1,851,242)	-	-	-	(1,851,242)
Stock dividends	484,171	-	-	-	(484,171)	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	-	-	(106,346)	(106,346)
Changes in equity of investment accounted for using equity method	-	200	-	-	-	-	-	-	200
Other changes in capital surplus	-	2,227	-	-	-	-	-	-	2,227
Disposal of investments in equity instruments measured at fair value through other comprehensive income by equity investments accounted for using equity method	-	-	-	-	4,273	-	(4,273)	-	-
Balance at December 31, 2020	<u>\$ 28,964,817</u>	<u>\$ 156,037</u>	<u>\$ 2,074,646</u>	<u>\$ 234,587</u>	<u>\$ 3,232,516</u>	<u>(\$ 121,749)</u>	<u>\$ 3,804,206</u>	<u>(\$ 106,346)</u>	<u>\$ 38,238,714</u>
<u>For the year ended December 31, 2021</u>									
Balance at January 1, 2021	\$ 28,964,817	\$ 156,037	\$ 2,074,646	\$ 234,587	\$ 3,232,516	(\$ 121,749)	\$ 3,804,206	(\$ 106,346)	\$ 38,238,714
Net income for the period	-	-	-	-	3,883,865	-	-	-	3,883,865
Other comprehensive income (loss) for the period	-	-	-	-	(43,619)	(13,336)	(1,324,443)	-	(1,381,398)
Total comprehensive income (loss)	-	-	-	-	3,840,246	(13,336)	(1,324,443)	-	2,502,467
Appropriation of 2020 earnings									
Legal reserve	-	-	323,096	-	(323,096)	-	-	-	-
Cash dividends	-	-	-	-	(1,876,213)	-	-	-	(1,876,213)
Stock dividends	1,010,269	-	-	-	(1,010,269)	-	-	-	-
Other changes in capital surplus	-	2,130	-	-	-	-	-	-	2,130
Disposal of investments in equity instruments measured at fair value through other comprehensive income by equity investments accounted for using equity method	-	-	-	-	30,032	-	(30,032)	-	-
Balance at December 31, 2021	<u>\$ 29,975,086</u>	<u>\$ 158,167</u>	<u>\$ 2,397,742</u>	<u>\$ 234,587</u>	<u>\$ 3,893,216</u>	<u>(\$ 135,085)</u>	<u>\$ 2,449,731</u>	<u>(\$ 106,346)</u>	<u>\$ 38,867,098</u>

(d) Individual Statements of Cash Flows

Items	Expressed in Thousands of New Taiwan Dollars For the years ended December 31,	
	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 3,853,865	\$ 3,229,763
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation and amortization	23,891	16,818
Interest expense	15,687	24,671
Interest income	(155)	(272)
Dividend income	(5,812)	(4,410)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(4,218,702)	(3,545,430)
Loss on disposal and retirement of property and equipment	2	-
Lease modification losses	621	-
Payables on amortised fees of discounted bills of commercial papers	6,477	6,802
Changes in operating assets and liabilities		
Changes in operating assets		
Investments in bills and bonds under resale agreements	77,061	(77,062)
Receivables	553,834	321,278
Other assets	(1,315)	417,032
Changes in operating liabilities		
Payables	41,587	56,925
Employee benefits provision	22	165
Cash outflows generated from operations	347,063	446,280
Interest received	143	228
Dividends received	5,812	4,410
Dividends received from investment accounted for using equity method	2,277,378	1,093,327
Interest paid	(493)	(328)
Income taxes paid	(492,390)	(263,671)
Net cash flows from operating activities	2,137,513	1,280,246
Cash flows from investing activities:		
Acquisition of property and equipment	(26,166)	(44,275)
Refundable deposits	2,323	(3,122)
Acquisition of intangible assets	(667)	(2,922)
Net cash flows used in investing activities	(24,510)	(50,319)
Cash flows from financing activities:		
(Decrease) increase in commercial paper payable	(181,500)	722,762
Repayment of principal portion of lease liabilities	(20,268)	(12,342)
Cash dividends paid	(1,876,213)	(1,851,242)
Repurchase of treasury shares	-	(106,346)
Unclaimed dividend	2,130	2,227
Net cash flows used in financing activities	(2,075,851)	(1,244,941)
Net increase (decrease) in cash and cash equivalents	37,152	(15,014)
Cash and cash equivalents at beginning of year	690	15,704
Cash and cash equivalents at end of year	\$ 37,842	\$ 690

B. International Bills Finance Corporation
(a) Condensed Individual Balance Sheets

			Expressed in Thousands of New Taiwan Dollars		
Assets	December 31, 2021	December 31, 2020	Liabilities and equity	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 847,797	\$ 819,751	Banks call loans and overdrafts from banks	\$ 22,843,061	\$ 16,224,598
Due from the Central Bank and call loans to other banks	5	62,707	Financial liabilities at fair value through profit or loss	40,445	17,969
Financial assets at fair value through profit or loss	155,304,138	121,434,633	Bills and bonds payable under repurchase agreement	201,291,646	189,569,600
Financial assets at fair value through other comprehensive income	95,968,707	112,279,655	Payables	562,131	746,777
Receivables - net	704,632	924,314	Current income tax liabilities	216,967	333,684
Investments accounted for under the equity method - net	1,716,182	1,758,508	Provision for guarantee obligation	1,719,060	1,576,882
Other financial assets - net	646,913	685,238	Lease liabilities	26,239	16,110
Property and equipment - net	2,424,573	2,365,648	Deferred income tax liabilities	230,907	550,198
Right-of-use assets - net	26,315	15,786	Other liabilities	772,350	655,471
Investment property - net	633,293	637,083	Total liabilities	227,702,806	209,691,289
Intangible assets - net	14,703	9,594	Common stock	16,390,000	16,390,000
Deferred income tax assets	31,624	32,166	Capital surplus	355,434	355,434
Other assets - net	319,508	256,015	Retained earnings	12,475,379	11,422,510
			Other equity	1,714,771	3,421,865
			Total equity	30,935,584	31,589,809
Total assets	<u>\$ 258,638,390</u>	<u>\$ 241,281,098</u>	Total liabilities and equity	<u>\$ 258,638,390</u>	<u>\$ 241,281,098</u>

