

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, 2022 to December 31, 2022, 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 an audit, and report the audit result regularly to the Board of Directors and 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 8,2023.

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

Declarers

Chairman: TSAO, Wei-Thyr

President: Eric CHUANG

Chief Auditor: Jih-tien CHEN

Chief Compliance Officer: Shun-hsing LIAO

Chief Information Security Officer: Sean LEE

March 8, 2023

Plans for improving Internal Control System of Bank SinoPac  
(As of December 31, 2022)

Findings	Improvement Plans	Target date
I. Enforcement imposed by competent authorities: Former managers and current employees have engaged in irregular fund transactions with customers, have not adequately avoided or maintained a clear separation from the credit extension in which they have conflicts of interest, and have not verified and reported the information of interested parties.	<ol style="list-style-type: none"> <li>1. Strengthened the inspections on account transactions of employees.</li> <li>2. Created a new warning function in the system to avoid conflicts of interest and included such an item in the regular self-assessments.</li> <li>3. Established a regular investigation on the interested party information database to ensure data integrity.</li> </ol>	Completed.
II. Enforcement imposed by competent authorities: Although the telemarketing cooperation contract was signed between the insurance company and the insurance agent in which the bank concurrently engaged. Yet, the bank charged the insurance company the brokerage commission without actual solicitation.	<ol style="list-style-type: none"> <li>1. Terminated telemarketing cooperation contract with the insurance company.</li> <li>2. Continuing to disseminate essential laws and regulations concerning possible violations to reinforce compliance awareness.</li> </ol>	Completed.
III. Enforcement imposed by competent authorities: Inducing customers to borrow money to purchase wealth management products, improper handling of life insurance tie-in with mortgage products, and mis-selling in insurance via insurance agent channel.	<ol style="list-style-type: none"> <li>1. Established a bank-wide policy and workflow for a consistent definition of the qualification of professional investors.</li> <li>2. Strengthened sources of funds verification for purchasing financial products and the phone interview mechanism.</li> <li>3. Strengthened the review process regarding training materials for financial products and customer briefing sessions.</li> <li>4. Adjusted the rotation mechanism for relationship managers.</li> <li>5. Adjusted compliance risk warning indicators</li> </ol>	Completed.

	<p>and operations in respect of notification of higher risk signals to senior management.</p> <p>6. Established the 1.5 lines of defense of compliance.</p>	
<p>IV. Enforcement imposed by competent authorities: Deficiencies were found in applying for loans for elderly customers without adequately implementing the Know-Your-Customer (KYC) process.</p>	<p>1. Revised credit extension standards, and carefully evaluated the loan purpose and repayment ability toward elderly customers.</p> <p>2. Strengthened controls for credit checking and extension to prevent the loan from being applied by an unauthorized third party.</p> <p>3. Optimized the system to track and verify the fund flow effectively.</p>	Completed.