

Bank SinoPac
Statement of Internal Control System

1. On behalf of Bank SinoPac (hereinafter referred to as "BSP"), we hereby certify that during the period from January 1, 2020 to December 31, 2020, BSP has duly complied with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries in establishing its internal control system, implementing risk management, and designating an independent and detached audit unit to conduct audit, and report the audit result regularly to the Board of Directors and the Audit Committee. For the securities business in which BSP concurrently engages, the assessment items stipulated in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets were used to determine the effectiveness of the design and implementation of BSP's system of internal controls. With prudent evaluation, it is declared that, except for the items listed in the Appendix, each department of BSP has effectively implemented internal control and regulatory compliance during the stated period.
2. For the insurance agent business in which BSP concurrently engages:
 - (1) BSP determines the effectiveness of the design and implementation of its internal control system in accordance with the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies. Such Regulations stipulate items for measurement of the internal control system, which shall contain the following five components the least: A. control environment, B. risk assessment, C. control activities, D. information and communication, and E. monitoring operation.
 - (2) BSP has adopted the above-mentioned items to evaluate the design and implementation of the internal control system.
 - (3) Based on the results of the above-mentioned evaluation, it is considered that the design and implementation of the internal control system (including the soundness of the operation, the reliability of reporting and the compliance with relevant laws and regulations) during the stated period was effective and could reasonably assure the achievement of the above-mentioned goals.

3. This Statement constitutes part of BSP's annual report and prospectus, which will be disclosed publicly. Any false, concealed or illegal information therein shall be subject to liabilities prescribed in Articles 20, 32, 171 and 174 of the Securities and Exchange Act, or relevant rules prescribed in the Insurance Act.
4. This Statement has been approved by the Board of Directors of BSP on March 12, 2021.

This Statement is hereby duly submitted to the Financial Supervisory Commission for recordation.

Declarers

Chairman: CHEN Chia-Hsien

President: Eric CHUANG

Chief Auditor: CHEN Jih-Tien

Chief Compliance Officer: Josephine CHEN

March 17, 2021

Bank SinoPac
Findings and Improvement Plans for Internal Control System
As of : December 31, 2020

Findings	Improvement Plans	Target Date
<p>Punishment by the competent authority</p> <p>Bank SinoPac allowed insurance customers to purchase insurance through insurance policy loans when operating the Insurance Agent business. The insurance solicitor, the same person processing the insurance policy loans, didn't check the source of funds for premiums correctly.</p>	<p>1.Failure to indicate that the source of premium in insurance policy documents was from insurance policy loans:</p> <p>(1)Bank SinoPac has revised the "Insurance Agent Business Manual" to strengthen the control mechanism for verifying sources of premium.</p> <p>(2)Bank SinoPac has clearly stipulated that personnel from the credit department and the deposit department are not allowed to sell and refer investment-linked insurance products and insurance products with cash surrender value (excluding personal injury insurance and mortgage life insurance with an insurance period less than three years) and collect commissions, as well as implemented control over the qualifications of the insurance solicitor through the management system.</p> <p>(3)Bank SinoPac has adjusted the "Solicitation Report" by adding the option of insurance policy loan to sources of premium as one of the items that should be indicated by insurance solicitors in the "Solicitation Report."</p> <p>2.Failure to review cases which the source of premium was filled incorrectly in solicitation reports and failure to implement KYC:</p> <p>(1)Bank SinoPac has revised the "Insurance Agent Business Manual" by establishing application checks and phone interviews by Wealth Management Supervisors for applications involving specific sources of premium, in order to implement KYC.</p> <p>(2)Bank SinoPac has revised the content of the "Insurance Product Application Checklist" to check</p>	<p>Improvement items 1 to 3 have been completed.</p>

Findings	Improvement Plans	Target Date
	<p>whether customers have applied for insurance policy loans in the past three months, so as to verify customers' sources of premium, as well as strengthen efforts to learn about customers' sources of premium through account information at Bank SinoPac starting June 2020.</p> <p>(3)Bank SinoPac has added a search function for insurance policy loans/termination in the past three months to the insurance operation system, and added an automatic checking function for sources of premium starting June 2020.</p> <p>3.Training and reinforcement measures: Bank SinoPac has strengthened efforts to ensure that insurance solicitors fill out the "Solicitation Report" and refrain from engaging in any conduct prohibited in the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises." Moreover, Bank SinoPac has implemented subsequent checks on sources of premium starting July 2020.</p>	