(b) Condensed Individual Statements of Comprehensive Income

Items	Expressed in Thousands of New Taiwan Dollars For the years ended December 31,	
	2021	2020
Interest income	\$ 2,229,112	\$ 2,509,988
Less: Interest expense	(502,847)	(947,466)
Net interest income	1,726,265	1,562,522
Net non-interest income	2,744,486	2,754,657
Net profit	4,470,751	4,317,179
Provisions	(144,930)	(96,556)
Operating expenses	(795,436)	(780,298)
Profit before income tax	3,530,385	3,440,325
Income tax expense	(580,582)	(659,142)
Profit after income tax	2,949,803	2,781,183
Other comprehensive income	(1,664,003)	1,219,191
Total comprehensive income	\$ 1,285,800	\$ 4,000,374
Basic earnings per share (in dollars)	\$ 1.80	\$ 1.70

(BLANK)

C. IBF Securities Co., Ltd.

(a) Condensed Individual Balance Sheets

Expressed in Thousands of New Taiwan Dollars					
Assets	December 31, 2021	December 31, 2020	Liabilities and equity	December 31, 2021	December 31, 2020
Current assets	\$ 62,876,427	\$ 54,198,146	Current liabilities	\$ 55,089,123	\$ 48,132,372
Financial assets at fair value through profit or loss	401,383	417,337	Long-term liabilities	2,999,755	2,399,666
Financial assets at fair value through other comprehensive income	2,758,261	1,908,614	Lease liabilities	68,570	59,823
Investments accounted for under the equity method	1,388,860	1,376,682	Non-current liabilities	286,514	167,578
Property and equipment	2,987,435	2,999,606	Total liabilities	58,443,962	50,759,439
Right-of-use assets	112,257	103,883	Common stock	8,500,000	8,000,000
Investment property	127,393	7,120	Capital surplus	48,771	48,771
Intangible assets	221,419	214,753	Retained earnings	3,075,471	2,231,664
Deferred income tax assets	64,946	36,965	Other equity	1,083,507	462,369
Other non-current assets	213,330	239,137	Total equity	12,707,749	10,742,804
Total assets	<u>\$ 71,151,711</u>	<u>\$ 61,502,243</u>	Total liabilities and equity	<u>\$ 71,151,711</u>	<u>\$ 61,502,243</u>

(b) Condensed Individual Statements of Comprehensive Income

Items	Expressed in Thousands of New Taiwan Dollars For the years ended December 31,	
	2021	2020
Income	\$ 5,325,436	\$ 4,033,550
Expenditures and expenses	(3,494,898)	(2,744,916)
Share of profit or loss of associates and joint ventures accounted for using equity method	39,623	25,135
Other gains and losses	173,531	171,495
Profit before income tax	2,043,692	1,485,264
Income tax expense	(299,691)	(314,573)
Profit after income tax	1,744,001	1,170,691
Other comprehensive income	515,984	10,305
Total comprehensive income	\$ 2,259,985	\$ 1,180,996
Basic earnings per share (in dollars)	\$ 2.05	\$ 1.38

(BLANK)

D. IBF Venture Capital Co., Ltd.

(a) Condensed Individual Balance Sheets

			Expressed in Thousands of New Taiwan Dollars		
Assets	December 31, 2021	December 31, 2020	Liabilities and equity	December 31, 2021	December 31, 2020
Current assets	\$ 1,842,802	\$ 1,320,853	Current liabilities	\$ 2,380,323	\$ 2,118,870
Investments accounted for			Other liabilities	1,574	599
under the equity method	1,242,857	1,192,697	Total liabilities	2,381,897	2,119,469
Property and equipment	863,773	1,099,590			
Right-of-use assets	444	1,242	Common stock	1,540,000	1,540,000
Investment property	385,919	157,175	Capital surplus	6,005	6,005
Intangible assets	41	29	Retained earnings	512,683	195,039
Deferred income tax assets	2,692	2,692	Other equity	(100,567)	(84,000)
Other assets	1,490	2,235	Total equity	1,958,121	1,657,044
Total assets	<u>\$ 4,340,018</u>	<u>\$ 3,776,513</u>	Total liabilities and equity	<u>\$ 4,340,018</u>	<u>\$ 3,776,513</u>

(b) Condensed Individual Statements of Comprehensive Income

Items	Expressed in Thousands of New Taiwan Dollars For the years ended December 31,	
	2021	2020
Revenue	\$ 658,865	\$ 292,481
Operating expenses	(168,037)	(91,710)
Operating income	490,828	200,771
Non-operating income and expense	(16,540)	(22,636)
Net income from continuing operations before income tax	474,288	178,135
Income tax benefit (expense)	4,775	(1,524)
Net income	479,063	176,611
Other comprehensive (loss) income	(12,017)	34,644
Total comprehensive income	\$ 467,046	\$ 211,255
Basic earnings per share (in dollars)	\$ 3.11	\$ 1.15

(BLANK)

E. Rakuten International Commercial Bank Co., Ltd.

(a) Condensed Individual Balance Sheets

			Expressed in Thousands of New Taiwan Dollars		
Assets	December 31, 2021	December 31, 2020	Liabilities and equity	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 1,749	\$ 6,889,496	Payables	\$ 146,047	\$ 38,271
Due from the Central Bank and call loans to other banks	1,862,242	1,500,000	Deposits and remittances	6,313,771	-
Financial assets at fair value through other comprehensive income	6,076,003	-	Provisions	22	-
Investment in debt instruments at amortised cost	500,000	-	Lease liabilities	20,052	30,062
Investments in bills and bonds under resale agreements	5,420,448	-	Other liabilities	1,320	507
Receivables - net	135,482	986	Total Liabilities	6,481,212	68,840
Current income tax assets	6,353	4,966			
Loans discounted - net	193,039	-			
Property and equipment - net	358,517	341,083			
Right-of-use assets - net	19,524	28,935	Common stock	10,000,000	10,000,000
Intangible assets - net	994,434	1,022,615	Accumulated deficit	(665,278)	(219,246)
Deferred income tax assets	167,230	54,551	Other equity	(55,299)	-
Other assets - net	25,614	6,962	Total equity	9,279,423	9,780,754
Total assets	\$ 15,760,635	\$ 9,849,594	Total liabilities and equity	\$ 15,760,635	\$ 9,849,594

