

Bank SinoPac  
Statement of Internal Control System

1. On behalf of Bank SinoPac (hereinafter referred to as “BSP”), we hereby declare that during the period from January 1, 2023 to December 31, 2023, 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 work, and report the audit results 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, BSP’s internal control system, regulatory compliance and overall information security mechanism were effectively implemented during the stated period.
4. This Statement shall constitute an integral part of BSP’s annual report and prospectus, which will be disclosed publicly. Any false or concealed in its material contents 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 6, 2024.

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: Ariel KAO

Chief Information Security Officer: Sean LEE

March 6, 2024

Plans for improving Internal Control System of Bank SinoPac  
(As of December 31, 2023)

Findings	Improvement Plans	Target date
<p>I. Instances of disciplinary action taken by the competent authority.</p> <p>The established procedure of solely documenting the principal received from offshore clients for structured product transactions in the OBU balance sheet, while disregarding the residual amount, has resulted in inaccurate accounting treatment. The existing reconciliation and verification system is not yet perfect, resulting in a delay in the identification of accounting processing errors.</p>	<ol style="list-style-type: none"> <li>1. Rectifications of relevant accounting entries have been certified by Accountant. It has been concluded that there has been no substantial effect on the OBU financial statements, eliminating the need for the recompilation of the pertinent financial reports.</li> <li>2. Revised internal manuals and forms and implemented a system mechanism to prevent errors.</li> <li>3. Strengthened the education and training of operational staff and agents who are in charge of managing the accounting of structured products and associated business operations.</li> <li>4. Revised internal audit working papers to improve the verification and review of mechanisms related to improvement measures.</li> </ol>	Completed.
<p>II. Instances of disciplinary action taken by the competent authority.</p> <p>Violations of the Financial Consumer Protection Act and relevant provisions of the Insurance Act have occurred in the conduct of insurance agent business.</p>	<ol style="list-style-type: none"> <li>1. Revised internal regulations to align with external regulations.</li> <li>2. Implemented a horizontal communication mechanism to adjust risk levels between investment products and insurance products.</li> <li>3. Conducted a comprehensive investigation and telephone interviews with customers to effectively communicate and explain the necessary measures to protect their rights and interests.</li> <li>4. Implemented a dedicated post-check</li> </ol>	Completed.

	<p>mechanism for certain premium source of fund and strengthened the control and verification process for premium sources that involve loans or policy cancellations during telephone interviews.</p> <p>5. Revised the evaluation criteria for rewarding sales personnel.</p>	
<p>III. Instances of disciplinary action taken by the competent authority. Deficiencies in proper management and administration.</p>	<ol style="list-style-type: none"> <li>1. SinoPac Holdings has engaged in communication with the directors, senior executives, responsible units, audit personnel, and other individuals involved in shareholder communication for both the Financial Holding Company and its subsidiaries, including Bank SinoPac. They have actively promoted compliance with relevant laws and regulations, such as the Corporate Governance Best-Practice Principles for Financial Holding Companies, as well as internal regulations within SinoPac Holdings.</li> <li>2. The Audit division has developed internal audit working papers and overseen business units in creating their own self-inspection working papers, in compliance with the internal regulations of SinoPac Holdings. This was a key audit focus for the year 2023 and continues to be implemented.</li> <li>3. From 2024 onwards, the Compliance Division will regularly distribute pertinent regulations on corporate governance to supervisors at the division level and above. This will effectively strengthen compliance with banking laws and regulations and increase awareness of corporate governance among bank personnel.</li> <li>4. The Guideline for Managing Employee Access to Litigation Data has been</li> </ol>	<p>Completed.</p>

	<p>established to outline the procedures for employees involved in litigation to access relevant data from Bank SinoPac for legal purposes. This is done to ensure that employees comply with the necessary regulations.</p>	
<p>IV. Deficiencies found in full-scope examination by the FSC.</p> <p>(I) There were deficiencies in the management and investment procedures for company-owned real estate.</p> <p>(II) In response to the correspondence received from the law enforcement agencies concerning potential fraud cases or transaction alerts generated by the AML transaction monitoring system, there appears to be insufficient gathering of customer background information and understanding of sources and destinations of funds. There is also a lack of analysis on linkage between related parties and reasonableness of transactions to complete a comprehensive evaluation of potential money laundering activities and the</p>	<p>(I) Addressing deficiencies in the management and investment procedures for company-owned real estate:</p> <ol style="list-style-type: none"> <li>1. All cases have been rectified.</li> <li>2. Updated forms are employed to confirm the specific area and usage units for business and non-business office spaces.</li> <li>3. Perform monthly calculations and manage the proportion of properties for internal use. Furthermore, Bank SinoPac creates and oversees a disposal plan for real estate properties that surpass the requirements for internal use.</li> </ol> <p>(II) To enhance the transaction monitoring and suspicious activities reporting mechanism, Bank SinoPac has implemented a third-party review mechanism for unreported cases and revised the operational procedures for the ongoing reporting STRs. These modifications were put into effect in February and March of 2023. The updated operation manual was released in March 2023. A specialized training program for the staff of AML Center was conducted on June 15, 2023. The training was designed to improve their ability to analyze transactions, make judgments, as well as to establish procedures for maintaining comprehensive investigation records.</p>	<p>Completed.</p>

subsequent reporting of such activities as required by regulations.		
V. Critical internal audit finding. Three branches were found missing to file CTRs to the Investigation Bureau, Ministry of Justice as required by regulations.	CTRs filing of the said transactions were completed in July 2023. 2 training sessions to reiterate the correct procedures in handling CTR were conducted in September and October 2023 respectively.	Completed.