

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, 2021 to December 31, 2021, 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. In addition, BSP has duly complied with Article 38, Subparagraph 5 and Article 38-1 of the aforementioned Implementation Rules, as well as the Self-Disciplinary Regulations Governing Information Security Stipulated by the trade association.
2. 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; for the insurance agent business in which BSP concurrently engages, the assessment items stipulated in the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies were used to determine the effectiveness of the design and implementation of BSP's system of internal controls.
3. With prudent evaluation, it is declared that, except for the items listed in the Appendix, each department of BSP has effectively implemented internal control, regulatory compliance and entire information security during the stated period.
4. 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.
5. This Statement has been approved by the Board of Directors of BSP on March 11, 2022.

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

Chief Information Security Officer: Sean LEE

March 17 , 2022

Bank SinoPac
Findings and Improvement Plans for Internal Control System

As of : December 31, 2021

Findings	Improvement Plans	Target Date
<p>I. Punishment by the competent authority.</p> <p>Former bank clerk at a branch of Bank SinoPac was suspected of misappropriating customers' deposits and having abnormal dealings with customers.</p>	<p>1. Strengthen the identity verification of accounts opened outside the business premises and the confirmation of document delivery:</p> <p>Bank SinoPac will revise the procedure of account opening in the "operation manual" for strengthening the dual control mechanism in the identity verification of accounts opened outside the business premises and the document delivery.</p> <p>2. Strengthen the inspection mechanism of system monitoring:</p> <p>(1) Bank SinoPac will strengthen the inspection function of "Transaction Review System of the Employees' Accounts".</p> <p>(2) Bank SinoPac will optimize the mechanisms of monitoring on the source of loan repayment.</p> <p>3. Continue to enhance employees' awareness of compliance:</p> <p>Bank SinoPac will amend the "Directions Governing Employee Services and Conducts" to regulate that employees shall not have any improper financial transactions with suppliers, customers, or other employees, such as private financing or loans. Also, Bank SinoPac would conduct quarterly training courses on the aforementioned Directions, conduct annual tests on employees, and require employees to sign a declaration of compliance.</p>	<p>1. The improvement item has been completed.</p> <p>2.</p> <p>(1) The improvement is expected to be completed before June 30, 2022.</p> <p>(2) The improvement item has been completed.</p> <p>3. The improvement item has been completed.</p>
<p>II. The misselling of</p>	<p>1. Enforce the duty of the management:</p>	<p>Improvement items 1 to 5</p>

Findings	Improvement Plans	Target Date
<p>mortgage life insurance.</p>	<p>Bank SinoPac will conduct 30 hours of regulatory training related to mortgage life insurance deficiencies for the management team.</p> <p>2. Amend the internal regulations:</p> <p>(1) Bank SinoPac will amend the "Operation Manual of Sales Call for Mortgage Loan and Insurance," adjust the time of sales call before sending to insurance companies for underwriting, and adjust the questions for sales call and the mechanisms for abnormal calls.</p> <p>(2) Bank SinoPac will amend the "Guidelines for Sales and Service Discipline Assessment" to add disciplinary actions for misconduct.</p> <p>(3) Bank SinoPac will amend the workpaper of self-inspection to add sales call review items and review manual inside.</p> <p>3. Bank SinoPac will include the abnormal sales behaviors in the business risk detection indicators and cases of abnormal calls in the compliance risk warning indicators.</p> <p>4. Internal audit:</p> <p>To be in line with the improvement of the internal control mechanism of mortgage life insurance, Bank SinoPac will strengthen internal control checking measures and revise the review workpapers, sampling standards, and manuals.</p> <p>5. Strengthen employees' awareness of compliance:</p> <p>Bank SinoPac will provide trainings and case studies to branch employees on mortgage life insurance sales regulations and proper sales behaviors. In 2021, the regulations related to the sale of financial products have been</p>	<p>have been completed.</p>

Findings	Improvement Plans	Target Date
	included in the bank-wide training.	
<p>III. Inducing customers to purchase financial products through debt financing.</p>	<p>1. Bank SinoPac will implement the following measures to prevent wealth management personnel from inducing customers to purchase financial products by loans.</p> <p>(1) Strengthen the post-sales calls for wealth management products: Bank SinoPac will formulate the "Operation Manual of Post-sales Calls for Loan Customers Subscribing for Trust Wealth Management/Structured Products" and amend the "Sales-calls Operation of Sources of Funds of Specific Insurance Premium".</p> <p>(2) Bank SinoPac will strengthen the review mechanism of training materials.</p> <p>2. Implement KYC procedures: To adjust the content of the financial status form and add a verification mechanism by the product supervisor.</p> <p>3. Implement channel management: Bank SinoPac will adjust the annual channel incentive program and the "Business Cooperation Incentive Program for Sales", establish the principle of sales and performance review for products for elderly customers, and cancel the profit sharing resulted from referral by wealth management personnel.</p> <p>4. Adjust the mechanisms for the rotation of wealth management personnel and the transfer of customers: (1) Revise the "Directions Governing the Management of Wealth Management Personnel" to limit the number of customers transferred.</p>	<p>Improvement items 1 to 3 have been completed.</p> <p>4.</p> <p>(1) The improvement item has been completed.</p> <p>(2) The improvement is expected to be completed before March 31, 2022.</p>

Findings	Improvement Plans	Target Date
	(2) Accelerate the rotation.	
<p>IV. Declaration in the 2021 "Statement of Anti-money Laundering and Countering Terrorism Financing Internal Control System"</p> <p>1. When the cash received from customers was deposited into the automatic deposit machine at a specific branch, cash transactions above a certain amount were not reported to the Investigation Bureau at the Ministry of Justice.</p> <p>2. It has been found in the credit card applications by card acquiring businesses or institutional customers that EDD and identification of beneficial owners were not implemented in some cases.</p>	<p>The branch has completed the reporting process and enhanced employees' training to reiterate the internal and external regulations for reporting cash transactions above a certain amount and cease to provide services of receiving cash for customers outside the business premises.</p> <p>1. Business units in charge of card acquiring and issuing have ratified documents in relevant cases and conducted internal training for colleagues.</p> <p>2. To convey the key execution points and importance of identification of beneficial owners and customer due diligence to all employees through significant matters to be communicated and at the operations managers' meeting.</p> <p>3. To include "Customer Due Diligence" and "Identification of Beneficial Owners" into key inspection items in AML compliance inspections and strengthen the review and supervision over branches and business units from 2022; any discovering of a failure to implement will lead to an increased point deduction.</p>	<p>The improvement items have all been completed.</p>