(b) Condensed Individual Statements of Comprehensive Income

Expressed in Thousands of New Taiwan Dollars

Items	For the year ended December 31, 2021	May 18, 2020 (Establishment date) to December 31, 2020
Interest income	\$ 28,456	\$ 40,440
Less: Interest expense	(23,047)	(97)
Net interest income	5,409	40,343
Net non-interest income (loss)	4,764	(3,317)
Net profit	10,173	37,026
Bad debt expense, commitment and guarantee liability provision	(1,984)	-
Operating expenses	(566,900)	(275,875)
Net losses from continuing operation before income tax	(558,711)	(238,849)
Income tax benefit	112,679	47,770
Net losses	(446,032)	(191,079)
Other comprehensive loss	(55,299)	-
Total comprehensive loss	(\$ 501,331)	(\$ 191,079)
Basic loss per share (in dollars)	(\$ 0.45)	(\$ 0.19)

(10) Profitability information for IBF Financial Holdings and the Group

A. Profitability information for IBF Financial Holdings

Items	Year ended December 31, 2021	Year ended December 31, 2020
Return on total assets, before tax	8.54%	7.50%
Return on total assets, after tax	8.61%	7.54%
Return on stockholders' equity, before tax	10.00%	8.74%
Return on stockholders' equity, after tax	10.07%	8.79%
Net profit margin ratio	91.89%	91.78%

Note: Return on total assets = Income before (after) income tax / average total assets.

Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Net profit margin ratio = Income after income tax / net profit.

B. Profitability information for IBF Financial Holdings Group

Items	Year ended December 31, 2021	Year ended December 31, 2020
Return on total assets, before tax	1.65%	1.57%
Return on total assets, after tax	1.38%	1.24%
Return on stockholders' equity, before tax	12.65%	11.49%
Return on stockholders' equity, after tax	10.60%	9.05%
Net profit margin ratio	45.31%	43.58%

Note: Return on total assets = Income before (after) income tax / average total assets.

Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Net profit margin ratio = Income after income tax / net profit.

(11) Profitability information for the subsidiary - IBF Securities Co., Ltd.

Items	Year ended December	Year ended December
	31, 2021	31, 2020
Return on total assets, before tax	3.08%	2.76%
Return on total assets, after tax	2.63%	2.18%
Return on stockholders' equity, before tax	17.43%	14.40%
Return on stockholders' equity, after tax	14.87%	11.35%
Net profit margin ratio	34.42%	30.16%

Note: Return on total assets = Income before (after) income tax / average total assets.

Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Net profit margin ratio = Income after income tax / net profit.

(12) Profitability, asset quality, management information, and liquidity and market risk sensitivity of the subsidiary- International Bills Finance Corporation

A. Profitability

Items	Year ended December	Year ended December
	31, 2021	31, 2020
Return on total assets, before tax	1.41%	1.47%
Return on total assets, after tax	1.18%	1.19%
Return on stockholders' equity, before tax	11.29%	11.46%
Return on stockholders' equity, after tax	9.44%	9.27%
Net profit margin ratio	65.98%	64.42%

Note: Return on total assets = Income before (after) income tax / average total assets.

Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Net profit margin ratio = Income after income tax / net profit.

B. Asset quality

Items	December 31, 2021	December 31, 2020
Guarantees in arrear and guaranteed credits overdue for longer than three months	\$ -	\$ 9,700
Overdue credits (overdue receivables are inclusive)	9,700	43,200
Loans under surveillance (Note)	-	-
Overdue receivables	9,700	43,200
Ratio of overdue credits	0.01%	0.04%
Ratio of overdue credits plus ratio of loans under surveillance	0.01%	0.04%
Provision for allowance for bad debts and guarantee obligation as required by regulations	1,600,269	1,437,845
Provision for allowance for bad debts and guarantee obligation actually reserved	1,613,176	1,453,176

Note: Items follow "Regulations Governing the Procedures to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" are refer to the issuing companies have applied to reform, or have been notified as dishonored account by Taiwan Clearing house or its loans from other financial institutions have been reclassified as overdue loan or written off as bad debt, and also its marking interest rate of issued commercial paper is lower than its book interest rate of IBFC. The IBFC has assessed and reserved appropriate guarantee obligation.

C. Management information

(a) Overview of main businesses

Items	December 31, 2021	December 31, 2020
Total guarantees and endorsement for short-term bills	\$ 134,773,600	\$ 119,801,600
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.85	4.64
Total bills and bonds payable under repurchase agreements	201,291,646	189,569,600
Bills and bonds payable under repurchase agreements / Net amount (after deducting final accounts allotment)	7.25	7.35

(b) Credit risk concentration

Items	December 31, 2021	December 31, 2020
Amount of credit extensions to interested parties	\$ 500,000	\$ -
Ratio of credit extensions to interested parties (%)	0.37	-
Ratio of credit extensions secured by stocks (%)	16.10	15.70
Industry concentration (%)		
(Top 3 industries with highest ratio of credit extension amount)		
Infrastructure and construction industry	26.85	27.28
Financial periphery and investment industry	24.47	23.01
Petrochemical and utilities industry	12.41	10.80

(c) Credit risk concentration

December 31, 2021			
Expressed in Millions of New Taiwan Dollars			
Ranking (Note 1)	Group Name (Note 2)	Total Credit Balance	Total outstanding loan amount / net assets of the current period (%)
1	Baojia Group	\$ 4,041	13.06%
2	The Far Eastern Group	3,943	12.75%
3	Fubon Group	3,670	11.86%
4	China Petrochemical Development Group	3,669	11.86%
5	Shanyuan Group	3,328	10.76%
6	PacSoft Group	3,147	10.17%
7	Huiyu Group	2,780	8.99%
8	CTBC Group	2,189	7.08%
9	E United Group	2,154	6.96%
10	Ysolar Group	2,083	6.73%

Note 1: Ranking the top ten group entities other than government and government enterprise according to their total amounts of outstanding credits, while those with total categorized amount less than 5% of net assets of IBFC are excluded.

Note 2: Definition of group entities is based on Article 6 of Supplementary Provisions to the “Taiwan Stock Exchange Corporation Rules for Review of Securities Listings”.

(d) Policy of provision for losses

Allowance for bad debts and provision for guarantee obligation:

The Group shall follow the “financial guarantee contracts” listed in Note 4 and consider “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” of the subsidiary. The aforementioned policy

requires the subsidiary assess potential loss on credit assets on and off balance sheets. Other than normal credit assets shall be classified as Category One, the remaining non-performing loans are assessed based on the collateral provided and the time period of overdue payment as follows:

- i. Category Two for assets requiring special attention: refer to the credit assets with adequate collateral based on assessments and past the repayment due date for 1 month to 12 months; or with no collateral based on assessments and past the repayment due date for 1 month to 3 months; or even the credit assets which have past the repayment due date yet but the debtors have other bad debt credit.
- ii. Category Three for assets deemed recoverable: refer to the credit assets with adequate collateral based on assessments and past the repayment due date over 12 months; or those with no collateral based on assessments and past the repayment due date for 3 months to 6 months;
- iii. Category Four for assets that are doubtful: refer to the credit assets with no collateral based on assessments and past the repayment due date for 6 months to 12 months.
- iv. Category Five for assets not recoverable: refer to the credit assets with no collateral based on assessments and past the repayment due date over 12 months or the credit assets not recoverable.

The subsidiary shall assess the credit assets on and off balance sheets according to the aforementioned policy and provide the sum of 1% of the balance of Category One, 2% of the balance of Category Two, 10% of the balance of Category Three, 50% of the balance of Category Four and 100% of the balance of Category Five as the minimum for allowance for bad debts and provision for guarantee obligation, which shall be sufficient to cover any possible losses based on the Group's experience.

(e) Information on Breach of Applicable Laws or Regulations

Items	Reason and amount incurred
Indictment of the Company's chairman or employees for breach of applicable laws or regulations in the past year (Note)	None
Penalties imposed by the regulatory authority for breach of the Bills Financing Act in the past year (Note)	None
Rectification requested by the Financial Supervisory Commission in the past year (Note)	None
Frauds committed by the Company's employees, major contingencies, or incidents caused by non-compliance with the Safety Rules Governing the Financial Institutions, which have incurred a total loss exceeding \$50 million on one single incident or all the incidents in the latest year (Note)	None
Others	None

Note: The latest period denotes one-year time from the current period of disclosure.

D. Sources and utilization of capital

December 31, 2021

Expressed in Millions of New Taiwan Dollars

Gap		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year
Items						
Utilization of capital	Bills	\$ 70,671	\$ 74,112	\$ 4,372	\$ 2,991	\$ 1,406
	Bonds	1,033	1,741	6,253	5,775	81,720
	Cash in banks	848	-	-	-	-
	Call loans to other banks	-	-	-	-	-
	Investment in bills and bonds under resale	-	-	-	-	-
	Total	72,552	75,853	10,625	8,766	83,126
Sources of capital	Call loans from other banks	22,843	-	-	-	-
	Bills and bonds payable under repurchase agreements	148,790	49,530	2,941	31	-
	Own capital	-	-	-	-	30,936
	Total	171,633	49,530	2,941	31	30,936
Net capital		(99,081)	26,323	7,684	8,735	52,190
Accumulated net capital		(99,081)	(72,758)	(65,074)	(56,339)	(4,149)

December 31, 2020

Expressed in Millions of New Taiwan Dollars

Gap		1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year
Items						
Utilization of capital	Bills	\$ 56,861	\$ 56,452	\$ 4,924	\$ 1,599	\$ 161
	Bonds	396	2,077	4,967	8,136	97,310
	Cash in banks	820	-	-	-	-
	Call loans to other banks	63	-	-	-	-
	Investment in bills and bonds under resale	-	-	-	-	-
	Total	58,140	58,529	9,891	9,735	97,471
Sources of capital	Call loans from other banks	16,225	-	-	-	-
	Bills and bonds payable under repurchase agreements	131,828	53,142	4,590	10	-
	Own capital	-	-	-	-	31,590
	Total	148,053	53,142	4,590	10	31,590
Net capital		(89,913)	5,387	5,301	9,725	65,881
Accumulated net capital		(89,913)	(84,526)	(79,225)	(69,500)	(3,619)

E. Interest rate sensitivity analysis on assets and liabilities:

December 31, 2021

Expressed in Millions of New Taiwan Dollars

Items	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 148,405	\$ 10,625	\$ 8,766	\$ 83,126	\$ 250,922
Interest rate sensitive liabilities	221,163	2,941	31	-	224,135
Interest rate sensitive gap	(72,758)	7,684	8,735	83,126	26,787
Net assets					30,936
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					111.95%
Ratio of interest rate sensitive gap to net assets					86.59%

December 31, 2020

Expressed in Millions of New Taiwan Dollars

Items	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 116,669	\$ 9,891	\$ 9,735	\$ 97,471	\$ 233,766
Interest rate sensitive liabilities	201,195	4,590	10	-	205,795
Interest rate sensitive gap	(84,526)	5,301	9,725	97,471	27,971
Net assets					31,590
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					113.59%
Ratio of interest rate sensitive gap to net assets					88.54%

F. Average amounts and average interest rates of interest-earning assets and interest-bearing liabilities

For the years ended December 31,

	2021		2020	
	Average amount (Note 1)	Average interest (%)	Average amount (Note 1)	Average interest (%)
<u>Assets</u>				
Certificates of deposit (Note 2)	\$ 400,000	0.10%	\$ 400,000	0.14%
Due from Central Bank and call loans to other banks	93,397	0.11%	87,751	0.18%
Financial assets at fair value through profit or loss - bills and bonds	134,231,481	0.56%	111,149,122	0.66%
Financial assets at fair value through other comprehensive income - bonds	97,901,783	1.48%	107,094,929	1.65%
Investment in bills and bonds under resale agreements	-	-	316,737	0.44%
<u>Liabilities</u>				
Banks call loans and overdrafts from banks	20,049,426	0.24%	22,899,838	0.36%
Bills and bonds payable under repurchase agreements	191,023,285	0.24%	175,699,910	0.49%

Note 1: The average amount is the daily average amount on interest-earning assets and interest-bearing liabilities date.

Note 2: Certificates of deposit include pledge certificates of deposit and due from the Central Bank.

- (13) On May 20, 2021, the Board of Directors of the Company resolved to sign a joint venture agreement with Xiamen International Trust Co., Ltd. and Yunnan International Trust Co., Ltd. to establish a currency brokerage company in China. The case was agreed by FSC on November 20, 2019 to proceed, while the subsequent investment requires approval from Chinese Competent Authorities.

(BLANK)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information (The Company and significant subsidiaries)

- A. Marketable securities acquired or disposed of, at amounted reaching \$300 million or 10% of paid-in capital or more: The Company and the subsidiaries, IBFC and IBF Securities, are financial institutions, and are exempted from disclosing. None for IBF VC.
- B. Acquisition and disposal of real estate reaching \$300 million or 10% of paid-in capital or more: None.
- C. Allowance for service fees to related parties amounting to at least \$5 million: None.
- D. Receivables from related parties reaching \$300 million or 10% of paid-in capital or more: None.
- E. Subsidiaries disposing non-performing loans: None.
- F. Information on categories of securitization of assets of subsidiaries applied for and approved in accordance to both financial asset securitization rule and real estate securitization regulations: None.
- G. Other significant transactions which may affect the decisions of users of financial reports: None.

(2) Information on investees

- A. Investees' funds lent to others: None for the Company and the subsidiaries: IBFC, IBF Securities and IBF VC.
- B. Investees' endorsement / guarantee provided:

Expressed in Thousands of New Taiwan Dollars

Endorser/ guarantor	Party being endorsed/ guaranteed	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount in this month	Increase (decrease) of individual subsidiary in this month	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulate endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
IBF Venture Capital Co., Ltd.	Guo Want International Leasing Corp.	\$ 4,971,132	\$ 3,471,728	\$ -	\$ 3,457,531	\$ 1,474,615	\$ -	208.66%	\$ 5,799,654	Y	N	Y

Note: Amount of guarantee provide by the investees to companies not included within the Group should not exceed 3.5 times net assets of the subsidiary- IBF Venture Capital Co., Ltd. The guarantee amount to subsidiary, IBF Venture Capital Co., Ltd., whose shares are more than 50% directly or indirectly held by the Company should not exceed 3 times net assets of IBF Venture Capital Co., Ltd.

C. Holding of marketable securities at the end of the year on December 31, 2021:

		Expressed in Thousands of New Taiwan Dollar / per share, except as otherwise indicated						
		Relationship with the securities issuer	December 31, 2021					
Securities held by	Marketable securities		Number of shares	Unit (per share)	Book value	Ownership (%)	Fair value	Note
IBF Venture Capital Co., Ltd.	Stocks:		Financial assets at fair value through profit or loss					
	Tehmag Foods Corporation	None		133,342	\$ 39,069	0.36%	\$ 39,069	
	Taiwan Name Plate Co., Ltd.	"	"	560,000	22,624	2.76%	22,624	
	Powerchip Semiconductor Manufacturing Corporation	"	"	8,900,301	633,701	0.25%	633,701	
	Yuen Foong Yu Consumer Products Co., Ltd.	"	"	1,000,000	50,200	0.37%	50,200	
	Brinno Incorporated	"	"	662,982	31,823	2.67%	31,823	
	INTC INTEL CORP	"	"	15,195	21,661	0.00%	21,661	
	PSTH PERSHING	"	"	14,756	8,055	0.00%	8,055	
	OTLY OATLY GROUP	"	"	27,463	6,051	0.00%	6,051	
	Kanpai Co., Ltd.	"	"	1,101,523	145,731	5.92%	145,731	
	SuperAlloy Industrial Co., Ltd.	"	"	1,225,000	83,496	0.62%	83,496	
	Mister International Enterprise Corp.	"	"	518,439	23,952	3.71%	23,952	
	GMT global Inc.	"	"	680,089	20,484	2.08%	20,484	
	TTBIO Corp.	"	"	1,434,551	28,476	5.96%	28,476	
	Smart Displayer Technology Co., Ltd.	"	"	700,000	11,032	2.81%	11,032	
	Tigerair Taiwan Co., Ltd.	"	"	630,000	19,625	0.16%	19,625	
	A-SPINE Asia Co., Ltd.	"	"	330,000	13,989	2.45%	13,989	
	Ace Edulink Co., Ltd.	"	"	154,440	15,716	0.50%	15,716	
	MSScoprs Co., Ltd.	"	"	931,129	153,739	2.26%	153,739	
	Evergreen Aviation Technologies Corp.	"	"	1,000,000	63,000	0.28%	63,000	
	3DFamily Technology Co., Ltd.	"	"	65,286	-	0.39%	-	
	udn.com Co., Ltd.	"	"	775,521	11,842	4.44%	11,842	
	Eva Technologies Co., Ltd.	"	"	69,600	2,464	0.34%	2,464	
	Initio Corporation	"	"	7,154	-	0.07%	-	
	Aptos Technology Inc.	"	"	90,258	-	0.10%	-	
	Arclite Optronics Corporation	"	"	20,732	-	0.27%	-	
	Powerchip Technology Corporation	"	"	2,290,787	92,777	0.17%	92,777	
	Deepjoy Picture Corporation	"	"	735,000	-	3.87%	-	
	Tennrich International Corp.	"	"	433,806	-	0.71%	-	
	Touch Cloud Inc.	"	"	250,000	2,500	1.88%	2,500	

Expressed in Thousands of New Taiwan Dollar / per share, except as otherwise indicated								
December 31, 2021								
Securities held by	Marketable securities	Relationship with the securities issuer	Unit	Number of shares	(per share)	Book value	Ownership (%)	Fair value
Note								
IBF Venture Capital Co., Ltd.	Stocks:		Financial assets at fair value through					
			profit or loss					
	ADE Technology Inc.	None			1,090,846	\$ 41,452	3.17%	\$ 41,452
	IF Mobile Technology Co., Ltd.	"		"	500,000	-	5.38%	-
	Miho International Cosmetic Co., Ltd.	"		"	223,850	3,373	0.24%	3,373
	Flight International Co., Ltd.	"		"	360,493	523	2.17%	523
	Great Giant Fibre Garment Co., Ltd.	"		"	521,883	57,407	0.87%	57,407
	JelloX Biotech Inc.	"		"	5,000,000	5,000	2.78%	5,000
	Beast Kingdom Co., Ltd.	"		"	432,823	28,133	3.06%	28,133
	Great Dream Pictures, Inc.	"		"	50,000	-	4.99%	-
	HCT Logistics Co., Ltd.	"		"	132,990	22,401	0.05%	22,401
	Solidlite Corporation	"		"	900,000	2,754	4.10%	2,754
	Minima Technology Co., Ltd.	"		"	862,676	24,017	2.21%	24,017
	O'Pay Electronic Payment Co., Ltd.	"		"	91,539	2,260	0.13%	2,260
	Rich Healthy Fruits & Vegetable Corp.	"		"	184,000	-	1.05%	-
	Eversol Corporation	"		"	12,011	-	0.43%	-
	High Power Optoelectronics, Inc.	"		"	14,721	-	0.03%	-
	Taiwan Polysilicon Corporation	"		"	84,000	-	0.03%	-
	Ching Fu Shipbuilding Co., Ltd.	"		"	3,702,000	-	0.74%	-
						<u>\$ 1,689,327</u>		<u>\$ 1,689,327</u>
	Stocks:		Equity investments accounted for					
			under the equity method					
	Pauguo Real Estate Management Co., Ltd.	None			4,900,000	\$ 59,556	49.00%	\$ 59,556
	IBF Financial Holding (BVI) Co., Ltd.	"		"	30,100,000	1,183,301	100.00%	1,183,301
						<u>\$ 1,242,857</u>		<u>\$ 1,242,857</u>
	Stocks:		Financial assets at fair value through					
			other comprehensive income					
	IBF Securities Co., Ltd.	None			955	\$ 13	0.00%	\$ 13

Note: Marketable securities under 0.01% of total issued shares are not disclosed.

D. Marketable securities acquired or disposed of, at amounted reaching \$300 million or 10% of paid-in capital or more: The subsidiaries, IBF C and IBF Securities, are financial institutions, and are exempted from disclosing. None for IBF VC.

E. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(3) and 7.

(3) Information regarding reinvested business and consolidated stock holdings:

Expressed in thousands of New Taiwan Dollars, except as otherwise indicated

The Company and affiliate companies consolidated stock holdings											
Investor	Investee	Location	Main business activities	Percentage of ownership (%) at the end of current period	Carrying value of investment	Investment income (loss) recognised by the Company for current period	Number of owned shares (in thousands)	Number of pro forma shares	Number of share (in thousands)	Percentage of ownership (%)	Note
IBF Financial Holdings Co., Ltd.	International Bills Finance Corporation	Taipei	Brokerage and proprietary trading of short-term bills and bonds; Underwriting, certificate and guarantee of commercial papers, etc.	100.00%	\$ 30,938,026	\$ 2,949,564	1,639,000	Not applicable	1,639,000	100.00%	
"	IBF Securities Co., Ltd.	Taipei	Brokerage of securities proprietary trading, underwriting business, margin purchases and short selling of securities, etc.	58.09%	7,347,661	1,005,994	493,748	"	493,748	58.09%	
"	IBF Venture Capital Co., Ltd.	Taipei	Venture capital business	100.00%	1,966,745	481,223	154,000	"	154,000	100.00%	
"	Rakuten International Commercial Bank Co., Ltd.	Taipei	Commercial Bank	49.00%	4,547,395 (	218,079)	490,000	"	490,000	49.00%	
International Bills Finance Corporation	Taiwan Finance Corporation	Taipei	Brokerage and proprietary trading of short-term bills and bonds; Underwriting, certificate and guarantee of commercial papers, etc.	24.55%	1,716,182	122,498	126,716	"	126,716	24.55%	
IBF Securities Co., Ltd.	IBF Securities Investment Consulting Co., Ltd.	Taipei	Consulting on portfolio investments	100.00%	100,591	Note 1	9,000	"	9,000	100.00%	
"	IBF Future Co., Ltd.	Taipei	Domestic and overseas futures business	99.90%	996,889	Note 1	82,019	"	82,019	99.90%	
"	IBF Securities Venture Capital Co., Ltd.	Taipei	Venture capital business and management consultant	100.00%	199,434	Note 1	20,000	"	20,000	100.00%	

Expressed in thousands of New Taiwan Dollars, except as otherwise indicated
The Company and affiliate companies consolidated stock holdings

Investor	Investee	Location	Main business activities	Percentage of ownership (%) at the end of current period	Carrying value of investment	Investment income (loss) recognised by the Company for current period	Number of owned shares (in thousands)	Number of pro forma shares	Number of share (in thousands)	Percentage of ownership (%)	Note
IBF Securities Co., Ltd.	JKO Asset Management Co., Ltd.	Taipei	Investment trust business	20.00%	\$ 91,946	\$ 11,404	6,468	Not applicable	6,468	20.00%	
"	Waterland Securities (BVI) Co., Ltd.	British virgin islands	Holding company	-	-	Note 1	-	"	-	-	Note 2
Waterland Securities (BVI) Co., Ltd.	Waterland Securities (HK) Co., Ltd.	Hong Kong	Securities brokerage, proprietary trading and underwriting co-organiser and other related businesses	-	-	Note 1	-	"	-	-	Note 2
IBF Venture Capital Co., Ltd.	IBF Financial Holding (BVI) Co., Ltd.	British virgin islands	General investment business	100.00%	USD \$42,749	Note 1	30,100	"	30,100	100.00%	
IBF Financial Holding (BVI) Co., Ltd.	Guo Want International Leasing Corp.	Nanjing	Financing leasing business, leasing business, purchase leasing assets from domestic and overseas, disposal and maintenance of leasing assets, leasing transaction consulting, and non-financing guarantee	100.00%	RMB \$271,922	Note 1	mitted company	"	mitted company	100.00%	
IBF Venture Capital Co., Ltd.	Pauguo Real Estate Management Corporation	Taipei	Construction management and lease construction and development	49.00%	59,556	8,774	4,900	"	4,900	49.00%	

Note 1 : It is the subsidiary and second-tier subsidiary described in consolidated financial statements.

Note 2 : Please refer to Note 4(3) for relevant information.

(4) Information on investments in Mainland China

A. Information of investment in Mainland China:

Expressed in Thousands of New Taiwan Dollars or foreign currencies

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 2)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021
					Remitted to Mainland China	Remitted back to Taiwan						
Guo Want International Leasing Corp.	Financial leasing business, leasing business, purchase leasing assets from domestic and overseas, disposal and maintenance of leasing assets, leasing transaction consulting, and non-financing guarantee	\$ 904,543 (USD 30,000)	Note 1	\$ 904,543 (USD 30,000)	\$ -	\$ -	\$ 904,543 (USD 30,000)	\$ 94,990 (USD 3,393)	100%	\$ 94,990 (USD 3,393)	\$ 1,181,232 (USD 42,675)	\$ 163,421 (USD 5,446)

Note 1: IBF Venture Capital Co., Ltd. invested 100% of IBF Financial Holding (BVI) Co., Ltd. in British Virgin Islands, which then reinvested 100% of Guo Want International Leasing Corp.

Note 2: Based on the approved investment amount (USD \$30,000) pursuant to Jing-Shen-II-Zi Letter No. 10300305700 issued by the Investment Commission of the Ministry of Economic Affairs on December 12, 2014, the actual remitted amount, converted using the exchange rate at the date of remittance, was \$904,543.

Note 3: Consolidated in the consolidated financial statements.

B. Limitation on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of the MOEA (Note 4)
\$ 904,543 (USD 30,000)	\$ 904,543 (USD 30,000)	\$ 1,174,873

Note 4: Calculated as 60% of consolidated net assets of the subsidiary- IBF Venture Capital Co., Ltd.

(5) Information of major shareholders

Shares	Number of shares held (in thousands)	Ownership(%)
Name of major shareholders		
Norwares Inc.	248,759	8.29%

- A. The major shareholders' information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders with above 5% ownership on the last operating date of each quarter and was calculated by the Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.
- B. If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

(6) Related party transactions of subsidiaries amounting to at least \$100 million

Please refer to Note 7.

(7) Significant inter-company transactions during the reporting periods

For the year ended December 31, 2021

Expressed in Thousands of New Taiwan Dollars

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	IBF Financial Holdings Co., Ltd.	International Bills Finance Corporation	1	Service charge	\$ 1,598	No significant difference from general customers	0.02%
		IBF Securities Co., Ltd.	1	Other operating expenses	10,234	"	0.10%
		IBF Securities Co., Ltd.	1	Payables	1,289	"	0.00%
		IBF Securities Co., Ltd.	1	Other assets (stock agent reserve)	100	"	0.00%
		IBF Securities Co., Ltd.	1	Other miscellaneous Income	18,003	"	0.18%
		IBF Venture Capital Co., Ltd.	1	Other miscellaneous Income	5,950	"	0.06%
1	International Bills Finance Corporation	IBF Securities Co., Ltd.	3	Service charge	970	"	0.01%
		IBF Securities Co., Ltd.	3	Service fee	14,535	"	0.14%
		IBF Futures Co., Ltd.	3	Customer margin deposits / futures traders' equity	8,048	"	0.00%
		IBF Venture Capital Co., Ltd.	3	Brokerage fee income	42	"	0.00%
2	IBF Securities Co., Ltd.	IBF Futures Co., Ltd.	3	Accounts receivable	5	"	0.00%
		IBF Futures Co., Ltd.	3	Agent commission income	60	"	0.00%
		IBF Futures Co., Ltd.	3	Other operating revenue	60,119	"	0.59%
		IBF Futures Co., Ltd.	3	Accounts receivable, futures	4,055	"	0.00%
		IBF Futures Co., Ltd.	3	Rental income	1,983	"	0.02%
		IBF Futures Co., Ltd.	3	Other gains and losses	827	"	0.01%
		IBF Futures Co., Ltd.	3	Brokerage fee	458	"	0.00%
		IBF Futures Co., Ltd.	3	Financial income	43	"	0.00%
		IBF Futures Co., Ltd.	3	Accounts payable	712	"	0.00%
		IBF Futures Co., Ltd.	3	Service fee of settlement	11,262	"	0.11%
		IBF Futures Co., Ltd.	3	Other operating expenses	189	"	0.00%
		IBF Securities Investment Consulting Co., Ltd.	3	Other operating expenses	54,836	"	0.54%
		IBF Securities Investment Consulting Co., Ltd.	3	Other payables	7,219	"	0.00%
		IBF Securities Investment Consulting Co., Ltd.	3	Other receivables	120	"	0.00%
		IBF Securities Venture Capital Co., Ltd.	3	Other gains and losses	141	"	0.00%
		IBF Securities Venture Capital Co., Ltd.	3	Rental income	151	"	0.00%
3	IBF Future Co., Ltd.	IBF Securities Co., Ltd.	3	Customer margin deposits / futures traders' equity	936,979	"	0.27%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

14. DISCLOSURE OF FINANCIAL INFORMATION BY SEGMENTS

(1) General information

The Group has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker (CODM) that are used to make strategic decisions, and no significant change was made during the period.

The CODM considers the business from a subsidiary perspective. The Group's major subsidiaries are bills finance companies and securities firm.

Except for bills finance companies and securities firm, the remaining subsidiaries do not meet the quantitative thresholds required by IFRS 8 for reportable segments, therefore, the operating results are combined and expressed in 'other operating segments'.

(2) Measurement of segment information:

The CODM evaluates the performance of the operating segments based on subsidiaries' profit, net of tax.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the CODM for the reportable segments of the years ended December 31, 2021 and 2020 is as follows:

Year ended December 31, 2021					
	Bills finance companies	Securities firm	Others	Adjustments and write-offs	Total
Profit (loss) after tax	\$ 2,949,803	\$ 1,744,001	\$ 171,067	(\$ 259,821)	\$ 4,605,050
Year ended December 31, 2020					
	Bills finance companies	Securities firm	Others	Adjustments and write-offs	Total
Profit (loss) after tax	\$ 2,781,183	\$ 1,170,691	(\$ 100,297)	(\$ 116,658)	\$ 3,734,919

A. External revenue accounts for more than 90% of the Group's revenue.

B. Assets and liabilities of the reportable segments are not disclosed as they are not provided by the CODM.

(4) Information on products and services

The Group's reportable segment was classified based on product and service perspective, and general information as well as product and service types have been disclosed. No additional disclosure for revenue information on products and services was applicable.

(5) Geographical information

The Group's revenue arising from overseas single external customer was not material, therefore, no information was disclosed.

(6) Major customer information

The Group has no major customer whose sales are over 10% of the Group's total revenue, therefore, no information was disclosed.

Branches of Subsidiaries

International Bills Finance Corporation

Head Office	104	8-10F., No. 128, Lequn 3rd Rd., Zhongshan Dist., Taipei City	(02)2518-1688
Kaohsiung Branch	801	2F-1, No. 396, Qixian 2 nd Rd., Kaohsiung City	(07)282-1182
Taichung Branch	403	16F, No. 101, Sec. 1, Ziyou Rd., Taichung City	(04)2220-2181
Tainan Branch	700	14F, No. 457, Chenggong Rd., Tainan City	(06)228-0121
Taipei Branch	114	13F-1, No. 413, Ruiguang Rd., Neihu Dist., Taipei City	(02)8797-3311
Taoyuan Branch	330	10F, No. 286, Sec. 3, Sanmin Rd., Taoyuan Dist., Taoyuan City	(03)332-7172
Banqiao Branch	220	4F, No. 33, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City	(02)2959-9001
Zhongshan Branch	104	8F, No. 48, Minquan W. Rd., Taipei City	(02)2522-1989
Hsinchu Branch	300	11F, No. 168, Beida Rd., Hsinchu City	(03)521-8161

IBF Securities Co., Ltd.

Head Office	105	5F., No. 128, Lequn 3rd Rd., Zhongshan Dist., Taipei City	(02)8502-1999
Brokerage Department	103	B1F, No. 199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City	(02)2593-3888
Beitou Branch	112	2F, No. 13, Sec. 2, Beitou Rd., Beitou Dist., Taipei City	(02)2896-9268
Nangang Branch	115	B1F, No. 25, Ln. 12, Xingzhong Rd., Nangang Dist., Taipei City	(02)2653-5757
Anhe Branch	106	3,4F, No. 382, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City	(02)2755-7999
Changcheng Branch	106	4F, No. 376, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	(02)2700-8999
Bo'ai Branch	100	2F, No. 38, Bo'ai Rd., Zhongzheng Dist., Taipei City	(02)2389-9988
Dunbei Branch (Institutional Customer)	105	2F, No. 346, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City	(02)2776-0606
Nanjing Branch	105	15F, No. 188, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City	(02)2528-7799
Xinzhuang Branch	242	B1F, No. 16, Sec. 1, Zhonghua Rd., Xinzhuang Dist., New Taipei City	(02)2992-3888
Zhonghe Branch	235	3F, No. 43, Xinyi St., Zhonghe Dist., New Taipei City	(02)2946-7777
Taoyuan Branch	330	5F, No. 133, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	(03)338-1123

Nankan Branch	338	3F-1, 3F-2, No. 295, Zhongzheng Rd., Luzhu Dist. Taoyuan City	(03)311-5688
Neili Branch	320	3F, No. 125, Xingnong Rd., Zhongli Dist., Taoyuan City	(03)461-8688
Jiuding Branch	406	1F, No. 245, 1,2F, No. 245-1, Beitun Rd., Beitun Dist., Taichung City	(04)2232-1688
Zhonggang Branch	403	5F, No. 16, Sec. 2, Taiwan Blvd., West Dist., Taichung City	(04)2206-9988
Taichung Branch	407	7F, No. 1, Shizheng N. 1st Rd., Xitun Dist., Taichung City	(04)2255-3232
Changhua Branch	500	1F, No. 656, Sec. 3, Jinma Rd., Changhua City, Changhua County	(04)763-8888
Chiayi Branch	600	3,4F, No. 508, Chuiyang Rd., Chiayi City	(05)216-2888
Tainan Branch	704	5F, No. 114, Chenggong Rd., North Dist., Tainan City	(06)220-3979
Nanke Branch	744	2F, No. 1-1, Fuxing Rd., Xinshi Dist., Tainan City	(06)589-0128
North Kaohsiung Branch	811	2F, No. 77, Liwen Rd., Zuoying Dist., Kaohsiung City	(07)558-1777
Zhongzheng Branch	801	1F, No. 213, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City	(07)216-6166
Heping Branch	802	1F, No. 87, Heping 1st Rd., Lingya Dist., Kaohsiung City	(07)771-1111
Tianxiang Branch	807	No. 148, Tianxiang 1st Rd., Sanmin Dist., Kaohsiung City	(07)347-7111
Taitung Branch	950	2,3F, No. 560, Gengsheng Rd., Taitung City	(089)321-789

IBF Venture Capital Co., Ltd.

Head Office	104	7F., No. 126, 128, 132 Lequn 3rd Rd., Zhongshan Dist., Taipei City	(02)2528-8077

Rakuten International Commercial Bank Co., Ltd.

Head Office	104	11F., No. 433, Songjiang Rd., Zhongshan Dist., Taipei City	(02)5569-2688

IBF Financial Holdings Co., Ltd.

Chairman: Chi-Lin Wea

Notice to Readers:

This English-version annual report is a translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.



國票金融控股股份有限公司

IBF Financial Holdings Co., Ltd.

17F., No.128, Lequn 3rd Rd., Zhongshan Dist.,
Taipei 104, Taiwan (R.O.C.)

TEL:+886-2-7752-0088

FAX:+886-2-7752-0099

<https://www.ibf.com.tw>

Cover photo: IBF Financial Holdings office building in Dazhi, Taipei City